



17 June 2014

## WHITBREAD (WTB): 4168p Trading Update 13w to 29 May 2014

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

Year to end-Feb	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2014 (A)	411.8	167.7	24.9	68.8	1.7
2015 (E)	455.5	198.2	21.0	75.4	1.8
2016 (E)	519.0	224.0	18.6	85.3	2.0

Source: Company & Broker Estimates

### Trading Update 13w to 29 May 2014:

Whitbread has this morning updated on trading for the 13w period to 29 May 2014 (which is nearly three weeks ago) and our comments are set out below:

#### The Headline Numbers:

- Whitbread reports that total revenues rose by 6.9% in the 13w and says that total sales are now up by 12.7% across the group
- Premier Inn's LfL sales are up by 9.5% (total sales up 14.2%), Restaurant sales are up by 4.4% (5.4%) and Costa sales are up by 4.5% (total up 15.9%)

#### Premier Inn & Restaurants:

- Total sales at Premier Inn rose by 14.2% and LfL sales were up by 9.5% - they were up by 5.0% in FY14
- The group says 'Premier Inn has continued to win market share...the number of rooms available increased by 5.5%.'
- It says 'in a buoyant London market we grew total sales by 10.4% in the quarter with a 7.6% increase in the number of rooms available.'
- In the regions 'our total sales grew by 15.3% in the quarter, with a 5.2% increase in the number of rooms available.'
- Restaurants 'delivered a good performance in the quarter, as well as benefitting from favourable weather comparatives, with like for like sales growth of 4.4% and like for like covers up 2.6%.'
- The group added 208 rooms in the UK and says 'we plan to open around 4,500 UK rooms and five joint site restaurants.'

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Market Cap: £7.6bn  
12m range 2980p 4500p

### Costa Coffee – accelerating growth:

- Costa grew worldwide system sales by 14.6%. UK retail sales were up by 15.2% ‘with equity stores delivering like for like sales growth of 4.5%.’
- The group says ‘we opened 36 net new UK stores in the quarter’ and reports that Costa Enterprises increased sales by 18.5% to take the estate of machines to 3,729
- Whitbread reports ‘we plan to open around 300 net new stores and 600 Costa Express units in the full year’. 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
Q1 14/15	+9.5	+4.4	+4.5

Source: Company Reports

### Other:

- Whitbread CEO Andy Harrison reports ‘Whitbread has started the year well’ and goes on to say ‘Premier Inn and Costa have continued on their rapid growth trajectory’
- There have been ‘clearer signs of economic recovery in the UK regions’ and Whitbread is predominantly a regional player
- Soft comps helped restaurants but Costa was against strong prior year trading
- Overall, he concludes ‘Whitbread is well positioned for another good year with our strong brands continuing to win market share, reinforced by ambitious organic network expansion.’
- The group is growing; some 43 new Premier Inn hotels are under construction in the UK and the group should open ‘around 4,500 new rooms this year, together with five joint site restaurants. Costa will open around 300 net new stores this year.’
- The group’s ‘strong financial position’ remains unchanged

**Langton Comment:** Whitbread had commented on the first two months of this year’s trading at its final results on 29 April. The new news, therefore, is trading since that date and the group says that it has begun the year well.

Whitbread had cautioned that comps were due to become tougher but, with tangible evidence of recovery in the regions now coming through, that is not particularly apparent in these numbers.

Overall, the group is performing strongly and it looks to be set to deliver more. Its shares are not cheap but the group is delivering on its promises and is likely to retain the support of its shareholders. The stock changed hands at £24 as recently as the first half of 2013 year and rose to around £45 before falling back a little.

The group's rating is perhaps somewhat stretched but today's update should sponsor upgrades. Coffee prices are on the up, comps are now tougher and Travelodge and Starbucks seem to be back in the game after their refinancing and tax issue in the UK respectively.

Having said that, regional hotel growth looks to be impressive and the group's rating has fallen on higher earnings. The group's shares are trading on perhaps 21x this year's and it is fair to say that the group deserve a premium rating.

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