



21 Jun 2016

WHITBREAD (WTB): 4036p

Q1 IMS: 13wks to 2 Jun 2016:

Whitbread says total sales +8.0% in period, LfL sales +1.8%. Hotel market 'weaker than expected...'

Year to end-Feb	PBT (£m)	EPS (p)	PER (x)	DPS (p)	Yield (%)
2016 (E)	487.7	238.7	16.9	90.4	2.2
2017 (A)	563.8	246.0	16.4	96.5	2.4
2018 (E)	622.0	270.0	14.9	106.0	2.6

Source: Company & Broker Estimates

Q1 IMS: 13wks to 2 Jun 2016:

Whitbread has this morning updated reported on trading for the 13wks to 2 June and our comments are set out below:

Q1 Trading Comments:

- Whitbread reports that total sales are +8.0% in the 13wk period to 2 June. LfL sales are +1.8%
- Premier Inn sales are +8.0% (LfL +2.1%), Restaurant sales are +1.4% (LfL +0.2%) and Costa sales are +11.5% (up 2.6% LfL)
- The numbers represent a further slowdown from Q4 in the case of Premier Inn (Q4 was +2.2%) and Restaurants (Q4 was +2.3%) but an increase at Costa (which was +0.5% in Q4).
- Recent sales trends are shown below:
- Tab.1. Whitbread's Sales Trends:**

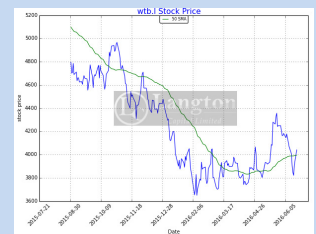
Period	Premier Inn LfL sales (%)	Restaurants' LfL sales %	Costa Coffee LfL sales %
H1 09/10	-7.5	+1.8	+2.5
FY 10/11	+8.6	+3.3	+7.8
FY 11/12	+3.2	-0.2	+5.5
FY 12/13	+3.1		+6.8
H1 13/14	+3.3	-0.1	+5.5
FY 13/14	+5.0	+1.6	+5.7
Q1 14/15	+9.5	+4.4	+4.5
Q2 14/15	+9.2	+1.7	+7.3

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Market Cap: £7.4bn
12m range 3649p-5275p

H1 14/15	+9.1	+3.1	+6.1
Q3 14/15	+8.5	+1.6	+5.2
FY 14/15	+9.1	+2.1	+6.0
H1 15/16	+5.0	+0.1	+4.4
Q3 15/16	+4.7	+1.7	+2.5
Q4 15/16	+2.2	+2.3	+0.5
FY (53w) 15/16	+4.2	+0.8	+2.9
Q1 16/17	+2.1	+0.2	+2.6

Source: Company Reports

Premier Inn & Restaurants:

- In hotels & restaurants, Whitbread says total sales benefited from the group's extension programme
- It says 'like for like REVPAR for the quarter was down 0.5% impacted, as expected, by our substantial hotel extension programme'
- Whitbread says total sales in London at PI were +5.6% in Q1 versus the same period last year.
- However, London REVPAR was down 3.0% 'reflecting a soft market and the impact of our extension programme'
- LfL REVPAR was +0.3% in the UK's regions
- The group says 'Restaurants delivered total sales growth of 1.4% and like for like sales growth of 0.2%, slightly ahead of a soft pub restaurant market outside the M25.'

Costa Coffee:

- Whitbread reports 'Costa had a good start to the year, growing total system sales by 11.4% to £414.3 million, 10.7% at constant currency).' It adds 'within this, franchise system sales grew by 10.5% to £158.7 million.'
- Costa Enterprise's sales were +11.2% at £103.1m
- Whitbread reports 'international system sales grew by 11.5% to £88.3 million (8.5% at constant currency).' It says 'in China we remain excited about the long term growth opportunity although recently we have seen a tougher trading environment, due to a weaker Chinese economy'

Debt, balance sheet & cash-flow:

- Whitbread says its 'strong financial position remains unchanged'

Overall:

- Whitbread CEO Alison Brittain reports 'Whitbread delivered total sales growth of 8.0% in the first quarter as we continue with a relentless focus on our customers, innovation and investing in our strong brands. Costa has started the year well and Premier Inn continues to win share, albeit in a weaker than expected hotel market.'
- She says 'industry data has continued to show a soft hotel market in the UK, particularly in London.'
- The group plans to open 4,000-4,500 new hotel rooms in 2016/17.

- Ms Brittain concludes 'although it is early in our new financial year and despite current market conditions, with the benefit of our cost efficiency programme we remain confident of making good progress for the full year.'

Langton Comment: Whitbread has reported that the UK hotel market (and by this it may mean London) is 'weaker than expected'.

Expected by whom, one might ask, as the London market has been topping out for some time but, putting that to one side, the above comment does suggest that Whitbread's timing, it has been putting a great deal of capacity into London over recent years, has been a little off.

Aside from that, Costa seems to have picked up a little.

The markets may be buoyant today on diminished Brexit concerns and Whitbread's shares may be lifted as a part of this.

Nonetheless, the group has a little work to do. Airbnb is not going to go away any time soon and the capacity that has been put on in London by WTB and others will be with us for decades. Travel is a premium-to-GDP market but, in the short term, terrorist and other fears may put a bit of a dampener on proceedings.

Overall, we believe that Whitbread has an attractive freehold base and international brands. This is something of a rarity across the leisure sector. The shares are not cheap per se but they are not as expensive as they have been in recent years. At around 16x current year earnings, they represent solid value.

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