



29 Aug 2014

RESTAURANT GROUP (RTN): 659p H1 Numbers; 26w to 29 Jun 2014

Group has 'delivered another record set of results' and 'is in great shape...'

Year to end-Dec	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2013 (A)	72.7	28.0	23.5	14.0	2.1
2014 (E)	80.5	30.5	21.6	15.7	2.4
2015 (E)	89.8	34.2	19.3	17.0	2.6

Source: Company & Broker Estimates

H1 numbers for the 29w to 29 Jun 2014:

The Numbers:

The Restaurant Group has this morning reported H1 numbers (26w) to 29 June and our comments are set out below:

- Restaurant Group has reported that it achieved a 10% increase in revenues for the H1 to £308m
- LfL sales were up by 2.5% in the H1, operating margin was up by 20bps and EBITDA was some 13.5% higher at £53.5m
- PBT is up by 12.3%, EPS is some 15% higher at 12.8p and a H1 dividend of 6.1p (up 16%) is being proposed
- As at w19, LfL sales were up by 4.00% implying a significant slowdown to perhaps minus 1.5% in the last seven weeks of H1
- The group, however, reports cumulative w34 sales are up 3.5% LfL implying around 6.75% in the first 8w of H2 and recent trends have been as follows:

Tab.1. Restaurant Group Recent LfL Sales' Trends:

Period	LfL (%)
H1 – 2010	-0.50
FY – 2010	-1.00
H1 – 2011	+3.00
FY – 2011	+3.25
H1 – 2012	+3.25
FY – 2012	+4.50

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Market Cap: £1.3bn
12m range 520p – 712p

H1 – 2013	+5.00
FY - 2013	+3.50
First 8w 2014	+3.50
First 19w 2014	+4.00
H1 - 2014	+2.50
First 34w 2014	+3.50

Source: Company Reports

Other Key Features:

- As at w19, Restaurant Group had opened some 15 new restaurants and it opened 17 during H1 as a whole
- Group says it is accelerating development and should open between 38 and 43 new sites this year (was 36 to 43)
- Bank debt at year end rose only marginally, to £29.3m, from £27.1 m last year

Current Trading & Outlook:

- RTN says that it has seen 'continued strong trading' in H2, LfL sales have picked up and it concludes 'the board is confident of another year of good progress in 2014'
- Outgoing CEO Andrew Page reports 'these results reflect the hard work and efforts of all of the TRG team' and says that he is leaving RTN 'in great shape'
- Incoming CEO Danny Breithaupt reports the group 'has a clear strategy, successful brands and a great team of people' and says 'I am looking forward to building on this and leading the Company through its next phase of development'

Langton Comment: Restaurant Group had updated as far as w19 at the time of its AGM on 15 May and today's numbers suggest that trading slipped in the last 7w of H1.

This may have been due to the start of the World Cup and good weather but both of the above continued into July and RTN's figures (as mentioned above) picked up sharply in the first 8w of H2.

Much rests on the continued roll-out of Frankie & Benny's and on the performance of new brand, Coast to Coast, but RTN is clearly performing well.

However, with the group set to earn perhaps £80.5m in the current year giving around 30.5p in EPS. Therefore RTN's shares trade on a multiple of around 21.6x this year's earnings, falling to perhaps 19.3x 2015.

The group's shares should yield around 2.4% this year and perhaps 2.6% next suggesting that, when compared with other operators, its shares are not cheap. As mentioned previously, whilst the group maintains that Coast to Coast will be rolled out and that the rate of openings will increase, this multiple suggests that the shares, which are not asset backed, are somewhat expensive compared with the likes of Marston's, Greene King and Mitchells & Butlers.

This has, however, been the case for some time and the group understandably has a loyal shareholder base. Nonetheless, to arrive at the situation afresh might not prompt non-holders to buy and, with that in mind, it may make sense to lock in some profits at these share price levels.



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