

21 June 2011

**Leisure: Whitbread (WTB): 1485p
Q1 trading update 13w to 2 June 2011**

- Whitbread has this morning updated on trading for its Q1, the 13w period to 2 June 2011 saying 'the trading momentum...was consistent with the outlook at our preliminary results'
- Total revenues increased by 9.2% (LfL sales +1.7% - the Bank Hols in April & May hurt but Costa & Premier Inn have traded well since though 'restaurants are being impacted by a more difficult casual dining market'
- LfL sales were +3.0% at PI, down by 1.4% in restaurants and up by 4.0% at Costa:

	Premier Inn LfL % sales	Pub restaurants LfL % sales	Costa Coffee LfL % sales
Q1 (09/10)	-7.9	+2.0	+2.6
H1 (09/10)	-7.5	+1.8	+2.5
Q3 (09/10)	-3.1	+2.3	+6.7
Q4 (09/10)	+1.7	+1.5	+9.4
Q1 (10/11)	+10.5	+3.6	+8.5
H1 (to 2 Sept)	+10.1	+4.2	+8.5
Q3 to 2 Dec 10	+8.7	+1.5	+11.0
FY 10/11	+8.6	+3.3	+7.8
11w (Q4) to 17 Feb 11	+5.1	+3.1	+3.0
Q1 (11/12)	+3.0	-1.4	+4.0

Source: Whitbread.

- **Premier Inn** – Sales were +8.1% (+3.0% LfL); REVPAR was up by 2.4% (occ. +0.2% & rate +2.2%) versus +8.2% on the FY. 743 rooms were added in Q1 with target of 4,000 for FY
- **Restaurants** – Covers increased by 0.8% (FY +5.1% LfL) & three new units opened in Q1
- **Costa** – Costa has 'continued its strong performance'; total sales were up by 20.4% with LfL sales growth of 4.0% across the group's UK stores; the group opened some 73 new stores in Q1 and Coffee Nation units are being rebranded
- **Balance sheet** – The financial position 'remains unchanged'; net debt at the FY was £487.9m

Langcap view: Whitbread remains a quality company but momentum has continued to slow and its restaurants are now recording lower sales volumes. The Coffee Nation acquisition received mixed reviews and the group's slowing profile has led to its shares losing around 15% of their value over the last six week. Nonetheless, Costa's potential growth remains impressive and branded budget hotels remain in secular growth. Estimates for the current year sit around 128p suggesting that the group's shares trade at less than 12x current year earnings. This is a shade higher than most leisure companies but is lower than has been the norm for Whitbread and is hardly expensive.

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