

Interim Results 2013/14



**“Making everyday experiences special”**

22 October 2013

# WHITBREAD

**“Making everyday experiences special”**

**Anthony Habgood**

Chairman



**Andy Harrison**

Chief Executive



## Summary

WHITBREAD

- **Good H1 performance - double digit growth**
  - Total sales up 12.4%
  - Underlying PBT up 12.6% to £216.1m
  - EPS underlying (diluted) up 12.2% to 90.92p
  - Operating cash flow of £307.7m, funding organic growth
  - Interim dividend up 11.8%
  - ROC up 0.7% pts to 14.4%
- **Growth engines continue to deliver**
  - Premier Inn total sales growth 12.2%, like for like growth 3.3%
  - Costa total sales growth 20.9%, like for like growth 5.5%
- **On track to meet our annual plan as well as our 2016 & 2018 milestones**

**Nicholas Cadbury**

Group Finance Director



## Underlying profit growth of 12.6%

# WHITBREAD

£m	H1 2013/14	H1 2012/13*	Change
<b>Revenue</b>	<b>1,144.7</b>	<b>1,018.1</b>	<b>12.4%</b>
Profit from operations	239.2	217.4	10.0%
Central costs	(13.5)	(12.9)	(4.7)%
Underlying operating profit	225.7	204.5	10.4%
Interest	(9.6)	(12.6)	23.8%
<b>Underlying profit before tax</b>	<b>216.1</b>	<b>191.9</b>	<b>12.6%</b>

- Interest cost reduction due to lower average debt and the expiry of a fixed interest rate swap

## Profit and loss - continued

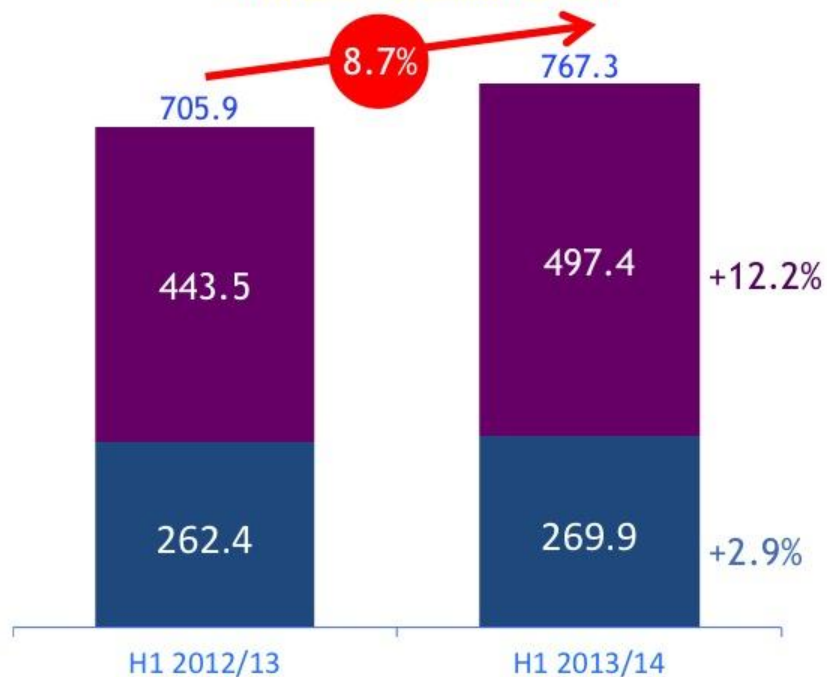
# WHITBREAD

£m	H1 2013/14	H1 2012/13*	Change
<b>Underlying profit before tax</b>	<b>216.1</b>	<b>191.9</b>	<b>12.6%</b>
Pension finance cost - IAS 19	(12.3)	(13.8)	10.9%
Amortisation of acquired intangibles	(1.4)	(1.3)	
<b>Profit before tax, pre exceptionals</b>	<b>202.4</b>	<b>176.8</b>	<b>14.5%</b>
Taxation	(50.3)	(45.0)	(11.8)%
<b>Net profit, pre exceptionals</b>	<b>152.1</b>	<b>131.8</b>	<b>15.4%</b>
Exceptionals	23.8	36.5	
<b>Profit for the year</b>	<b>175.9</b>	<b>168.3</b>	<b>4.5%</b>

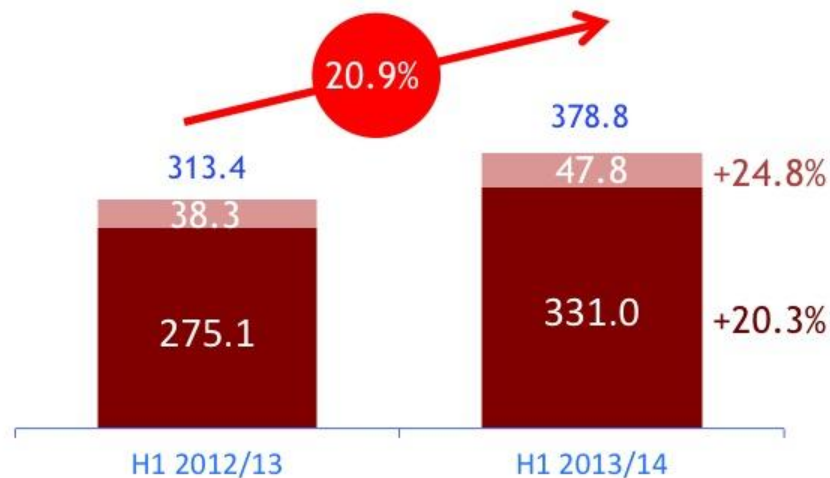
# Continued strong revenue growth

WHITBREAD

Hotels &amp; Restaurants (£m)



Costa (£m)



# Group like for like sales growth of 2.8%

WHITBREAD

## • Premier Inn

- Like for like revpar growth of 2.1% with occupancy +1.1% pts at 80.3%



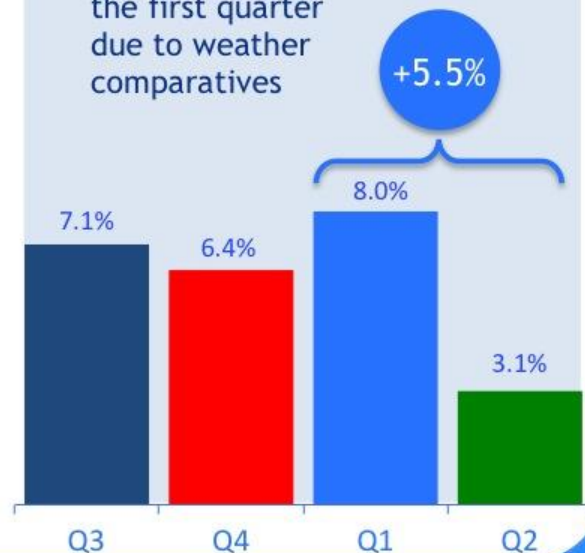
## • Restaurants

- Performed in line with Coffey Peach industry tracker outside of M25



## • Costa

- Strong transaction growth with performance biased towards the first quarter due to weather comparatives



