



10 Dec 2015

WHITBREAD (WTB): 4560p

Q3 Trading Update: 13wks to 26 Nov 2015:

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

Year to end-Feb	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2015 (E)	480.9	211.6	21.6	81.8	1.8
2016 (E)	542.0	239.2	19.1	91.3	2.0
2017 (E)	610.0	268.0	17.0	102.6	2.3

Source: Company & Broker Estimates

Q3 Update: 13wks to 26 Nov 2015:

Whitbread has this morning updated on Q3 trading for the 13wks to 26 November and our comments are set out below:

Q3 results in brief:

- Regarding Q3, Whitbread has reported LfL sales up by 4.7% at Premier Inn, up by 1.7% in its restaurants and up by 2.5% at Costa
- Total sales for the quarter are up by 10.8% at Premier Inn, up by 3.0% in the group's restaurants and up by 13.85 at Costa

Year to date results in brief:

- Regarding the year to date, LfL sales are +4.9% at Premier Inn, +0.6% at the group's restaurants and +3.7% at Costa
- Total sales year to date are up by 11.9% at Premier Inn, up by 2.0% at the group's restaurants and +15.3% at Costa
- The numbers for Q3 therefore represent a slight slowdown at Premier Inn and a somewhat more noticeable cooling at Costa (against more challenging comp sales). LfL sales at the group's restaurants have picked up
- Recent sales trends are shown below:
- Tab.1. Whitbread's Sales Trends:**

Period	Premier Inn LfL sales	Restaurants' LfL sales	Costa Coffee LfL sales
	(%)	%	%

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Market Cap: £8.3bn
12m range 4306p-5440p

H1 09/10	-7.5	+1.8	+2.5
FY 10/11	+8.6	+3.3	+7.8
FY 11/12	+3.2	-0.2	+5.5
FY 12/13	+3.1		+6.8
H1 13/14	+3.3	-0.1	+5.5
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
FY 14/15	+9.1	+2.1	+6.0
Q1 15/16	+6.3	+0.1	+5.0
Q2 15/16	+4.3	+0.6	+4.0
H1 15/16	+5.0	+0.1	+4.4
Q3 FY16	+4.7	+1.7	+2.5

Source: Company Reports

Premier Inn:

- In hotels & restaurants, Whitbread says 'Premier Inn has continued to win UK market share'
- It says 'total occupancy remained high at 84.0%, in line with last year, whilst the number of rooms available increased by 7.8%.'
- Whitbread says 'in London we grew total sales by 14.8% in the quarter, with a 13.6% increase

Restaurants:

- Restaurants 'delivered total sales growth of 2.0% and like for like sales growth of 0.6% for the 39 weeks, ahead of our competitor set'.

Costa Coffee:

- Whitbread reports 'Costa grew its worldwide total sales by 15.3% and like for like UK sales by 3.7% for the 39 weeks.'
- It says 'UK Retail system sales, year to date, grew by 14.9% to £635 million with equity stores growing like for like sales by 3.7%.'
- The group adds 'we opened 69 net new UK stores, including the opening of our 2,000th UK store.'
- Re machines, Whitbread says 'Costa Express maintained its success with the installation of a further 687 Costa Express machines taking the total to 4,979.'
- The group adds 'international system sales grew by 11.9% to £236 million (13.0% at constant currency). 37 net new stores were opened in the period with 25 in EMEA and 12 in Asia.'
- It says 'in the year Costa plans to open around 200 net new stores worldwide and install over 800 net Costa Express machines.'

Other:

- Whitbread says 'our strong financial position remains unchanged.'
- Incoming CEO Alison Brittain reports 'I am delighted to have joined Whitbread as CEO. This is a great business with a strong leadership team and 48,500 team members who are passionate about delivering outstanding customer service.'

- She says ‘in Costa and Premier Inn we have built the nation's most loved coffee shop and hotel brands and we have laid out clear and ambitious growth milestones.’
- Regarding the numbers, she adds ‘Whitbread has had another good quarter’ and says ‘our brands continue to win market share and we are on track to deliver full year results in line with market expectations.’

Langton Comment: Whitbread's shares have slipped a little (c16% to be fair) from their recent highs and may have been beginning to factor in an inevitable slowing, in the UK at least, of its Costa sales.

These are by no means poor but the reality of the situation is that the coffee market in the UK must be more mature than it was, even if it is not mature in the absolute sense of the word.

Furthermore, as we have seen in casual dining, the market leader tends to be there to be shot at and, over time, new entrants may be something of an issue.

However, Whitbread has reassured that it will deliver numbers in line with expectations. And its shares now trade on a perhaps more reasonable 19.1x this year's numbers with a 2.0% yield falling to 17.0x next year's earnings.

And in Costa and Premier Inn, the group does have two potentially international brands. That is something of a rarity across much of the leisure space and would-be holders are likely to remain attracted to the stock.

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