



16 Jun 2015

WHITBREAD (WTB): 5052p

Q1 trading update: 13wks to 28 May 2015:

Group says has had 'good first quarter with total sales +12.5%...'

Year to end-Feb	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2015 (E)	480.9	211.6	23.9	81.1	1.6
2016 (E)	550.0	240.0	21.1	90.6	1.8
2017 (E)	630.0	272.8	18.5	101.8	2.0

Source: Company & Broker Estimates

Q1 Trading Update: 13w to 28 May 2015:

Whitbread has this morning updated on Q1 trading for the 13wks to 28 May and our comments are set out below:

Current Trading:

- The group reports Premier Inn total sales +14.3% (LfL +6.3%), Restaurants +0.1% (LfL +1.6%) and Costa +17.2% (+5.0% LfL)
- In the full year to Feb, LfL sales were +9.1% at Premier Inn, +2.1% at Restaurants and +6.0% at Costa – the group has been saying for some time that comps would get tougher in the current FY
- Total sales across the group are up by 12.5% (+4.3%) LfL and 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

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Market Cap: £9.2bn
12m range 3975p 5440p

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
Q4 14/15 (11w)	+8.6	+0.6	+6.9
FY 14/15	+9.1	+2.1	+6.0
Q1 15/16	+6.3	+0.1	+5.0

Source: Company Reports

Premier Inn & Restaurants:

- Whitbread reports 'Premier Inn has continued to win UK market share'. It adds 'total occupancy at 80.6% (down 0.1%) pt + the number of rooms available increased by 8.2%.'
- The group grew total sales by 21.6% in London (rooms +23.2%) with occupancy of 86.2%. Total REVPAR was down 1%.
- In the regions, WTB says 'the market continued to recover and Premier Inn grew total sales by 12.3%'. Total REVPAR was +6.4% on a 6.2% increase in rooms available. Occupancy was down (0.3%) pts.
- Restaurants 'delivered total sales growth of 1.6% and like for like sales growth of 0.1% in the first quarter, slightly ahead of a soft pub restaurant market outside the M25.'
- The group has opened 333 rooms in the UK in Q1 and aims for 5.5k for the FY

Costa Coffee:

- Whitbread reports 'Costa had a good start to the year, growing total system sales by 15.9% to £375.2 million
- Franchise sales were +13.5% at £143.6 million.
- Whitbread says 'UK Retail continued its strong momentum with equity stores delivering like for like sales growth of 5.0% driven by transaction growth of 4.4%.'
- The group opened 37 net new UK stores in the quarter.
- Costa Enterprises installed a further 171 Costa Express machines taking the total to 4,463.
- Costa international system sales grew by 15.1% to £80.6 million. The group added 8 net new stores in the period.
- Costa plans to open c250 net new stores & install 700-800 machines in the year as a whole

Other:

- Re finances, WTB says it 'strengthened its funding position by issuing a £450 million 3.375% bond due in 2025.'
- It says 'this, together with our existing facilities and strong operating cash flow, will support the delivery of our 2020 milestones and reinforces the strong financial position of the Group.'

- whitbread CEO Andy Harrison reports 'Whitbread has begun the new financial year well, in line with expectations'. He adds 'our leading brands continue to win market share as we invest in our people, our customer experience and our infrastructure.'
- Mr Harrison reports 'we are on track to deliver our ambitious growth milestones.'

Langton Comment: Whitbread's shares peaked ahead of FY numbers back at the end of April and they, along with the wider market (and despite good FY figures) have slipped a little since.

Today's numbers, though good, do support the suggestion that LfL sales comparatives were becoming more challenging and that sales growth would slow.

This should not come as a surprise but, as mentioned in earlier emails, the group's rating is perhaps somewhat stretched.

The company is pencilled to earn around 240p in the year to February 2016, putting the shares on some 21.1x current year earnings with a yield of some 1.8%. This is not too high by Whitbread's own standards but it does not single Whitbread's shares out as cheap stock.

The group's targets should be achievable and Whitbread has scalable brands. Nonetheless, there is little room for error at these levels and the group has to manage its change of CEO before the end of the current financial year.

On balance, however, should the group's shares weaken a little further, they may offer interesting value over the longer term.

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