## Growth targets being delivered

WHITBREAD

	March 2013	Opened	Transferred/Closed	August 2013
Premier Inn - UK & Ireland	51,671	1,392	(24)	53,039
Premier Inn - International	1,296	109	-	1,405
<b>Total Premier Inn (rooms)</b>	<b>52,967</b>	<b>1,501</b>	<b>(24)</b>	<b>54,444</b>
<b>Restaurants</b>	<b>397</b>	<b>3</b>	<b>(2)</b>	<b>398</b>
Costa - UK	1,578	96	(10)	1,664
Costa - International	949	93	(26)	1,016
<b>Total Costa (stores)</b>	<b>2,527</b>	<b>189</b>	<b>(36)</b>	<b>2,680</b>
<b>Costa Express</b>	<b>2,560</b>	<b>672</b>	<b>(90)</b>	<b>3,142</b>

## Profit by business segment

WHITBREAD

£m	H1 2013/14	H1 2012/13	Change
Hotels & Restaurants - UK & Ireland	199.1	184.6	7.9%
Hotels & Restaurants - International	(3.4)	(3.3)	
<b>Total Hotels &amp; Restaurants</b>	<b>195.7</b>	<b>181.3</b>	<b>7.9%</b>
Costa - UK	44.0	34.6	27.2%
Costa - International	(0.5)	1.5	
<b>Total Costa</b>	<b>43.5</b>	<b>36.1</b>	<b>20.5%</b>
<b>Profit from operations</b>	<b>239.2</b>	<b>217.4</b>	<b>10.0%</b>

## Exceptional items

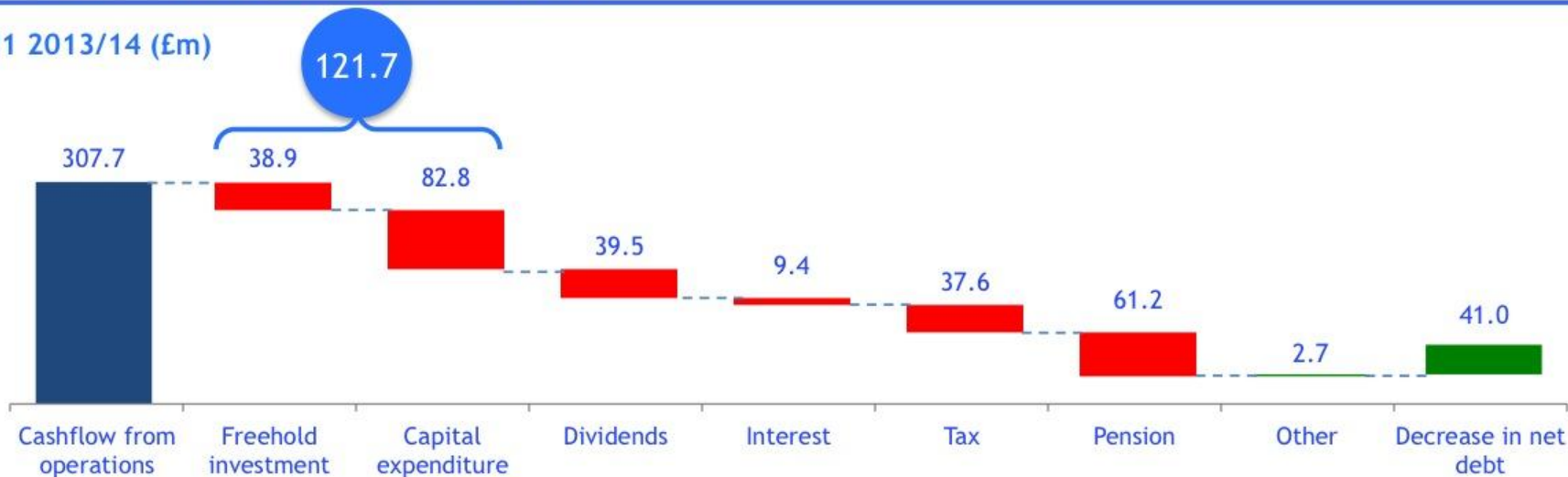
WHITBREAD

£m	H1 2013/14	H1 2012/13
Settlement of tax claim	-	13.5
Interest on tax claim	-	10.6
Reduction in tax rate	25.1	17.1
Other (including profit/loss on sale of property/investments)	(1.2)	(1.7)
Tax on exceptional items	0.4	(2.5)
Interest on the unwinding of discount rate on provision	(0.5)	(0.5)
<b>Exceptional items</b>	<b>23.8</b>	<b>36.5</b>

# Good operating cash flow £307.7m, to fund investment and dividend

WHITBREAD

H1 2013/14 (£m)



- Net debt reduced by £41.0m to £430.1m
- Growth milestones being funded by cashflow from internal resources
- Dividend cash payment excludes £28.2m take-up of scrip issue
- Pension payment in line with 2011 triennial review

# Capital expenditure driving organic growth

WHITBREAD

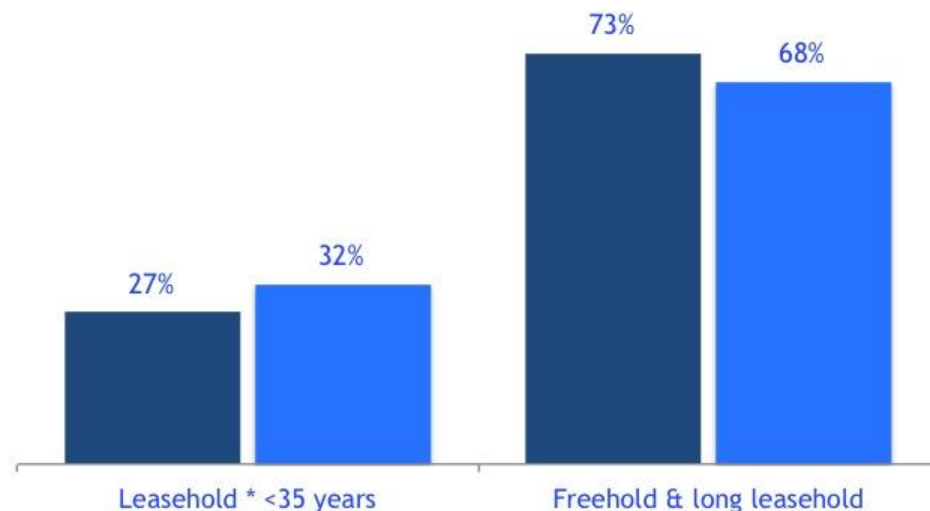


- Capital expenditure down year on year due to:
  - Acquisition of St Martins Lane, London last year (£23m)
  - Premier Inn opening plan weighted to the second half
  - Premier Inn refurbishment plan for 2013/14 phased into the lower seasonal Q4
- Full year capital spend of c.£315m
  - Premier Inn maintenance spend of c.£80m (2012/13 £75m)

