

11 December 2012

Leisure: Whitbread (WTB): 2428p Q3 IMS: Analysts' Conference Call

Following its Q3 IMS this morning, Whitbread hosted a conference call for analysts at which the main points to emerge are set out below:

- **Premier Inn:**
 1. Premier will add c4,300 rooms this FY.
 2. Dynamic pricing is still being run out in London; this is not yet as automated as it is in the UK regions
 3. Extensions have helped sales by c1%
 4. The gap between PI and Travelodge's product quality is continuing to widen
 5. Over quarter, occupancy slightly down & room rates up by c2%
 6. London is now c20% of room sales and rising – 11% of rooms are in London
 7. Room rate in London just under £80 and in the regions it is just over £40
 8. Target is that PI outperforms market in terms of REVPAR by 'a point or two'
 9. Forward bookings? Reasonable visibility to New Year and 'nothing in there to cause concern' but very limited visibility thereafter
- **Restaurants:**
 1. Spend per head? Selective price increases are holding. Some 'menu adjustments' have also helped to increase spend per head.
 2. Covers were up by c1% in Q3, a material slowdown. Group is now rolling over opening of Buffet Place
- **Costa:**
 1. Rate of expansion has slowed very slightly but this is simply a function of site availability
 2. Negative press re Starbucks helped? Strong momentum has continued and this can't be disaggregated. Costa is doing very well on its own without predatory advertising etc.
 3. China? 'We're still making really good progress' and LfL growth is still 'comfortably into double-digit growth'
 4. Volume via your machines? Strong growth.
 5. Targets for Costa Express? It is well ahead of target. Have cracked forecourts but will consider corporate clients and international opportunities
- **General Trading:**
 1. No change to view that trading is set to remain challenging.
 2. Have LfLs been trending down? Andy Harrison says it would be incorrect to call a trend. Margins are being maintained and the company is growing its estate – both to the benefit of shareholders.
 3. The 'shape' of the quarter? Nothing to be discerned from such micro-analysis.
 4. Inflation of 2.5% to 3% is what the group is anticipating. The group is seeking to offset a proportion via efficiencies.
- **General comment:**

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1. The group's five-year growth targets were put in place two years ago; at the end of the FY these may be extended

Langcap view: Whitbread is in a fortunate position at the moment in that its major competitors in both of its main markets (Travelodge and Starbucks) are at the moment in either some financial distress or bad odor.

However, the group has chosen not to major on this as it has no need to. PI has been outperforming both the market and the budget sector and Costa continues to both grow in absolute terms and it is taking market share.

Growth has slowed slightly but, given comps and the vagaries of short term performances it would appear that the company remains on track. It will hit forecasts and, though its shares are not cheap, it remains an extremely well-positioned and financed company.

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