

6 Nov 2013

**UK LEISURE: Whitbread (WTB): 3459p
Costa Finance Director Leaves Company**

Year to end-Feb	PBT (£m)	EPS * (p)	PER (x)	DPS (p)	Yi (p)
2013 (A)	355.3	141.6	24.4	57.4	
2014 (E)	390.0	167.4	20.7	62.8	
2015 (E)	435.8	187.3	18.5	69.8	

*Normalised, Source: Company & Broker Estimates, Market Cap: £6.3bn

Costa FD to become CFO at Money Supermarket (MONY):

Money Supermarket has this morning announced that, following its 31 July announcement that its CFO was to step down (he gave 10 months' notice), the group has announced that it has sourced a successor. The group is to appoint Matthew Price, currently FD at Costa Coffee, to the role and further details are outlined below:

- Matthew Price (currently FD at Costa) will be appointed an Executive Director of Money Supermarket 'in the first quarter of 2014'
- He will assume the role of CFO (Money Supermarket) 'following a handover period' and a further announcement will be made when dates are more certain
- Money Supermarket says 'at Costa Coffee, Matthew led its strategy and acquisition activities' and says 'he is currently a director of a number of Costa Coffee companies'
- What does this imply for a Costa IPO or sale?
 - It would be unusual but not unknown to see executive directors of a subsidiary resign just prior to an IPO
 - The departure does not, therefore, in our opinion shorten the odds on a Costa IPO short term
 - Nor does it leave the odds, to a person willing to state a view, unchanged – rather it lengthens them

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- Whitbread's shares have risen by around 16% in three weeks, partly on renewed (perennial) stories that a Costa IPO was likely
- This may (and indeed probably will) happen over time but it is, in light of today's news, perhaps a little less rather than more likely in the short term

Langton View: Whitbread is an excellent company, which is trading well. It has, however, cautioned that competition from a resurgent (or at least less distracted) Travelodge will impact trading and it has been buoyed recently by Costa demerger stories.

The group's shares have considerably more than doubled over the last two years and Whitbread remains something of a conundrum in that it has overseas potential in both Premier Inn and Costa and growth may not, therefore, be constrained in terms of either trading or valuation in the same way that it is with several other operators.

However, Whitbread's shares are hitting new highs and are arguably getting up with events. Their rating (c21x current year earnings with a sub-2% yield) does perhaps leave the group's relatively highly-rated shares vulnerable to the occasional setback and some holders may be incentivised by today's news to take some profits.

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