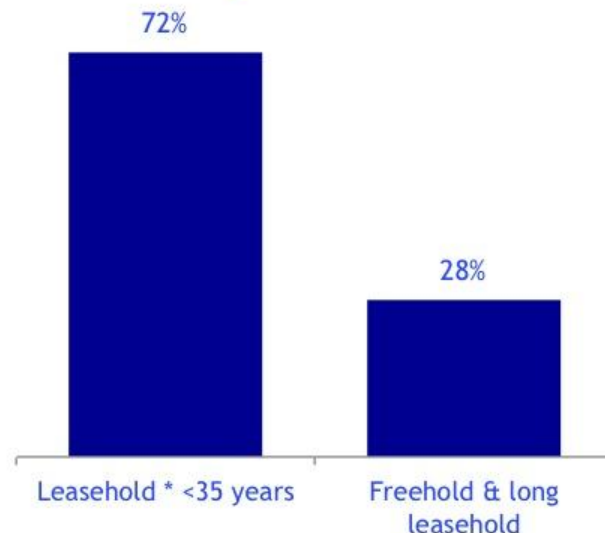
# Property pipeline remains strong at over 10,500 rooms

WHITBREAD

As at 29 August 2013 53,039 rooms\*



Committed pipeline over 10,500 as at 29 August 2013



- Post completion of the pipeline 61% of rooms will be freehold & long leasehold, 39% will be leasehold

## Improved return on capital to 14.4%

WHITBREAD



\* Return on Capital (ROC) is the return on net assets which is calculated by dividing the underlying profit before interest and tax for the 12 months to 29 August 2013 by net assets at 29 August 2013 adding back debt, taxation liabilities and the pension deficit

## Other financial items

WHITBREAD

- IAS 19 pension gross deficit of £507.4m (£541.7m as at 28 February 2013)
  - Cash contribution of £61.2m
  - Re-measurement loss of £13.2m principally due to reduction in discount rate from 4.60% to 4.55%
- Effective tax rate of c.24.7%
- Full year pension administrative cost of £3m now included in underlying profit
  - Previously included in non underlying pension finance costs (IAS 19)

## Summary - good first half results

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- 12.6% underlying profit growth
- Good cash flow from operations
  - Underpinning balance sheet strength
  - Funding organic growth
  - Supporting 11.8% growth in dividend
- Maintaining good return on capital up 0.7% pts to 14.4%

**Andy Harrison**

Chief Executive



## Agenda

Good first half results – creating shareholder value

Premier Inn going from strength to strength

Restaurants in line with a challenging market

Costa continuing good results

Delivering on Good Together targets

Outlook and summary

Q&As

Close

## Creating shareholder value

**Whitbread  
Hotels & Restaurants**

- |   |  |                     |
|---|--|---------------------|
| <b>Delivering organic growth</b>                      | <ul style="list-style-type: none"><li>• Premier Inn sales up 12.2%</li><li>• Restaurant sales up 2.9%</li><li>• Profits up 7.9% to £195.7m</li></ul> | } WHR sales up 8.7% |
| <b>By winning market share</b>                        | <ul style="list-style-type: none"><li>• Opened 12 UK hotels and 1,392 rooms in H1</li><li>• Pipeline of over 10,500 rooms</li></ul>                  |                     |
| <b>With good ROC*</b>                                 | <ul style="list-style-type: none"><li>• Premier Inn like for like sales up 3.3%</li><li>• ROC up 0.3% pts to 12.8%</li></ul>                         |                     |
| <b>And building in selected international markets</b> | <ul style="list-style-type: none"><li>• Total revpar up 24.8%</li><li>• Pipeline of 13 hotels across 7 markets</li></ul>                             |                     |

\* Return on Capital (ROC) is the return on net assets which is calculated by dividing the underlying profit before interest and tax for the 12 months to 29 August 2013 by net assets at 29 August 2013 adding back debt, taxation liabilities and the pension deficit





## Delivering value for customers

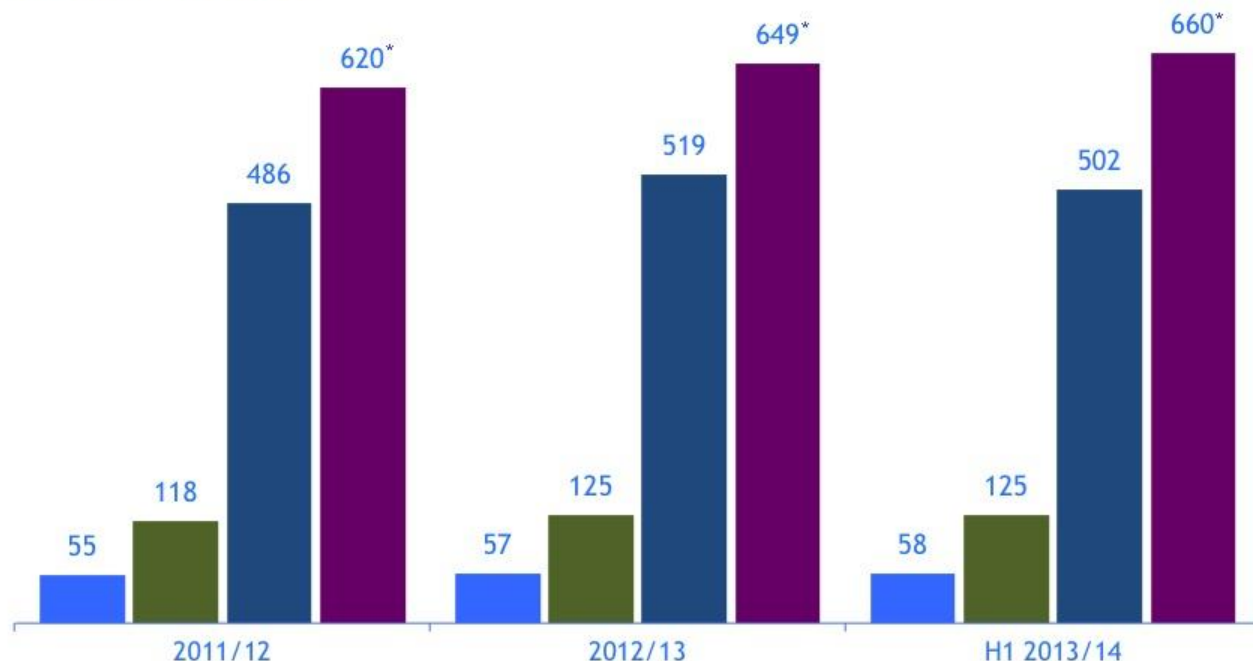
Customer  
valueProduct  
consistency  
and qualityBest  
location  
choiceBest  
value for  
moneyPremier  
Inn KPIsCustomer  
satisfaction  
and brand  
strengthGrowing  
networkGrowing  
occupancy  
and ARR  
optimisationDelivering for  
shareholdersProfit  
growth  
(room growth)Return on  
capital  
(revpar growth)

## Creating shareholder value



## Best location choice - bringing the customer closer

Number of UK hotels



- Greater choice:
  - 2016 c.750 locations
  - 2018 c.830 locations



# Best value for money

## YouGov value for money measure



## UK Regions ARR

	H1 2011/12	H1 2012/13	H1 2013/14
Premier Inn rate	£52.43	£53.06	£53.34
Premier Inn rate premium*	£7.91	£7.71	£7.43



