

11 December 2012

## Leisure: Whitbread (WTB): 2428p Q3 IMS: 13w period to 29 Nov 2012

Whitbread has this morning updated on trading for its Q3 to 29 November 2012 and our comments are set out below:

- Whitbread has this morning updated on Q3 trading saying that it is registering 'double-digit sales growth' and that it remains 'on track to deliver full year results in line with expectations'
- Whitbread last updated on 23 October and recent trends are shown below:

	Premier Inn LfL % sales	Pub restaurants LfL % sales	Costa Coffee LfL % sales
H1 (09/10)	-7.5	+1.8	+2.5
H1 (to 2 Sept)	+10.1	+4.2	+8.5
FY 10/11	+8.6	+3.3	+7.8
Q1 (11/12)	+3.0	-1.4	+4.0
Q2 w24 (11/12)	+7.1	-1.6	+9.7
Q3	+2.6	+1.1	+3.8
Q4*	-0.9	+2.2	+6.2
FY (11/12)	+3.2	-0.2	+5.5
Q1 (12/13)	+4.3	+2.1	+8.4
Q2 (11w to 18 Aug)	+3.2	+4.9	+5.7
Q3	+2.5	+1.9	+7.1
39w to date	+3.3	+2.9	+6.9

Source: Whitbread.

- **Premier Inn** – Premier Inn increased LfL sales by 4.3% in Q1 and by 3.2% in Q2. In Q3 it increased sales by a somewhat slower 2.5% taking cumulative LfL sales at w39 to +3.3%
  1. Total sales were up by 12.6% and the group was said to be taking market share
  2. REVPAR in London (where PI capacity increased by 22%) fell by 0.9% (market down 1.9%) & in the regions REVPAR was 0.2% lower
  3. Year to date REVPAR is up by 1.8%
  - 4.
- **Restaurants** – These delivered LfL sales growth of 2.1% in Q1 and 4.9% in Q2 and WTB has this morning reported that Q3 sales slower at +1.9% (driven primarily by increased spend per head) and the w39 figure was +2.9%
  1. Restaurants 'continued to outperform the market' although comps were tougher
  2. Total covers growth ytd is 6.8% (of which 4.3% is LfL)
- **Costa** – Costa increased LfL sales by 8.4% and by 5.7% in Qs 1 and 2 respectively and in Q3 it accelerated somewhat to +7.1% giving a w39 figure of +6.9%
  1. Costa has 'continued its strong momentum'
  2. Cumulative retail sales at w39 were up by 20.1%

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3. Sales in EMEI were up by 10.8% ytd and Costa Asia grew system sales by 80.2% although 'Lfl sales growth in China (was) softer over the third quarter'
  4. The group plans to open around 330 net stores worldwide and operate c1,300 new Costa Express units over the year as a whole
- **Balance sheet** –Whitbread says 'the strong financial position of the group remains unchanged'
  - **General comment** – CEO Andy Harrison concludes 'Whitbread continued its strong growth momentum (and) this once again demonstrates the strength of our brands' and the group will update further via a conference call at 8am

**Langcap view:** Whitbread had flagged up in October that growth was moderating and this would appear to have been borne out – although it is pleasing to note that growth at Costa has actually accelerated during the quarter.

Premier Inn has cooled in Q3 and REVPARs have slipped. Restaurant growth has also slowed though the group is outperforming a tough market and comps are more challenging.

The year as a whole, due to the events (Jubilee, football, Olympics, weather) remains rather atypical but there is little reason to believe that forecasts will be materially changed on the back of this morning's announcement.

Whitbread should generate around £345m in profits this year (to Feb 13) and earn in the region of 149p per share. A dividend of around 56p should be payable for the year as a whole, suggesting that the group's shares trade on a multiple 16.3x earnings and offer a dividend yield of around 2.3%.

Though Whitbread undoubtedly has more opportunities overseas, this puts the group's shares at a premium to those of other, asset backed leisure companies and, despite the fact that Whitbread possesses an enviable balance sheet and significant brands, it may be a little stretched in the short term.

The group's shares have been relatively strong and we believe that some profit-taking is possible, particularly as the group has highlighted the fact that growth rates are likely to moderate. Whitbread will host a conference call for analysts at 8am this morning.

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