



20 Oct 2015

WHITBREAD (WTB): 4725p H1 numbers: 6mths to 27 August 2015:

Group reports double digit revenue, underlying profit and dividend growth...

Year to end-Feb	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2015 (E)	480.9	211.6	22.3	81.8	1.7
2016 (E)	542.0	239.8	19.7	91.4	1.9
2017 (E)	613.0	270.0	17.5	103.2	2.2

Source: Company & Broker Estimates

H1 numbers: 6mths to 27 August 2015:

Whitbread has this morning reported H1 numbers for the 6mths to 27 August and our comments are set out below:

Results in brief:

- Whitbread has reported sales up by 11.3% at £1,439.6m
- Underlying PBT is £291.3m, up some 13.8% on last year
- EPS on an underlying basis is +14.0% at 127.3p and the H1 dividend is 28.5p per share, up some 13.1% on last year
- 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

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Market Cap: £8.6bn
12m range 4200p 5440p

Q4 13/14	+8.3	+4.4	+7.3
FY 13/14	+5.0	+1.6	+5.7
Q1 14/15	+9.5	+4.4	+4.5
Q2 14/15	+9.2	+1.7	+7.3
H1 14/15	+9.1	+3.1	+6.1
Q3 14/15	+8.5	+1.6	+5.2
Q4 14/15 (11w)	+8.6	+0.6	+6.9
FY 14/15	+9.1	+2.1	+6.0
Q1 15/16	+6.3	+0.1	+5.0
Q2 15/16	+4.3	+0.6	+4.0
H1 15/16	+5.0	+0.1	+4.4
Current trading	On Track	On Track	On Track

Source: Company Reports

Premier Inn:

- In hotels & restaurants, Whitbread reports that the business 'delivered a good performance in the first half of the year with revenue increasing by 8.8% to £926.9 million.'
- It says Premier Inn 'grew total sales by 12.6% to £642.1 million with rooms available growing by 8.0%, total revpar growing by 4.6% and occupancy remaining high at 83.7%.'
- PI continues to take share in UK. Group says 'we plan to invest around £130 million this financial year in maintaining and improving our product and improving our customers' experience.'
- This year the group will refurbish some 13,200 rooms. The group is making 'good progress' towards its 5yr milestones for 2018 and 2020 of c.75,000 and c.85,000 UK rooms respectively.
- It has a total of 59,957 UK rooms today and will open a further 4,681 rooms in H2 to make a total of c.5,500 new rooms for the year.
- The pipeline stands at 14,308 UK rooms
- WTB says 'our new 'hub by Premier Inn' hotel in St Martin's Lane continues to perform well with an ARR for the first half of the year of around £100, which is a 16% discount to comparable Premier Inns.' It has occupancy at 95.6%
- PI Germany is 'making good progress' with the first unit due to open in Frankfurt in March next year. The group has acquired a second site, in Munich and is in negotiations on 8 more
- PI International is also 'making progress' with LfL occupancy growth +2.8ppts and LfL REVPAR +1.8%. The market in the Middle East has been softer than that in India

Restaurants:

- Restaurants 'outperformed a soft pub restaurant market with total sales growth of 1.2% and like for like sales growth of 0.1%.'
- Whitbread says margins rose 'despite modest top line growth' and it says 'we have also made good progress in rejuvenating our brands with 56 Beefeaters converted to the new format and 13 Table Tables converted to Whitbread Inns.'

Costa Coffee:

- Whitbread reports 'Costa delivered another excellent performance during the half year, with total sales growth of 16.2% to £514.6 million and system sales up 14.9% to £755.4 million.'
- UK sales grew 16.5% to £453.5 million and international sales by 14.2% (13.8% at constant currency) to £61.1 million.
- UK like for like sales continued to be strong at 4.4% and Costa Express had a good first half with the installation of 416 new units.
- Underlying operating profit increased by 28.4% to £67.3 million and the group says 'our strong trading performance increased return on capital by 1.9% pts to 48.2% since the full year.'
- The group concludes 'our strong growth keeps us on track for our 2018 and 2020 growth milestones and we expect to open around 220 net new stores worldwide this year and install 700-800 Costa Express machines.'

Other:

- Whitbread says 'trading momentum in the early weeks of the second half has been consistent with that seen across the first half.'
- It concludes 'we remain on track to deliver full year results in line with expectations.'

Other:

- Whitbread reports 'cash flow from operations continues to be strong'
- It has net debt of around £725.9m (2014: £467.2m) to give an adjusted net debt to EBITDAR leverage ratio 'in line with expectations'
- CEO Andy Harrison reports 'Whitbread has once again delivered double digit revenue and underlying profit growth.'
- He says 'our two leading brands have delivered strong organic growth and continue to win market share.'
- Mr Harrison concludes 'we continue to focus on driving long term organic growth, financed from our own resources and delivering a good return on capital to create substantial value for our shareholders.'

Langton Comment: Whitbread's shares peaked ahead of FY numbers back at the end of April but they, along with the wider market, have slipped since.

Today's numbers suggest that the group is delivering on its promises and that it remains on track to hit its 2018 and 2020 milestones.

Hence forecasts would appear to be underpinned. The group's targets should be achievable and Whitbread has scalable brands. Nonetheless, there remains little room for error at these levels and the group has to manage its change of CEO before the end of the current financial year.

Whitbread has to cope with a resurgent Travelodge and the slowing Chinese economy could impact its Costa roll-out in the Far East.

On balance, however, we continue to believe that, should the group's shares weaken a little further, they may offer interesting value over the longer term.

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