## Top customer satisfaction

- TripAdvisor score 4.3 out of 5.0
- Leading the YouGov Hotel BrandIndex



Guest Recommend 69% of customers now score Premier Inn 9 or 10 out of 10





# Consistent growth in revpar and occupancy

## Greater London

### Revpar



### Occupancy



## UK regions

### Revpar



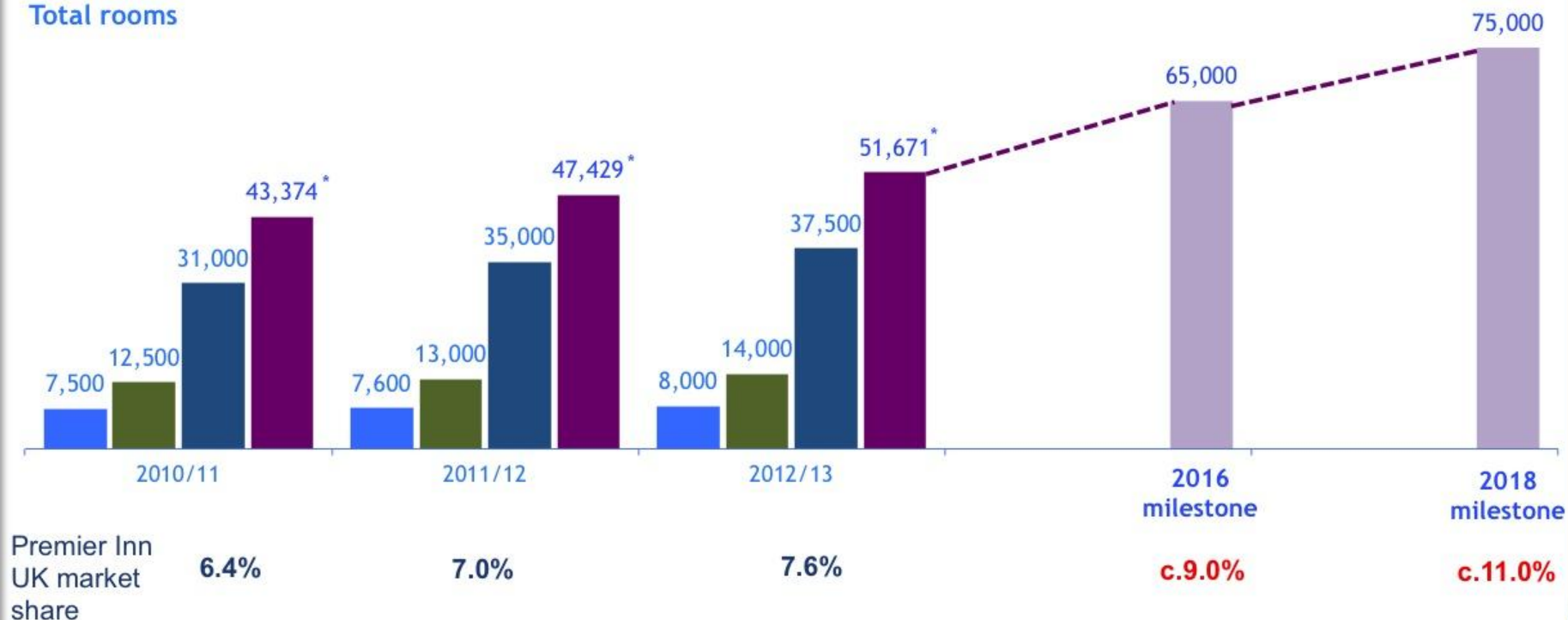
### Occupancy





# Continuing to grow rooms and market share

## Total rooms



## 2016 room milestone in sight

Thousands of rooms

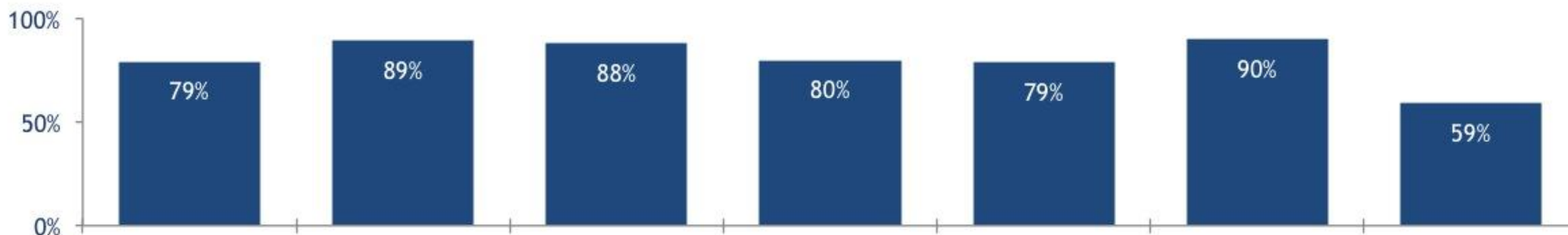


- 2013/14 open c.30 new hotels, c.4,000 rooms
- 2014/15 open c.50 new hotels, c.4,500 rooms
- London committed pipeline c.4,500 rooms

