



16 Jun 2015

WHITBREAD (WTB): 5052p Q1 Conference Call: 13wks to 28 May 2015:

Group says London hotels softer, regions considerably stronger.
Reverse for restaurants...

Year to end-Feb	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2015 (E)	480.9	211.6	23.9	81.1	1.6
2016 (E)	550.0	240.0	21.1	90.6	1.8
2017 (E)	630.0	272.8	18.5	101.8	2.0

Source: Company & Broker Estimates

Q1 Trading Update to 28 May 2015: Conference Call:

Following its Q1 update, Whitbread hosted a conference call for analysts and our comments are set out below:

Trading – Premier Inn:

- Some analysts focussing on the 'slow-down'. That's perhaps a tad harsh. Group says it is focussing on total growth as well as LfL growth.
- Whitbread says its new London hotels are 'filling extremely quickly'; group still says growth will be more rate than occupancy going forward
- Says London market has been soft 'at the beginning of the quarter'. Believes it is a little better since. WTB sees the fundamentals as strong
- Group acknowledges (both in London & Provinces) 'we are approaching our occupancy ceiling'.
- Group now offering free WIFI. This has reduced margins by c0.4%. In addition, the Travelodge recovery has continued and 'its business is improving'. It's not yet actually adding capacity
- Says Hub continues to trade extremely well.

Trading - Restaurants:

- Whitbread sees pub restaurant market as 'quite soft outside the M25'
- Group believes destination units may be losing some share to the High Street
- Drink driving changes in Scotland have cost the group about 0.5% in sales

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Market Cap: £9.2bn
12m range 3975p 5440p

- These units are really there to drive profits at Premier Inn

Trading - Costa Coffee:

- Good numbers but this is a slow-down; any particular reason? Nothing the group wishes to focus on. Numbers still good.
- Net 45 opened in Q1 including 8 overseas. Group has around 370 machines overseas.
- Pricing is driven by product mix. Group still has no plans to put prices up across the board. Specialty drinks over Christmas helped raise average spend
- Group 'feels good about Costa International'

Other:

- Whitbread has announced that Alison Brittain will join the group early, on 28 Sept, as CEO designate. She will take over as CEO on 7 Dec

Langton Comment: Whilst hardly a downbeat presentation, this was realistic & clearly a number of analysts will be considering minor downgrades.

The trick for Whitbread, in addition to ensuring a smooth change of CEO, will be to manage expectations and to transition from extremely high rates of growth to, perhaps, simply high rates.

The analysts' focus on the group's 'slow-down' was perhaps to be expected. This has been well-flagged but it is still perhaps not surprising that this attracted attention.

The group is still generating extremely strong numbers but it would not be surprising to see its rating contract somewhat.

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