



11 Dec 2014

WHITBREAD (WTB): 4569p Q3 IMS: 13wks to 27 Nov 2014

Group reports is 'on track to deliver full year results in line with expectations...'

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: 13w to 27 November 2014:

Whitbread has this morning updated on trading for its Q3 being the 13 week period to 27 November 2014 and our comments are set out below:

The Headline Numbers:

- Group CEO Andy Harrison says 'our strong trading momentum has continued into the 3rd quarter'.

Premier Inn & Restaurants:

- Whitbread says 'for the 39 weeks Premier Inn has continued to win market share and grew total sales by 14.9%, total revpar by 8.7% and the total number of rooms available by 5.8%.'
- It says occupancy grew by 3.3% percentage points to a high of 84.2%
- In London, WTB says 'we grew total sales by 17.2% in the quarter, with a 14.8% increase in the number of rooms available, whilst maintaining strong occupancy at 89.0% with total revpar growth of 2.0%.'
- In the regions, WTB grew total sales by 14.8% in the quarter, with a 5.1% increase in the number of rooms available, combined with total revpar growth of 9.3% and occupancy rising 2.9% pts to 84.2%.
- In restaurants, WTB says it 'delivered a solid performance in the quarter, with like for like sales growth of 1.6% and like for like covers marginally down by 0.2%.'
- The group has opened 2,177 UK rooms in the year and confirms 'we plan to open around 4,500 new UK rooms and five joint site restaurants' in the year as a whole
- The UK pipeline stands at c12,400 rooms.

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: £8.5bn
12m range 3480p 4675p

Costa Coffee:

- Whitbread says 'Costa continues to perform strongly, growing total system sales in the 39 weeks by 15.9% to £1,022.0m, (17.5% at constant currency).'
- It adds franchise sales were up 14.7% to £398.1 million.
- UK system sales were up by 16.7% to £552.5 million 'with equity stores delivering like for like sales growth of 5.8%.'
- The group has opened 127 net new UK stores in the year to date.
- Costa Enterprises (including Costa Express) grew system sales to £258.3 million, up 19.3%.
- Whitbread adds 'international system sales grew by 10.7% to £213.5 million (18.3% at constant currency), with a growth of 6.8% (14.8% at constant currency) in EMEI and 18.9% (25.6% at constant currency) in Costa Asia.'
- The division plans to 'open around 230 net new stores worldwide and to install around 800 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
Q2 14/15	+9.2	+1.7	+7.3
H1 14/15	+9.1	+3.1	+6.1
Q3 14/15	+8.5	+1.6	+5.2
Year to date	+9.2	+2.6	+6.9

Source: Company Reports

Other:

- Whitbread says 'our strong financial position remains unchanged.'
- It says it is performing well and some London freeholds may be about to become available
- Any purchase thereof could 'result in our capital investment for the full year increasing to around £575 million.'

- The group suggests the properties would ‘reduce business risk, increase flexibility and capture property appreciation.’
- Whitbread separately announces that long-standing hotels director Patrick Dempsey ‘will be stepping down from the Board and leaving the company on 28th February 2015.’
- It says Paul Flaum, currently head of Whitbread Restaurants, will succeed him. CEO Andy Harrison thanks Patrick & says targets remain in place and ‘we have the strength and depth of leadership to successfully deliver those goals.’

Langton Comment: Whitbread has once again delivered some very strong numbers.

Overall, the group is performing well 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 is now at all-time highs. Nonetheless, today’s statement should reassure.

CEO Andy Harrison says ‘strong trading momentum has continued into the third quarter’ and adds ‘we remain confident of delivering full year results in line with expectations, mindful that the fourth quarter last year was particularly strong, boosted by the absence of snow.’ He goes on to conclude ‘our strong brands continue to win market share, reinforced by our ambitious organic network expansion. We remain on track to open around 4,500 new Premier Inn UK rooms and around 230 net new Costa stores worldwide this year. Our committed UK room pipeline stands at around 12,400 new rooms, with a number of attractive London freehold opportunities at various stages of negotiation.’

As mentioned above, the group’s rating is perhaps somewhat stretched. The company is pencilled to earn around 203.7p in the year to February 2015, putting the shares on some 22.4x current year earnings. Nonetheless, today’s update should reassure observers and there is no reason to believe that the c231p estimated for February 2016 is not secure. No room for error at these levels but, with brands that offer international growth, WTB would appear to offer value over the longer term.

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