

26 February 2013

Leisure: Whitbread (WTB): 2563p Q4 IMS: 11w period to 14 Feb 2013

Whitbread has this morning updated on trading for its Q4 being the 11w period to 14 February 2013 and our comments are set out below:

- Whitbread has this morning updated on Q4 trading saying that it is 'on track to deliver full year results in line with expectations'
- Whitbread is registering 'double digit sales growth'. Total LfL sales in Q4 were up 2.7% but were 'slightly suppressed by adverse weather conditions in January'.
- The group last updated on 11 December and recent trends are shown below:

	Premier Inn LfL % sales	Pub restaurants LfL % sales	Costa Coffee LfL % sales
H1 (09/10)	-7.5	+1.8	+2.5
H1 (to 2 Sept)	+10.1	+4.2	+8.5
FY 10/11	+8.6	+3.3	+7.8
Q1 (11/12)	+3.0	-1.4	+4.0
Q2 w24 (11/12)	+7.1	-1.6	+9.7
Q3	+2.6	+1.1	+3.8
Q4*	-0.9	+2.2	+6.2
FY (11/12)	+3.2	-0.2	+5.5
Q1 (12/13)	+4.3	+2.1	+8.4
Q2 (11w to 18 Aug)	+3.2	+4.9	+5.7
Q3	+2.5	+1.9	+7.1
11w to 14 Feb	+2.9	+0.2	+5.5
50w to date	+3.2	+2.3	+6.6

Source: Whitbread.

- **Premier Inn** – Premier Inn increased LfL sales by 2.9%; this is broadly in line with Q2 (+3.2%) and Q3 (+2.5%)
 1. Total sales were up by 14.1% and the group was said to be taking market share
 2. REVPAR in Q4 on a LfL basis was up by 0.7% and for the year to date was up by 1.6% (occupancy up 1.1% and rate up by 0.1%)
 3. Some 4,300 rooms should be opened in the year
- **Restaurants** – These delivered covers growth of 5.5% and LfL growth in the quarter and in the year to date was 0.2% and 3.0% respectively
 1. Christmas trading was strong but the snow impacted sales in January
 2. Ten joint-site restaurants should open in this FY
 3. The group updates that it was 'dismayed by the discovery of equine DNA' in two products and it is taking 'a wide range of actions' to ensure quality going forward
- **Costa** – Costa increased LfL sales by 5.5% in the quarter and by 6.6% to date
 1. Total system sales were up by 22.4% in the 50 weeks to 14 Feb
 2. The market in EMEI 'was robust with system sales growing by 11.7%

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3. Sales in Asis grew by 71.7% to £45.7m
 4. Some 320 net new stores will open worldwide along with 1,300 Costa Express units in the current financial year
 5. In FY14, the group intends to open around 500 stores worldwide and add a further 500 Costa Express machines
- **Balance sheet** –Whitbread says ‘the strong financial position of the group remains unchanged’
 - **General comment** – CEO Andy Harrison concludes ‘Whitbread has again delivered outstanding organic growth in a flat consumer market’.
 1. He says results are ‘in line with expectations’ and concludes ‘we shall continue to deliver good organic growth and are on track to achieve our 2016 growth milestones’

Langcap view: Whitbread has reassured that growth has continued through the poor weather in January and that, overall, results to end-February will be in line with expectations.

The group had flagged up in October that growth was moderating (and it did) but Q4 shows a pick up at both the group’s hotels and restaurants.

The group is still outperforming a tough market in both business segments although comps have become more challenging.

The year as a whole (to Feb 2013), due to the events (Jubilee, football, Olympics, weather) remains rather atypical but forecasts will not be materially changed on the back of this morning’s announcement.

Whitbread should generate around £349m in profits this year and earn in the region of 149p per share. A dividend of around 56.5p should be payable for the year as a whole, suggesting that the group’s shares trade on a multiple 17.2x earnings and offer a dividend yield of around 2.2%.

For the FY about to start, these should move to around 15.3x and 2.4% suggesting that the group’s shares trade at a material premium to those of other, asset backed leisure companies.

Whitbread possesses an enviable balance sheet and significant brands with significant overseas potential but its shares may appear fully-priced in the short term. The group will host a conference call for analysts at 8am this morning.

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