

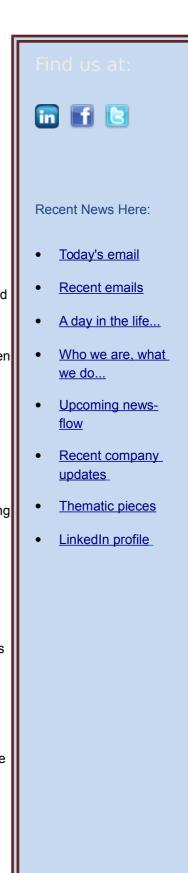
10 Sept 2013

Leisure: Whitbread (WTB): 3216p Q2 Trading Update – Conference Call

Following its update on Q2 trading this morning, Whitbread hosted a conference call for analysts and our comments are set out below:

- General trading:
 - 1. Whitbread 'has delivered another good trading performance'
 - 2. Both businesses are taking share but both were 'impacted by cold
 - spring and hot summer 3. Key is to maintain 'profitable organic growth'
 - Costs are up by 3% or so, meaning that 2% LfL growth is necessary to hold margins – business in first half has 'clearly been
 - under pressure'
- Premier Inn.
 - 1. Business has 'returned to normal' after the Olympics
 - 2. Trading in Q2 was 'below the average for the industry' but the latter was heavily influenced by Travelodge's weak performance last year
 - 3. The summer was the low-point for performance from Travelodge (so comps will be easier)
 - 4. Extensions added around 0.7% over the 24 weeks
 - Are you back to peak occupancy & what does this imply for pricing in H2? Occupancy is >90% in London. Still room to grow occupancy in provinces. Pricing trends unchanged.
 - 6. Did the weather help? Olympics were more of an issue; weather has to be extreme to have an impact.
 - 7. No decisions made on Germany yet
 - 8. There are 'stark differences' between London and the provinces, London is very, very strong – but at least comps in the provinces are now soft
 - 9. In Provinces, 'consumer has less money in his pocket than at this time last year' the provincial market is 'about flat'
 - 10. Openings are likely to be H2 weighted
- Restaurants:
 - 1. Covers were down by around 2.5% and spend per head was up by about the same number
- Costa:
 - 1. This was impacted by cold then hot weather 'but the 24w average provides a guide to growth potential'
 - 2. It is 'too early to judge' how successful Costa may be in entering the office market
 - Will a push into offices cannibalize trade? Too early to say but company 'doubts they will lose trade' – says one location or occasion, does not really cannibalize from another
 - 4. China has slowed a little but still looking very healthy
 - 5. Polish Costa machines are proving to be successful
 - 6. Openings are likely to be H2 weighted

Langcap view: Whitbread has outlined clearly that, whilst nothing material has changed beneath the surface, this was a half of two quarters.



Langton Capital Limited Suite 415, No.1 Alie Street, London E1 8DE - 020 7702 3389 Costa has 'slowed' but the average of 5.7% is still impressive and the group remains on track to hit targets etc.

However, the group's shares are not cheap. It should earn around £388m in the year to end-February 2014. This implies earnings of around 167p with perhaps a dividend of 62.0p. The group's shares therefore trade on a PER of around 19.3x and offer a yield of 1.9% and a degree of profit taking is perhaps to be expected.

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