



3 Mar 2016

## WHITBREAD (WTB): 4103p

### Q4 Trading Update: 50wks to 11 Feb 2016:

*Costa hit by warm winter but 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	19.4	82.2	2.0
2016 (E)	540.0	237.0	17.3	91.1	2.2
2017 (E)	600.0	263.0	15.6	101.4	2.5

Source: Company & Broker Estimates

### Q4 Update: 50wks to 11 Feb 2016:

Whitbread has this morning updated on Q4 and year to date trading for the 50wks to 11 February and our comments are set out below:

#### Q4 results in brief:

- Regarding Q4 (the 11wks to 11 Feb), the co says Premier Inn LfL sales rose by 2.2%, Restaurants were up by 2.3% and Costa was up 0.5%

#### Year to date results in brief:

- Regarding the 50wks to 11 Feb, the group reports that LfL sales at Premier Inn were up by 4.4%, Restaurants were 1% ahead and Costa was up by 3.0%

- 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
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

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Market Cap: £7.4bn  
12m range 3649p-5440p

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 15/16	+4.7	+1.7	+2.5
Q4 15/16	+2.2	+2.3	+0.5
First 50wks 15/16	+4.4	+1.0	+3.0

Source: Company Reports

#### Premier Inn:

- In hotels & restaurants, Whitbread says 'Premier Inn has continued to win UK market share' and adds 'total occupancy remained high, in line with last year, at 81.1% and total room nights sold increased by 7.4% to 17.0 million.'
- The group reports in Q4 'Premier Inn grew total sales by 7.3%, driven by a 6.9% increase in the number of rooms available, and occupancy increased by 0.3% pts to 71.4%. Like for like sales grew by 2.2%.'
- It adds 'the market has continued to show a divergence in performance in the quarter between the regional and London hotel markets. In the regions Premier Inn grew total sales by 8.3%...[whilst] in London, despite a softer hotel market, Premier Inn grew total sales by 3.6% in the quarter, with an 8.0% increase in rooms available.'
- Our total London revpar and occupancy declined, broadly in line with the market, by 3.6% and 1.5% pts respectively albeit our occupancy remained high at 76.1%. Total London market revpar declined by 3.3% and revpar for the Midscale and Economy sector was down 2.2%.

#### Restaurants:

- Restaurants 'delivered total sales growth of 2.2% and like for like sales growth of 1.0% for the 50 weeks'
- The group says this was 'ahead of our competitor set'

#### Costa Coffee:

- Whitbread reports 'Costa grew its worldwide total sales by 14.2% and like for like UK sales by 3.0% for the 50 weeks.'
- It says 'YtD Costa grew worldwide system sales by 13.1% to £1,516 million (13.4% at constant currency).'
- During the year to date, Whitbread has opened 103 net new stores in the UK
- Whitbread says 'Costa Enterprises (including Costa Express UK & International) delivered system sales of £374 million, up 12.6%'
- It installed 'a further 921 Costa Express machines taking the total to 5,213.'
- Costa says 'international system sales grew by 11.0% to £309 million (12.4% at constant currency). 79 net new stores were opened in the period with 41 in EMEI and 38 in Asia.'

#### Other:

- Whitbread says 'our strong financial position remains unchanged.'

- CEO Alison Brittain reports 'Whitbread has had another good trading period, delivering year to date total sales growth of 10.4% and like for like sales growth of 3.2%. We expect to report full year profit in line with expectations.'
- She adds 'in the quarter, Premier Inn had a good performance growing total sales by 7.3% with occupancy rising by 0.3% pts to 71.4%'. She says 'we benefitted from our substantial, higher returning, hotel extensions programme.'
- Ms Brittain adds 'Costa had good total sales growth of 10.5% and like for like sales growth of 0.5% reflecting lower footfall on the high street and an unusually warm winter.'
- Looking forward, the CEO says 'in the year ahead, as we build towards our growth milestones, we will continue to invest in improving our customer propositions, our digital and IT capabilities and in our winning teams to ensure we maintain our market leading positions. This will deliver long term profitable growth and sustainable returns for our shareholders.'

#### Outlook:

- Whitbread says 'this year we shall open around 5,500 new UK Premier Inn rooms, including c.1,500 rooms from extensions, and plan to open a further c.5,000 new UK rooms next year, including c.1,700 rooms from our hotel extensions programme'
- It adds 'for Costa this year we expect to open c.200 net new stores worldwide and install around 950 Costa Express machines and we plan to open a further c.230 net new stores worldwide and install around 1,000 Costa Express machines next year.'
- Whitbread says 'our strong freehold backing provides us the opportunity to recycle capital and we expect to carry out a sale and lease back transaction during next year. We remain on track to deliver on our growth milestones, which will enable us to create sustainable shareholder value.'

#### Langton Comment: Slowing Costa sales are likely to grab the headlines.

This should not have been unexpected (given the warm weather, particularly in December) but, whether it was factored into share prices or not will be seen later this morning.

The numbers are by no means poor but the reality of the situation is that, in addition to the warmer weather derailing short term numbers, 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 15.6x Feb 2017 earnings with a yield of around 2.5%.

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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