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Leisure: Enterprise Inns (ETI): 89p
H1 numbers to 31 March 2011

- ETI has this morning released H1 numbers to end-March 2011 saying that the group has turned in 'a solid set of results'
- Q1 was impacted by snow (Nov & Dec), trading recovered in Jan 11 but the bulk of the recent good weather/Bank Holiday bonanza will fall into H2
- Pre-exceptional EBITDA is £179m (2010: £204m), pre-exceptional PBT is £74m (2010: £86m) and adjusted EPS is 10.8p (2010: 12.6p)
- Average net income/pub is flat, LfL EBITDA (in the substantive estate only) is down by 2%
- The group has reduced debt by £175m (since end-Sept), has a new, forward-start £625m facility in place and describes its cash-flow as 'strong' – recent trading trends are shown below:

Period	Ave. income per pub*
H1 2008/09	-8.0%
H1 2009/10	-3.1%
H1 2010/11	0.0%
(includes Feb & Mar)	+1.0
H2 10/11 to date	'started well'

Source: Enterprise Inns, average income includes impact of estate churn

- Enterprise had 9% fewer pubs on average in H1 2011 than it did a year earlier, debt (at £545m) is below its ceiling of £625m
- Although the sale & leaseback programme is 'now largely complete' (it has raised £247m), ETI expects 'further substantial reductions in bank debt'
- The substantive estate (87% of units) is down by 2% with support to publicans up slightly at £8m v £7m in H1 2010 – bad debts and overdue balances have fallen

Langcap Comment: Snow did not help trading in Q1 and the 2% decline in substantive estate should be seen in this context with average income per pub actually up by 1% in Feb and March. The group therefore describes its results as 'solid' and in line with expectations and H2 'has started well'. The warm weather/Bank Holidays will have helped and, though trading will remain 'challenging', the Board is confident that it will trade in line with its own expectations. Forecasts, of around £164m (24p) for the current year and perhaps £166m (24.5p) for next are unlikely to be materially changed. Overall, whilst the good weather has provided 'a welcome boost to trade', debt is currently around 7.7x (historic and now falling) EBITDA and we believe that there remains better value elsewhere.

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