



29 April 2014

WHITBREAD (WTB): 4061p Full year numbers to 27 Feb 2014

Group reports 'double digit growth in revenue, profit & dividend...'

Year to end-Feb	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2013 (A)	355.3	141.6	28.7	57.4	1.4
2014 (E)	400.0	172.0	23.6	63.2	1.5
2015 (E)	454.0	194.5	20.9	70.4	1.7

Source: Company & Broker Estimates

Full Year Results to 27 February 2014:

Whitbread has this morning reported full year numbers for the year to 27 February 2014 and our comments are set out below:

The Headline Numbers:

- Whitbread has reported that total revenues rose by 13.0% to £2.29bn with LfL sales up by 4.2% across the group
- Underlying PBT is up by 16.5% at £411.8m (materially higher than estimates) with underlying EPS up by 20.1% at 179.0p and a full year dividend of 68.8p compared with the 57.4p paid last year
- The group reports 'strong cash flow from operations' with year end debt down by £79.5m at £391.6m

Premier Inn:

- Total sales at Premier Inn rose by 13.4% and LfL sales were up by 5.0% - they had been up by 4.7% at w50
- The division 'continues to win market share through organic growth' and some 23 new hotels were opened during the year
- The group now operates 672 hotels and says 'we are investing in our brands to further reinforce our competitive advantage'
- London was strong and WTB says 'we continued to win market share' and 'the London market is a key focus'
- Internationally, the strategy remains 'to build PI in selected international markets' and the group will favour an asset-light model

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Market Cap: £7.4bn
12m range 2450p 4500p

Pub Restaurants:

- Pub Restaurants reported total sales up by 3.9% for the year and LfL sales up by 1.6%
- Some eight new restaurants were opened during the year and the group says 'restaurants delivered a much better H2 performance'
- WTB says it outperformed the Peach Tracker outside the M25

Costa Coffee – accelerating growth:

- Costa produced 'another excellent performance' with total sales up by 20.1% and LfL sales up by 5.7% (up 5.8% at w50)
- UK retail sales were up by 16.5% with LfL sales up by 5.7%, 'mainly as a result of a 5.0% growth in transactions per store'
- Costa Enterprises had a 'very successful year' with system sales up by 22.0% and 955 new Express machines added to the estate
- Costa EMEI 'had a mixed performance' with total sales up 10.6% and LfL sales up by 1.4%. The business did well in the Middle East & Ireland but Poland was tough
- Costa Asia 'remains an exciting opportunity' with 73 new stores opened during the period. Recent sales trends are shown below:

- **Tab.1. Whitbread's Sales Trends:**

Period	Premier Inn LfL sales	Restaurants' LfL sales	Costa Coffee LfL sales
	(%)	%	%
H1 09/10	-7.5	+1.8	+2.5
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
FY 11/12	+3.2	-0.2	+5.5
Q1 12/13	+4.3	+2.1	+8.4
Q2 12/13	+3.2	+4.9	+5.7
FY 12/13	+3.1		+6.8
Q1 13/14	+2.7	+0.0	+8.0
H1 13/14	+3.3	-0.1	+5.5
Q3 13/14	+5.4	+1.8	+4.9
Q4 13/14	+8.3	+4.4	+7.3
FY 13/14	+5.0	+1.6	+5.7
Current trading			
'positive'			

Source: Company Reports

Other:

- Whitbread says 'we had a strong finish to last year' and says 'the first two months of the new financial year have started positively'
- It says that very recent trading has been aided by soft comps & cautions that these 'will become tougher as we move into the second half of this year'

- The Group remains in a strong financial position with healthy cash flow and debt down

Langton Comment: Trading at Whitbread has picked up in H2 and the group has beaten forecasts. It has started the current year well but cautions that comp will become tougher.

Overall, the group is therefore performing strongly and it looks to be set to deliver more but its shares are not cheap.

Shares changed hands at £24 as recently as the first half of 2013 year and rose to around £45 before falling back a little.

The rating is somewhat stretched, coffee prices are on the up and comps will be hard to beat but sellers of Whitbread are not thick on the ground due to the underlying sound quality of its businesses and their overseas potential.

The group's shares are trading on perhaps 20x earnings for the year just started and the company, which has comfortably beaten 2014 estimates, deserves such a premium rating.

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