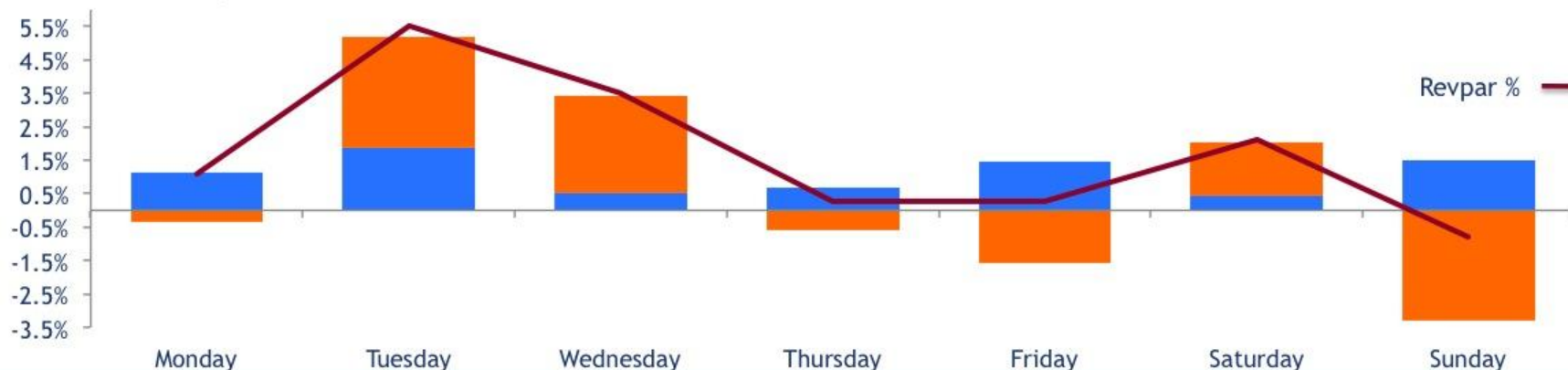


# Dynamic pricing - continuing refinements

Occupancy H1 2013/14



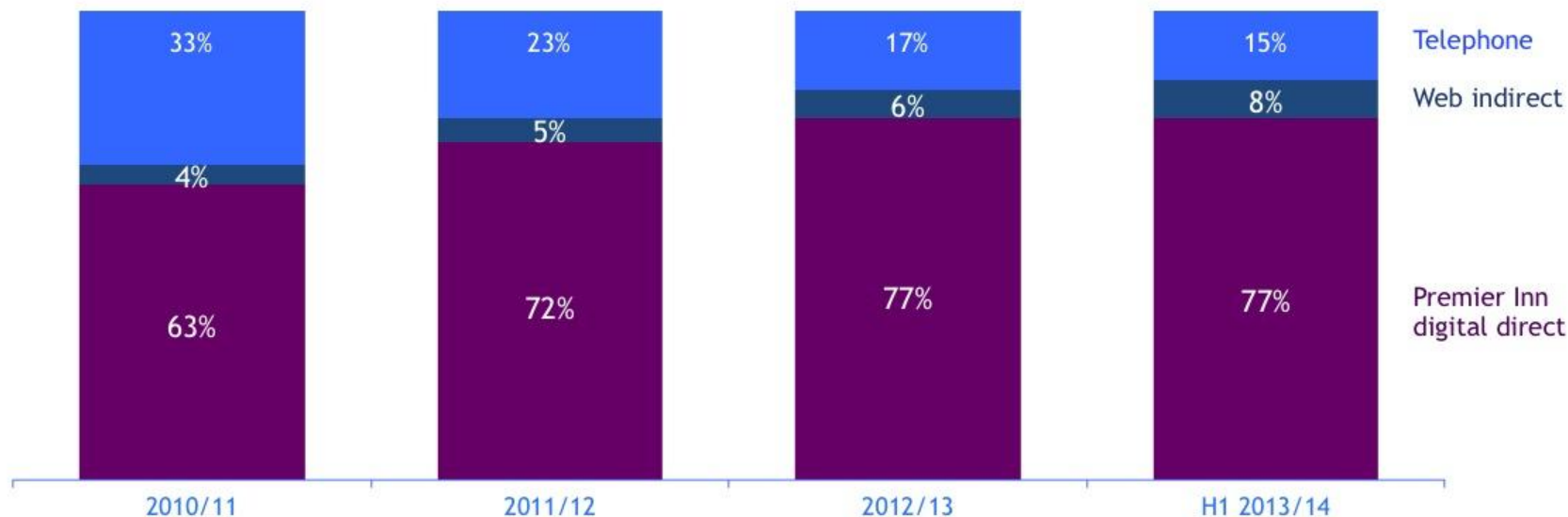
Like for like revpar H1 2013/14 vs H1 2012/13





## Strength of Premierinn.com

Premier Inn volume of reservations by channel



Our preferred distribution channel - direct to Premierinn.com



## International - continuing progress

- Solid H1 performance
  - Total occupancy up 14.7% pts to 70.9%
  - Like for like revpar up 26.4%
  - Total number of rooms 1,405
- Middle East profitability up year on year
- India making progress



## Growing pipeline - moving to asset light

	Hotels	Rooms	Spend
Open	7	1,405	£59m
Signed agreements	13	1,800	£44m
Future growth	30	c.6,000	£100m
2018 milestones	50	c.10,000	c.£200m

Hotels	Open	Signed Agreements		MOUs	
		Heavy	Light	Heavy	Light
Middle East					
UAE	4	1			1
Saudi Arabia			1		1
Qatar		1	1		
Bahrain					1
Oman			1		
India	3	2			3
S.E. Asia					
Singapore				1	
Indonesia			5		8
Thailand		1			
Total	7	5	8	1	14

Pune





## Performed in line with a challenging market



- Total sales £269.9m, up +2.9%
  - Flat like for like sales
  - In line with Coffer Peach\*
  - Like for like covers, incl. breakfast (2.4)% year on year - impacted by weather
  - Like for like SPH +3.4% year on year
  - Like for like breakfast sales (+9.9% year on year)
- Record Guest Scores
  - Guest Net Recommend up +2.9% pts



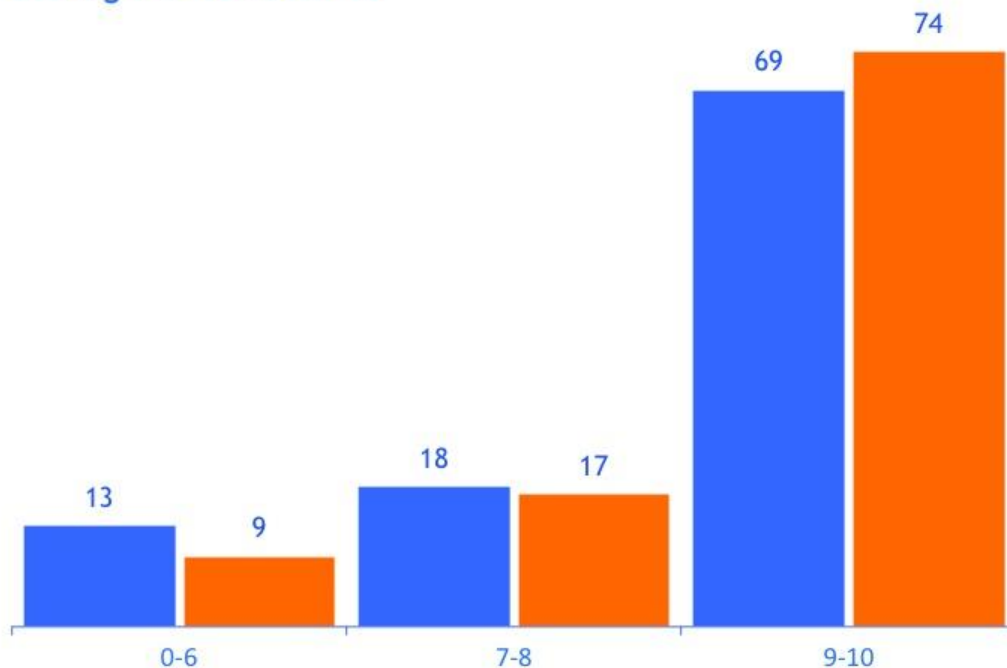
Bonus Club



# Improving our menus and driving guest scores higher



Guest Recommend with 74% of customers scoring 9 or 10 out of 10



# Managing margins



Inflation 2-3%



Mitigating inflation



- Half year impact on like for like site contribution margins c.(0.8)% pts

- Full year profit protection:
  - Food sourcing and menu management
  - Loyalty schemes improve promotional spend
  - Systems improvements, including labour scheduling

