



28 Jan 2016

MITCHELLS & BUTLERS (MAB): 283p Q1 trading update – 17wks to 23 Jan 2016:

Group says that 'trading over the festive period was encouraging...'

Year to end-Sep	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2015 (A)	184.0	35.7	7.9	5.0	1.8
2016 (E)	195.0	37.4	7.6	7.3	2.6
2017 (E)	207.0	39.7	7.1	8.5	3.0

Source: Company & Broker Estimates

Q1 Trading Update:

Mitchells & Butlers has this morning updated on trading for the 17wks to 23 January and further comments are set out below:

Trading:

- For the 17wks to 23 Jan, LfL sales are down by 1%
- This is broken down as to a 0.6% fall in drink sales and a 1.5% fall in food sales
- Trading for the second part of the 17wks under review was somewhat stronger than the first period, but numbers were still down
- M&B says that, for the two week Christmas & New Year period, LfL sales were up by 2%
- Whilst helpful, that does suggest that trading in January to date has been down by a significant amount
- Being more precise is difficult as the last two weeks of December are much more important than the first three weeks of January
- If the weeks are given a double-weighting, then early December and January look to have been down by perhaps 2% or so & recent LfL sales trends are shown below:

Tab.1. Mitchells & Butlers LfL Sales Trends:

Period	LfL sales (%)
FY 08/09	+1.6
FY 09/10	+2.8
FY 10/11	+2.6

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: £1.4bn
12m range 263p 475p

H1 11/12	+2.7
FY 11/12	+2.1
H1 12/13	+0.3
FY 12/13	+0.4
H1 13/14	+1.1
14w to 19 July	+0.0
9w to 20 Sept	+0.1
FY 13/14	+0.6
8w 14/15	+2.4
17w 14/15	+1.7
H1 14/15	+1.7
First 43wks	+1.3
FY 14/15	+0.8
First 8wks 15/16	-1.6
Next 9wks of 15/6	-0.6
First 17wks of 15/16	-1.0

Source: Company Reports

More on recent trading:

- The group says ‘trading over the festive period was encouraging, with like-for-like sales growth of 2.0% in the two weeks of Christmas and New Year.’
- It says ‘over the financial year to date total sales have fallen by 0.8% but operating margins are ahead of the prior year.’

Balance Sheet, Capex & Other:

- The group says ‘we have acquired 2 new sites and converted 12 in the financial year to date, including a further 10 Orchid conversions.’
- It adds ‘we have also accelerated our remodel programme to revitalise and reposition the estate, with 76 completed so far this year.’

Concluding Comments:

- New CEO Phil Urban says ‘we had a good Christmas, recording growth across the period and also delivering our best ever trading day.’
- He adds ‘whilst trading conditions remain tough, particularly as we go into the post-holiday season, we are acting with pace to drive our business priorities - building a more balanced business, developing our commercial culture and increasing the speed of execution and innovation.’

Langton Comment: Re current trading, M&B has confirmed that, though it had a good holiday season, the trading either side of it has continued to be difficult.

Though positive (or at least hopeful) overall in tone, this does contrast with comments made earlier in the week by Marston’s.

However, January is always a pig and M&B looks to be playing to its strengths in that it is spending money where it should have a most immediate impact, that is on selective site purchases and on its newly purchased Orchid sites.

This should pay off and, though the capex-benefiting units may (or may not) be cut out of numbers when considering LfL sales later in the year, it would appear to be the right thing to do.

Overall, we believe that the group has assets to die for but its recent performance and its share register continue to put off some investors.

We are now at a point where the group is trading at only around 7.6x current year earnings and it has a 2.6% (and hopefully growing) yield.

The management revolving door and lack of clarity as to the longer term objectives of shareholders Joe Lewis and Elpida remain a negative.

Though the question 'where's the catalyst to unlock value?' remains a pertinent one, overall, we believe that the group's shares offer good value for patient investors.

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 Conduct Authority. Langton Capital Limited is registered in England number 07112949.