



11 Dec 2014

WHITBREAD (WTB): 4569p Q3 IMS: Analysts' Conference Call:

Group reports is strong trading, reminds observers Q4 comps are tough...

Year to end-Feb	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2014 (A)	411.8	167.7	27.2	68.8	1.5
2015 (E)	466.0	203.7	22.4	76.9	1.7
2016 (E)	530.0	231.3	19.8	86.5	1.9

Source: Company & Broker Estimates

Q3 Trading Update: Conference Call:

Following its Q3 update earlier this morning, Whitbread hosted a conference call for analysts and our comments are set out below:

Premier Inn & Restaurants:

- Too early to take a view on Christmas & the weather is as yet uncertain. Comps are tough as the winter was mild last year
- The group 'can now see a clear recovery in the UK regional hotel market'. It charges around £5 more than the market – and the group comprises c40% of the market
- First Hub is now open (St Martin's Lane) & feedback is good. It's too early to comment on pricing – could be around 25% below P Inn
 - Operating costs are in line with plan
- Where will margins end up? Were 90bps ahead in H1 'and this should flow through to the year-end'
- Opening target? Target is back-end loaded – but still think it will be c4,500 rooms this year. Could depend on weather. Should still be 5,500 next year
- Supply growth? Perhaps 4% p.a. in London. In the regions, P Inn is most of the growth. Supply issues 'a few years' away
- Growth in rate is across the market – strengthened by P Inn's very high occupancy level
 - Group would 'like to raise early prices' and 'flatten yield curve'

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Market Cap: £8.5bn
12m range 3480p 4675p

- Restaurants: Covers down confirms spend/head up. This was a mix change rather than price increases
 - Restaurant 'trading outside the M25 continues to be rather challenging'

Costa Coffee:

- Warmer weather? Warmer autumn hasn't really impacted Costa
- China should grow in mid-single digits
- A 'handful' of Costa stores will open in France next year

Other:

- London remains strong & some interesting freehold opportunities are now becoming available – two particular London properties would = 450 hub rooms & cost >£100m & yield operating profits of c£15m
 - They are office conversions, would not therefore involve buying in leases
 - These would open in 3, maybe 4, years' time.
- Patrick Dempsey's job will be undertaken by two executives going forward
- Will you update further re strategy / milestones in April 15? Not yet decided.
- Pension accounting? No change

Langton Comment: Whitbread has once again reassured.

The group clearly intends to add to its London freehold presence and the negotiations to purchase two properties could skew capex totals for the year as a whole.

Whitbread cautioned that Q4 was good last year and comps are tough.

The group's shares have performed extremely strongly and, though the company continues to perform well, they may appear to some holders to be somewhat stretched at these levels.

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