**COSTA**

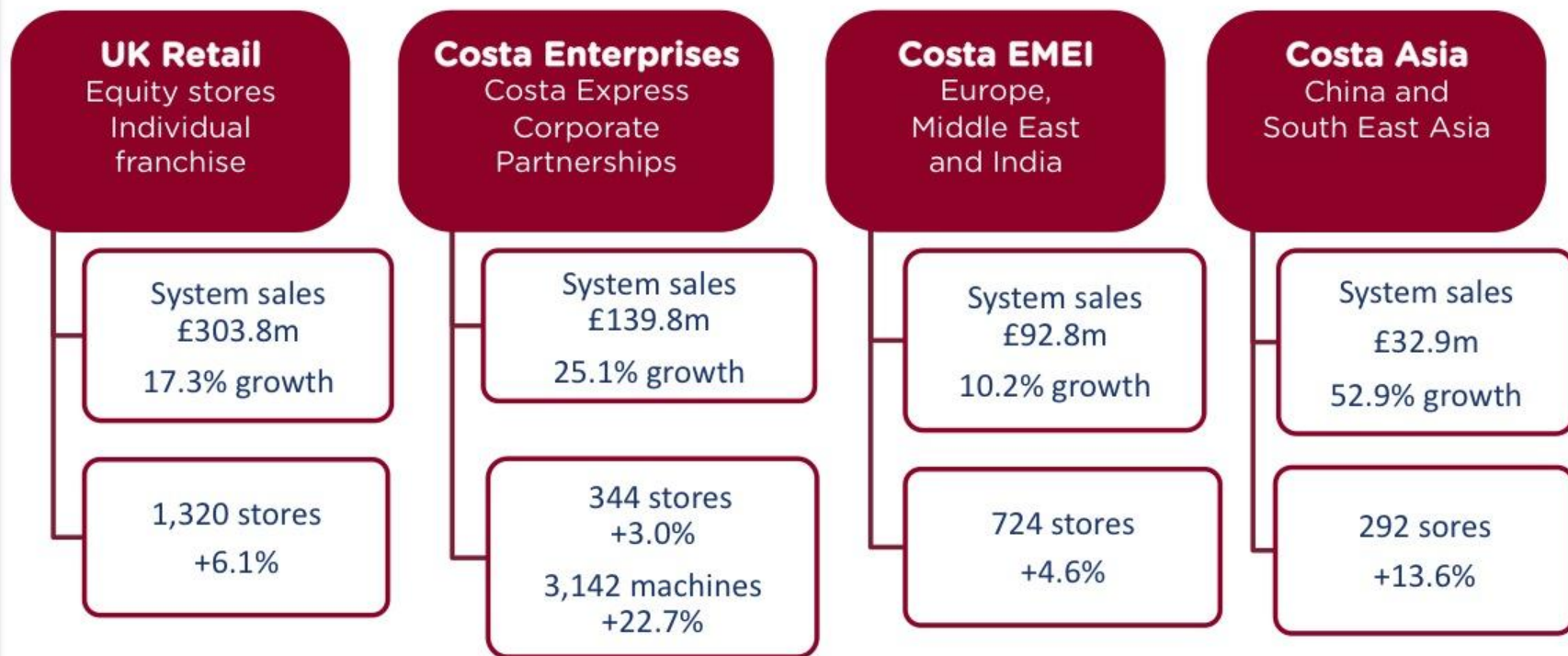


## Continuing excellent results

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- System sales up 19.5% to £569.3m\*
- New stores 189 gross, taking the total to 2,680 worldwide
- Strong UK like for like growth of 5.5%
- Added 672 gross Costa Express machines in H1; total 3,142
  - Achieved acquisition milestone two years ahead of schedule
- Underlying profit up 20.5% to £43.5m
- Return on capital up 4.2% pts to 35.4%

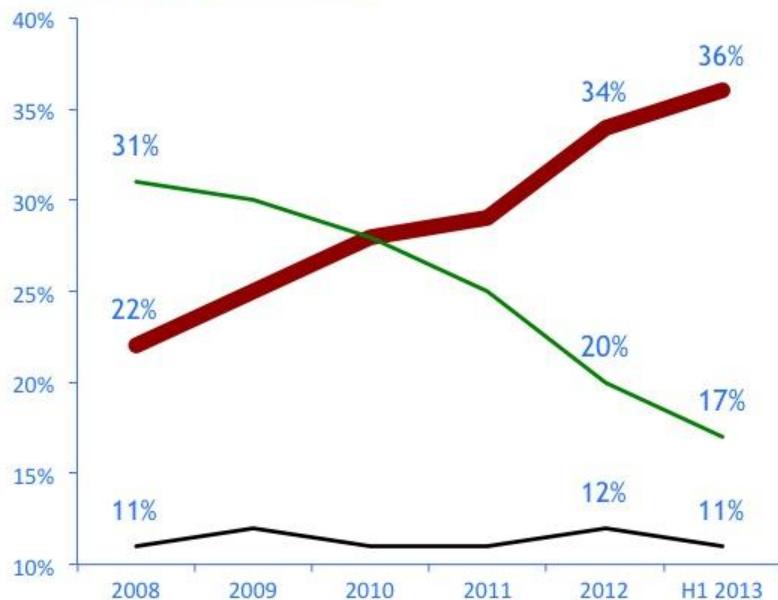
## Strength and breadth



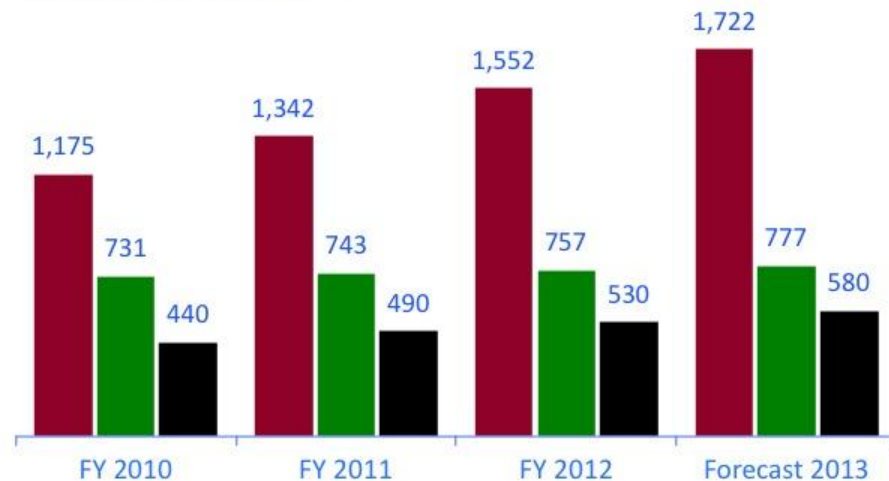
# UK retail - winning brand

# COSTA

Preference \* Costa is the UK's favourite and the gap is widening



Number of UK stores †



Costa's total market share 2009 to 2012



## Great people, great product

# COSTA

### Team

- Engagement 82%
- Customer focused incentive scheme
- Core Skills training academies

