



9 Jan 2014

RESTAURANT GROUP (RTN): 595p

Q4 Trading Update: 52w to 29 Dec 2013

Results to be 'ahead of the consensus of market forecasts...'

Year to end-Dec	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2012 (A)	64.6	24.1	24.7	11.8	2.0
2013 (E)	71.6	26.9	22.1	13.4	2.3
2014 (E)	79.7	30.1	19.8	15.0	2.5

Source: Company & Broker Estimates

Q4 IMS: 52w to 29 Dec 2013:

Key Points Re Restaurant Group:

The Restaurant Group has this morning updated on trading for its full year (52w) to 29 December and our comments are set out below:

- Restaurant Group has reported that its profits for the 52w to 29 December will be 'ahead of the consensus of market forecasts'
- Turnover in the year was up by 9% with LfL sales up by 3.5%
- Margins are 'expected to show progress on 2012' and recent trends have been as follows:

Tab.1. Restaurant Group Recent LfL Sales' Trends:

Period	LfL (%)
H1 – 2010	-0.50
FY – 2010	-1.00
H1 – 2011	+3.00
FY – 2011	+3.25
H1 – 2012	+3.25
FY – 2012	+4.50
H1 – 2013	+5.00
1 st 8 mths 2012	+4.25
First 45w 2013	+3.50
FY - 2013	+3.50

Source: Company Reports

- The group opened 35 new units during the year having opened only seven in H1. It says trading at these sites has been 'excellent' and RTN expects to open between 36 and 43 sites in FY14

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Market Cap: £1.12bn
12m range 365p 580p

- Group CEO Andrew Page reports that 2013 has seen 'another excellent performance' and says that 'our value for money offerings and brands with wide appeal encouraged more customers to dine'
- He concludes that the focus of the group 'is now directed towards delivering another great result in 2014'

Langton Comment: Restaurant Group was up by 3.5% at W42 suggesting that trading in the last 10 weeks of the year has remained at that rate of growth.

November was tough (Skyfall comps) but there has been no material adverse impact on sales and the pace of openings is to be stepped up.

The group is set to earn perhaps £80m in the year that has just commenced (perhaps subject to a small upgrade) giving around 30p in earnings. Therefore RTN's shares trade on a multiple of almost 20x this year's earnings (to be reported in 14 months' time) falling to perhaps 18x 2015. The group's shares should yield around 2.3% this year.

Whilst the group maintains that Coast to Coast will be rolled out and that the rate of openings will increase, this multiple suggests that the shares, which are not asset backed, are somewhat expensive compared with the likes of Marston's, Greene King and Mitchells & Butlers and, though the group understandable has a loyal shareholder base, it may make sense to lock in some profits at these share price levels.

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