



27 February 2014

## WHITBREAD (WTB): 4191p

### Full year trading update (50w) to 13 Feb 2014

Group is 'on track to deliver full year results towards the top end of current expectations...'

Year to end-Feb	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2013 (A)	355.3	141.6	29.6	57.4	1.4
2014 (E)	391.0	168.4	24.9	63.1	1.5
2015 (E)	438.2	189.8	22.1	70.0	1.7

Source: Company & Broker Estimates

### Q4 & Full Year Trading Update:

Whitbread has this morning updated on Q4 and 50w to 13 February and full year trading and our comments are set out below:

#### Premier Inn – growth accelerates:

- When the group last reported (to w39), Premier Inn was up by 4.0% for the year to date and was up by 5.4% in Q3
- The group has this morning reported that it saw growth at the LfL level of 8.3% in Q4 to date and it is up 4.7% for the first 50 weeks
- Total sales at PI, including new openings, were up by 15.2% in Q4 and are running up by 13.3% for the 50w
- The group says 'Premier Inn has continued to win market share' and says total occupancy was 78.0%, up 150bps on last year.
- London was strong, WTB says 'we grew total sales by 17.0% in the quarter (in London) with a 10.7% increase in the number of rooms available'
- In the regions 'our total sales grew by 14.3% in the quarter, with a 5.1% increase in the number of rooms available' – it increased REVPAR by 9.6% but says the market grew by 14.5%
- The 'enhanced room refurbishment programme' continues and the group says it has cut the expected average life of a room from 15 to 12 years, which 'will increase our depreciation charge by around £6m'
- The group will open around 3,500 rooms for FY14 and 4,500 in FY15

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Market Cap: £7.6bn  
12m range 2425p 4191p

### Pub Restaurants – positive trend continues:

- During Q3, LfL sales across Whitbread's pub restaurants were up by 1.8% to take the cumulative 39w total LfL to up 0.6%
- Today the group has reported that Restaurants were up by 4.4% LfL in the 11w of Q4 being updated on and are running up by 1.3% for the 50w to date
- Total sales are up by 5.8% in Q4 and by 3.7% in the year to date
- The group says 'restaurants delivered a good performance over the fourth quarter and benefitted from the favourable weather comparatives with like for like sales growth of 4.4% and covers up 3.7%.'

### Costa Coffee – accelerating growth:

- When Whitbread last reported (Q3), Costa was up by 5.3% in LfL terms for the period to w39 as a whole and was up by 4.9% in Q3
- Costa LfL sales were up by 7.3% in Q4 to date and are running up by 5.8% in the year to date
- Total sales at Costa, including new openings, were up by 18.2% in Q4 to date and are running up by 20.1% in the first 50w of the year
- UK retail sales were up by 17.6% to £622.9m for the 50w 'with equity stores delivering like for like sales growth of 5.8%.'
- Costa Enterprises grew system sales to £276.5m, up 22.6%. within this EMEI sales rose by 11.1% and Costa Asia system sales grew by 49.7% to £68.4m.
- Costa opened 312 net new stores in the year to date, including 167 in the UK and 145 internationally; it has added 918 net Costa Express machines taking the total to 3,478.
- The group says 'next year we plan to open a broadly similar number of stores and install around 600 Costa Express units.' Recent sales trends are shown below:

#### • **Tab.1. Whitbread's Sales Trends:**

Period	Premier Inn LfL sales (%)	Restaurants' LfL sales %	Costa Coffee LfL sales %
H1 09/10	-7.5	+1.8	+2.5
FY 10/11	+8.6	+3.3	+7.8
Q1 11/12	+3.0	-1.4	+4.0
Q2 11/12	+7.1	-1.6	+9.7
FY 11/12	+3.2	-0.2	+5.5
Q1 12/13	+4.3	+2.1	+8.4
Q2 12/13	+3.2	+4.9	+5.7
FY 12/13	+3.1		+6.8
Q1 13/14	+2.7	+0.0	+8.0
H1 13/14	+3.3	-0.1	+5.5
Q3 13/14	+5.4	+1.8	+4.9
Q4 13/14	+8.3	+4.4	+7.3
50w to date	+4.7	+1.3	+5.8

Source: Company Reports

Other:

- Whitbread says 'the Group remains in a strong financial position' and reports 'we have signed an amendment to our £650 million syndicated bank facility, extending its maturity by two years to 4 November 2018' with a further two-year option

**Langton Comment:** Trading at Whitbread has picked up a little in Q4 and it will hit the top end of expectations.

The group is therefore performing strongly and it looks to be set to deliver more but its shares are not cheap.

Shares changed hands at £24 as recently as the first half of 2013 year and they have risen to almost £42 at the time of writing suggesting that, though Whitbread has potential winners on its hands in the shape of Premier Inn and Costa, the group's rating is now somewhat stretched.

The group is scheduled to earn around 190p in FY15, suggesting that its shares trade at around 22x earnings. If Premier Inn were stripped out at, say, a 15x multiple, then Costa is trading on a multiple of more than 50x and, if Premier Inn were to be considered to be worth 17x, then Costa is still worth an implied 45x plus.

Asian system sales for Costa (up nearly 50%) may draw the eye and the group has a loyal fan-base. The group has winning brands and is trading well but some holders may consider taking a little money off the table.

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