### Customers

- Improved brand preference
- Net Promoter Score up 9% pts

### Stores

- Metros: 36
- 70% of estate is new or refurbished over past 3 years

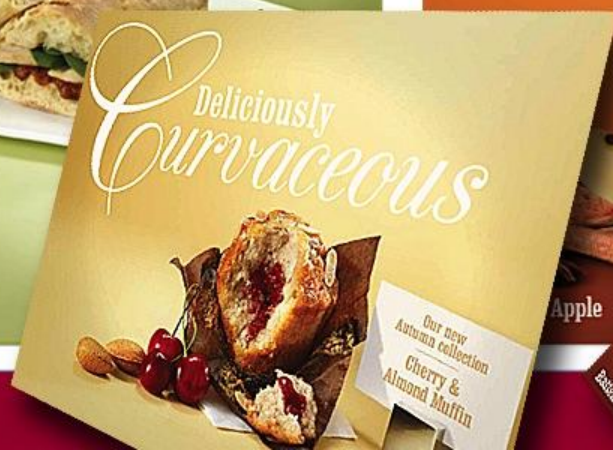
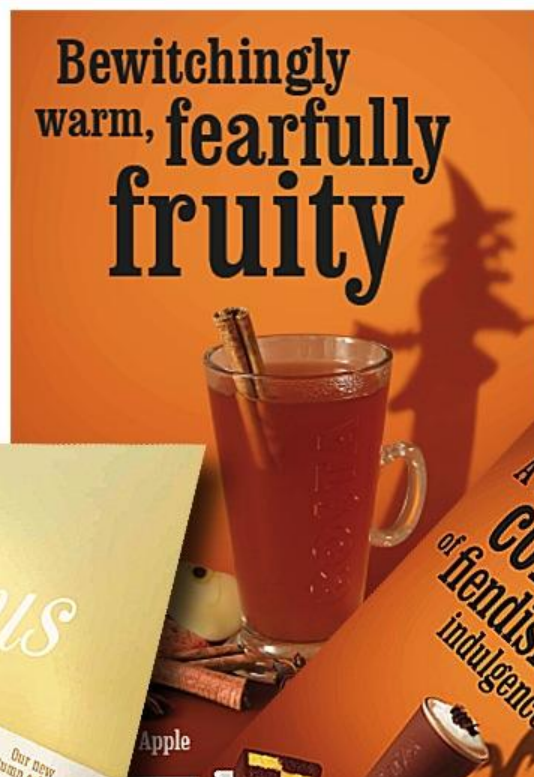
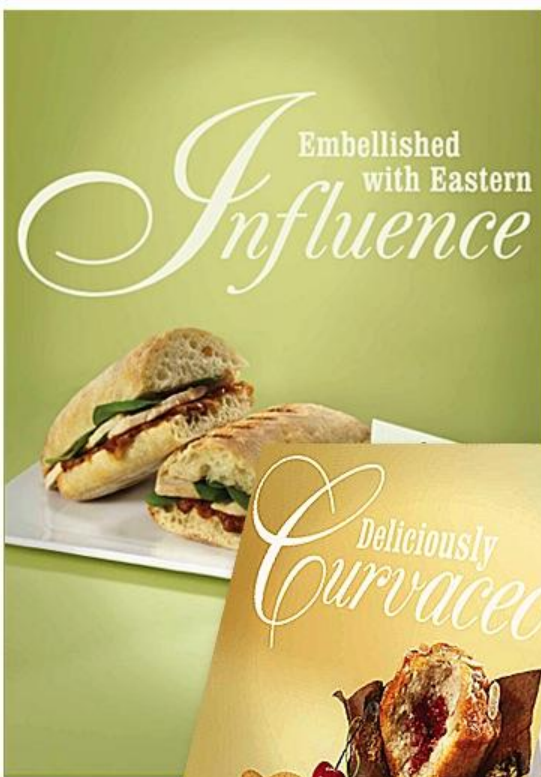
### Product/innovation

- Indulgent Coolers
- Mocha Latte
- New food range
- Drive-thrus: 11



## Delicious treats

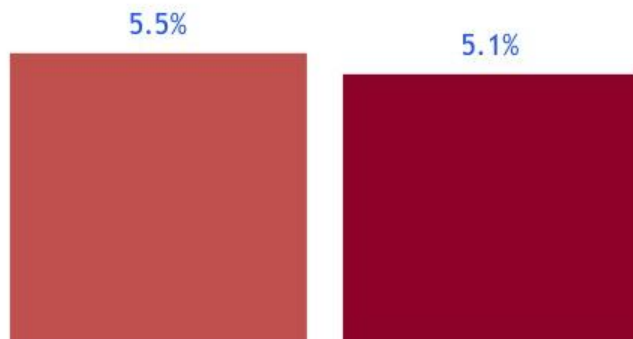
COSTA



## UK retail – strength and breadth

- Growth driven by transactions
- Consistent growth by region, by channel and by age of store

Like for like growth driven by transactions



H1 2013/14



## Costa Enterprise - beating targets

# COSTA



- 3,142 Costa Express machines - 2016 target already achieved
- Costa Express customer score continues to strengthen
- International growth early stages
  - 126 machines in Poland
  - 2 machines in UAE
- Good corporate wholesale and franchise performance



## Costa EMEI

# COSTA

- System sales up 10.2%
- Good progress in the international franchise business
- Poland weak consumer economy, VAT rise impacting like for like sales growth
- Trialling equity stores in Paris
  - First equity store opened 16 October 2013



## China - investing in growth

**COSTA**

- Like for like sales growth 5.5% benefiting from good store margins
- Good profit progression in like for like stores
- Investing in new store openings (c.80 in 2013/14), infrastructure and people



## Investor Day

**COSTA**

We will be holding an investor day  
for Costa on 12 December 2013



## Delivering on targets 2017/18

# GOOD TOGETHER...

- 800 team members enrolled on apprenticeship programme
- Committed to raise £7.5m for new Premier Inn Clinical building at Great Ormond Street Hospital (over £1.5m raised to date)
- Over £0.9m raised for Costa Foundation in H1 2013/14
- Ranked 10th for carbon reporting in FTSE100
- Continued focus on meat traceability and testing



## Outlook

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WHITBREAD

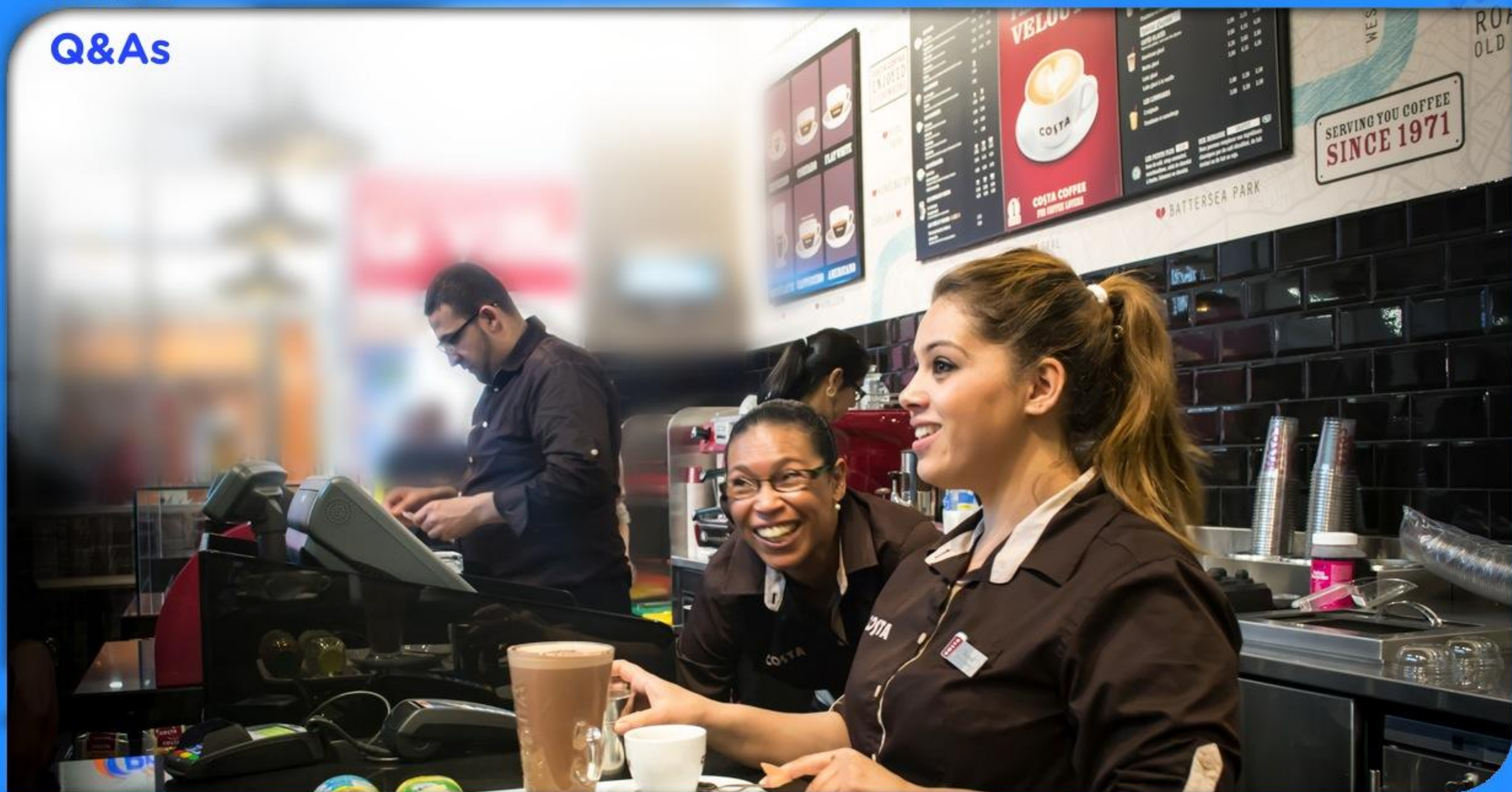
- Good performance in H1 - on track to deliver our full year business plan
- Right trajectory to deliver 2016 and 2018 growth milestones
- Strong organic growth, good return on capital and cash flow should continue to create substantial shareholder value

## Summary

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- **Growth engines continue to deliver**
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- **On track to meet our annual plan as well as our 2016 & 2018 milestones**

## Q&amp;As



## Appendix



## Interest charge

WHITBREAD

£m	H1 2013/14	H1 2012/13*
Underlying interest charge	(9.6)	(12.6)
Pension finance cost - IAS 19	(12.3)	(13.8)
<b>Interest charge</b>	<b>(21.9)</b>	<b>(26.4)</b>
Exceptional interest	(0.5)	10.1
<b>Total interest cost</b>	<b>(22.4)</b>	<b>(16.3)</b>

- Underlying interest cost is impacted by a reduction in the average net debt to £411m (2012/13 £499.1m) and the expiry of a fixed interest rate swap



# Driving revpar performance

## Outperformance of Greater London hotel market



## Outperformance of UK regions hotel market



Revpar gap

£10.01

£10.24

£16.28

£17.97

Revpar gap

£4.79

£5.75

£7.88

£6.78





# Structural growth opportunity - c.75,000 rooms by 2018



Achieved Room Rate (ARR)	Hotel accommodation income divided by the number of rooms occupied by guests
Income before fixed costs (IBFC)	Hotels & Restaurants operating profit before directly attributable fixed costs (such as rent, rates, insurance, etc.), head office and central costs
Income after fixed costs (IAFC)	Hotels & Restaurants operating profit after directly attributable fixed costs but before allocating head office and central costs
Joint Sites	Consist of sites with a combined Premier Inn and Whitbread restaurant. This includes the remaining standalone restaurants
Like for like sales	Period over period change in total sales, less sales generated by outlets opened during 2012/13 and 2011/12
Occupancy	Number of hotel bedrooms occupied by guests expressed as a percentage of the number of bedrooms available in the period
Return on Capital (ROC)	Dividing the underlying profit before interest and tax for the year by net assets at the balance sheet date, adding back debt, taxation liabilities and the pension deficit
Solus Sites	Consist of standalone Premier Inn hotels and integrated restaurants (e.g. County Hall) or Premier Inn hotels with a third-party restaurant
Revpar/yield	Revenue per available room, also known as “yield”, this hotel measure is achieved by multiplying the ARR by the occupancy rate

# Standard Information Hotels & Restaurants

WHITBREAD

	Half Year 2013/14	Half Year 2012/13	Full Year 2012/13
<b>Solus</b> <sup>1</sup>			
Sales	£m	263.6	515.9
IBFC	£m	155.1	295.1
IAFC <sup>2</sup>	£m	93.6	171.9
Net Assets <sup>3</sup>	£m	1,048.6	1,050.8
Return on Capital <sup>4</sup>	%	15.3%	16.4%
<b>Joint</b> <sup>5</sup>			
Sales	£m	442.3	844.2
IBFC	£m	198.2	360.1
IAFC	£m	145.9	252.4
Net Assets <sup>3</sup>	£m	1,438.2	1,428.0
Return on Capital <sup>4</sup>	%	17.7%	17.1%
<b>TOTAL - Hotels &amp; Restaurants</b>			
Sales - Premier Inn	£m	497.4	853.8
Sales - Restaurants	£m	262.4	506.3
Sales - Total	£m	767.3	1,360.1
IBFC	£m	383.7	655.2
IAFC	£m	254.0	424.3
EBITDA from Operations	£m	240.1	399.6
Underlying EBIT from Operations	£m	195.7	313.1
Total Net Assets <sup>3</sup>	£m	2,565.6	2,522.5
Return on Capital <sup>4</sup>	%	12.8%	12.4%
Cash Capital Expenditure - Total <sup>6</sup>	£m	85.3	261.3
<b>Key operating Measures</b>			
ARR (Total) <sup>7</sup>	£	£	£
Occupancy (Total) <sup>7</sup>	%	80.3%	79.0%
Occupancy (Like for Like) <sup>7</sup>	%	80.3%	79.7%
RevPAR (Total) <sup>7</sup>	£	£	£
Like for Like Sales Growth - PI <sup>8</sup>	%	3.3%	3.1%
Like for Like Sales Growth - REST <sup>8</sup>	%	0.0%	3.4%
Underlying Operating Margin	%	25.5%	25.7%

<sup>1</sup> Solus includes India and Ireland.  
<sup>2</sup> Fixed costs include: rent, rates, depreciation and other costs including insurance and pre-opening.  
<sup>3</sup> Net segmental assets  
<sup>4</sup> Return on Capital (ROC) is based on underlying EBIT from operations for the year ended 29 August 2013, divided by the segmental net assets with no allocation for UK debt, taxation liabilities, pension and centrally held provisions.  
<sup>5</sup> Includes both joint site and standalone restaurants.  
<sup>6</sup> Includes intangible capital expenditure  
<sup>7</sup> Premier Inn UK & Ireland only  
<sup>8</sup> Like for Like sales are pre-IFRIC 13 adjustment

# Standard Information Hotels & Restaurants cont.

WHITBREAD

## Number of Rooms

Solus :

- Managed	28,992
- Associate	282
- Franchise & Management Contract	449
Total Solus	29,723
Joint Sites	23,316
Total UK & Ireland	53,039
International	1,405
Total Rooms	54,444

## Number of Hotels

Solus :

- Managed	272
- Associate	1
- Franchise & