



21 Oct 2014

WHITBREAD (WTB): 4226p H1 numbers, 6m to 28 Aug 2014

Group reports a 'very good set of first half results...'

Year to end-Feb	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2014 (A)	411.8	167.7	25.2	68.8	1.6
2015 (E)	462.0	202.8	20.8	76.3	1.8
2016 (E)	525.0	230.0	18.4	86.2	2.0

Source: Company & Broker Estimates

H1 Numbers: 6m to 28 August 2014:

Whitbread has this morning reported its H1 (6mth) numbers to 28 August 2014 and our comments are set out below:

The Headline Numbers:

- Whitbread had updated re H1 on 9 September and confirms this morning that total revenues rose by 13.0% in the 6mths covered by today's statement.
- As reported, sales growth looks to have accelerated in Q2.
- LfL group sales are up by 7.0% in H1 as a whole
- PBT is up by 7.2% at £188.6m and total basic EPS is up by 6.1% at 105.4p – Figures last year at the statutory level benefited from a tax credit of £25.1m
- The H1 dividend has been increased by 15.6% to 25.2p

Premier Inn & Restaurants:

- The group says PI total sales rose by 14.7% with LfL sales up 9.6%
- The group says 'our Hotels and Restaurants business had a good first half performance with revenue increasing by 11.0% to £851.9 million.
- It adds 'Premier Inn grew total sales by 14.7% to £570.5 million, like for like sales by 9.6% and opened 984 net UK rooms, taking the total number of rooms to 56,019.'
- Restaurants grew total sales by 4.3% to £281.4 million with like for like sales growth of 3.1%.

Find us at:



Recent News Here:

- Today's email
- Recent emails
- A day in the life...
- Who we are, what we do...
- Upcoming news-flow
- Recent company updates
- Thematic pieces
- LinkedIn profile



Market Cap: £7.7bn
12m range 3370p 4470p

- Re the UK, Whitbread adds 'we delivered another good performance in the first half, supported by a recovery in the regional hotel market as Premier Inn UK continued to win market share'
- The group will spend around £100 million on refurbishment and maintenance this year, up from £80 million last year
- Whitbread has 'been evaluating the German hotel market to understand better the competitive environment' and concludes 'the German hotel market is attractive for Premier Inn'
- The group has 'acquired the freehold of a 200 room hotel in Frankfurt to trial Premier Inn in the German market' – the hotel will open towards the end of next year
- Whitbread says 'Restaurants delivered a good first half performance, growing total sales by 4.3% and like for like sales by 3.1%, ahead of the Coffee Peach industry benchmark outside the M25'
- It adds 'margins improved against a difficult first half last year, benefiting from less promotional discounting'

Costa Coffee:

- Costa 'produced another excellent performance' with underlying profits up 20.5% to £52.4 million and total sales increased by 16.9%. In the UK, sales were up 15.6% and like for like sales in our owned units were up 6.1% 'mainly as a result of like for like transaction growth of 5.0%.'
- The group opened 86 net new stores worldwide.
- Total worldwide system sales grew by 15.5% to £657.3 million (17.7% growth at constant currency).
- Whitbread adds 'Costa Enterprises had a successful first half with system sales up 18.1%'; the group added 423 net new machines to date and aims for 800 over FY15
- Costa EMEI raised sales by 5.3% (or 15.1% at constant currency) during H1 and Costa Asia 'remains an exciting profit growth opportunity'. Sales there rose in the 'mid-single digits' on a like for like basis: 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
Q2 14/15	+9.2	+1.7	+7.3
H1 14/15	+9.1	+3.1	+6.1

Source: Company Reports

Other:

- Whitbread reports that it is on track to hit its 2016 and 2018 milestones
- Capex will total around £500m this year
- The group has a 'strong balance sheet' with net debt of £467.2m (£391.6m last year)
- CEO Andy Harrison reports 'this is a very good set of first half results with total sales growing by 13.0%, driving an 18.5% increase in underlying pre-tax profits.'
- He adds 'our two market leading brands, Premier Inn and Costa, go from strength to strength and continue to win market share.'
- Mr Harrison concludes 'the trading momentum of our strong first half performance has continued into the first few weeks of the second half and positions Whitbread well to deliver full year results in line with expectations.'

Langton Comment: Whitbread has confirmed that its recent strong sales momentum has been maintained into H2 and believes that it is well-set for the future.

Overall, the group is performing strongly and it looks to be set to achieve 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. It has flirted with this level for a number of months but today's statement should reassure.

As mentioned above, the group's rating is perhaps somewhat stretched. The company is pencilled to earn around 202.8p in the year to February 2015, putting the shares on some 20.8x current year earnings. Nonetheless, today's update should reassure observers and there is no reason to believe that the c230p estimated for February 2016 is not secure. Solid value.

Contact – Mark Brumby - +44(0)20 7702 3389

mark.brumby@langtoncapital.co.uk

This message (and files contained herein) may contain confidential or proprietary information and is intended solely for the use of the individual or organisation to whom it is addressed. If you are not the addressee you should not disseminate, distribute or copy this email or any part thereof. Further, please notify the author immediately by telephone or by replying to this email and then delete all copies of the correspondence from your system. We apologise for any inconvenience that this may have caused. This information is a financial promotion for the purpose of the European Markets in Financial Instruments Directive (MiFID) and FSA's Rules. It has not been prepared in accordance with the legal requirements designed to promote the independence or objectivity of investment research. This document is not based upon detailed analysis by Langton Capital of any market, issuer or security named herein and does not constitute formal research or a research recommendation, either expressly or otherwise. It is not investment advice and does not take into account the investment objectives and policies, financial position or portfolio composition of any recipient. This document should not be relied upon as authoritative or taken in substitution for the exercise of your own commercial judgment. Whilst Langton Capital has taken steps to control the spread of viruses on its systems, it cannot guarantee that this email and any files transmitted with it are virus free. No liability is accepted for any errors, omissions, interceptions, corrupted email, lost communications or late delivery arising as a result of receiving this message via the Internet or for any virus that may be contained in it. Recipients should review independently and / or obtain independent professional advice and draw their conclusions therefrom should decide to undertake transactions with third parties. Langton Capital or its employees may have positions in securities mentioned herein. We reserve the right to monitor email messages passing through our network. Langton Capital Limited is authorised and regulated by the Financial Services Authority. Langton Capital Limited is registered in England number 07112949.

Mark.brumby@langtoncapital.co.uk

Suite 415, No1 Alie Street, London, E1 8DE
020 7702 3389