

4 September 2012

## Leisure: Whitbread (WTB): 2098p Q2 & H1 IMS to end-August 2012

Whitbread will give a trading update on the 6<sup>th</sup> of September for the period to end August, having last updated for the 13w period to end May on the 19<sup>th</sup> of June. Our comments are set out below:

- On Thursday, Whitbread will update trading to end August, a period that will include the Olympics and Euro 2012 Football. Recent trends are shown below:

	Premier Inn Lfl % sales	Pub restaurants Lfl % sales	Costa Coffee Lfl % sales
H1 (09/10)	-7.5	+1.8	+2.5
H1 (to 2 Sept)	+10.1	+4.2	+8.5
FY 10/11	+8.6	+3.3	+7.8
Q1 (11/12)	+3.0	-1.4	+4.0
Q2 w24 (11/12)	+7.1	-1.6	+9.7
Q3	+2.6	+1.1	+3.8
Q4*	-0.9	+2.2	+6.2
FY (11/12)	+3.2	-0.2	+5.5
Q1 (12/13)	+4.3	+2.1	+8.4

Source: Whitbread.

- **Hotels & Restaurants** – Last seen (to Q1) WTB reported a recovery in the momentum of Lfl hotel & restaurant sales growth to +4.3%.
  1. Momentum into Q2 was positive but poor weather, the Euro 2012 football and the disruption to normal hotel booking patterns caused by the Olympics will have impacted Q2
  2. Q1 saw WTB open 1,109 new rooms and one new restaurant, and with full year ambitions of 4,500 new rooms and 8 new restaurants, more openings will have been announced in Q2
- **Costa** – Performed extremely strongly in Q1. Group sales were up by 25.3% and Lfl sales in the UK were up by 8.4%:
  1. Costa opened 35 new stores in Q1 and, in order to hit a full year target of 350 units, the group will have accelerated this materially in Q2
  2. International system sales will have increased sharply and the pace seen during Q1 (+25.8%) should have continued into Q2
  3. Costa Express now looks set to exceed initial targets of 1,000 machines and the long term contract agreed with Shell will have propelled sales
- **Balance sheet** – Here we expect little change and Whitbread should comment once again that ‘the strong financial position of the group remains unchanged

**Langcap view:** Whitbread should once again reassure on Thursday. The football, the poor summer weather and the Olympics will likely have been slightly negative for choice but the underlying positive fundamentals remain in place.

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Forecasts are unlikely to be materially changed. Whitbread should generate around £340m in profits this year (to Feb 13) and earn in the region of 146p per share. A dividend of around 56p should be payable for the year as a whole, suggesting that the group's shares trade on a multiple 14.4x earnings and offer a dividend yield of around 2.7%.

This puts the group's shares at a premium to those of other, asset backed leisure companies but Whitbread possesses international brands. The group's shares have been relatively strong and we believe that they may consolidate at around these levels. Some investors may see better value, albeit with less international exposure, elsewhere.

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