Langton Capital Limited

6 September 2012

Leisure: Whitbread (WTB): 2099p
Q2 IMS – The Analysts' Conference Call

Following its Q2 trading update earlier this morning, Whitbread hosted a conference call for analysts at which the main points to emerge are set out below:

- **Hotels & Restaurants:**
    1. Trading ex the Olympics, has it slowed from around 3% to around 1.5%? Broadly the Olympics helped to the tune of around 1%.
    2. REVPAR across the whole market is falling in the regions and that 'will not change in the short term'. Whitbread is outperforming its competition.
    3. Outperformance is driven by 'widening gap' between strength of Premier Inn brand and its competitors; could pick up a 'handful' of Travelodge sites
    4. Visibility in London is less clear due to the various events during this year and last.
    5. Overall visibility only 6-8 weeks; 'so far, so good'
    6. Group has picked up 'a few' sites that Travelodge (during its problems) has dropped – say 500 or 600 rooms (but not all necessarily incremental)
    7. Rate of openings? 4,000 last year, 4,500 this year, momentum continues but there's a lead time & group wouldn't be drawn to make a forecast; still on target to hit 65,000
    8. Premier Inn International? Has to be 'capital light'. It's a 'slow burn' but group 'encouraged by progress'. Group looking in Middle East & India 'and adjacent territories'
    9. Olympics; soft trading ahead of (on disruption fears)
    10. Travelodge's behavior post its CVA; hard to call – they 'don't appear to have long term owners'
    11. Government accounts? Slow going but movement is in the right direction.
    12. Restaurants have seen 'good sales growth without margin erosion' – growth has been driven by local markets rather than by the adjacent Premier Inns
    13. Restaurant gross margins? Sales are up for several reasons; some mix change but also growth in coffees & breakfasts, which deliver good margins. No margin contraction.
    14. Restaurant openings, may not hit opening targets as these will be linked to hotel openings
    15. Short term trading remains 'highly variable'
- **Costa:**
    1. The poor weather benefited Costa positively, perhaps to the tune of around 1% or 1.5% at the LfL line
    2. It's against strong comps (that were partly a step up on the introduction of ice-cold-Costa
    3. Of the 350 units to be opened, some 100 will open in China. Target of just over 1,000 Express units remains intact.
    4. China LfL growth in H1 around 20%; store openings 'going well' & have around 200

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5. Asia v China; the latter remains absolutely core although group is moving into Singapore & other territories.   Latter are 'small beer' v China
6. Coffee input prices now down a little; forward buying means benefit will be delayed

Langcap view: No surprises here & forecasts of around £340m in profits this year (to Feb 13) and earnings in the region of 146p per share look to be intact.   A dividend of around 56p should be payable for the year as a whole, suggesting that the group's shares trade on a multiple 14.4x earnings and offer a dividend yield of around 2.7%.

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