



6 September 2011

Leisure: Whitbread (WTB): 1457p H1 trading update, 24w to 18 August

Whitbread has this morning updated on trading for its Q2 (11w to 18 August) and for the 24w to that date and our comments are set out below:

- Whitbread has this morning updated on trading for the 24w to 18 August saying that the group 'traded strongly in the second quarter'
- Premier Inn turned in Q2 LfL sales up 7.1% (24w +5.0%), Restaurants were minus 1.6% (24w minus 1.5%) and Costa was +9.7% (24w +6.6%)
- LfL sales across the group were +4.8% in Q2 (+3.2% in H1). Whitbread maintains it is 'one of the fastest growing consumer facing companies in the FTSE100 and trends are show below:

	Premier Inn LfL % sales	Pub restaurants LfL % sales	Costa Coffee LfL % sales
Q1 (09/10)	-7.9	+2.0	+2.6
H1 (09/10)	-7.5	+1.8	+2.5
Q3 (09/10)	-3.1	+2.3	+6.7
Q4 (09/10)	+1.7	+1.5	+9.4
Q1 (10/11)	+10.5	+3.6	+8.5
H1 (to 2 Sept)	+10.1	+4.2	+8.5
Q3 to Dec 10	+8.7	+1.5	+11.0
FY 10/11	+8.6	+3.3	+7.8
Q1 (11/12)	+3.0	-1.4	+4.0
Q2 (11/12)	+7.1	-1.6	+9.7

Source: Whitbread.

- **Hotels & Restaurants** - Premier Inn performed well. LfL sales are given above and total sales increased by 12.5% in Q2 but 'trading in our restaurants continues to be challenging'
- Premier Inn increased room nights sold by 6.6%, rate rose by 3.4%, occupancy was +0.3ppts and REVPAR rose by 4.3%
- London's LfL REVPAR rose by 11.4% whilst that in the provinces was +2.9%; some 4,000 new rooms are targeted for the year with 1,368 opened in H1
- Restaurants were tougher & consumers are said to be 'particularly price sensitive'
- **Costa** – Costa increased total sales by 22.8% with 145 new stores opened and a target of 300 for the full year
- Some 155 Costa Express units are now trading and the rebranding of the remaining 760 Coffee Nation units is on-going
- **Balance sheet** – The financial position remains 'strong', the group has sold & leased back seven properties (for £53.8m) in H1
- The group has announced today the private placement of £156.4m of 7 & 10 year debt at rates of between 4.3% & 5.2%

Langcap view: Whitbread remains a quality company and has reassured that trading has picked up between Q1 and Q2. Certainly the outlook remains

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uncertain but Premier Inn and Costa are delivering and both have potential overseas, meaning that the group's premium rating compared with its UK peers is, in our opinion, largely justified. Estimates for the current year sit around 127p suggesting that the group's shares trade at less than 11.5x current year earnings, falling to perhaps 10.2x next. This remains a shade higher than most leisure companies but Whitbread is asset backed and relatively lowly geared. The rating is lower than has been the norm for Whitbread recently and is hardly expensive.

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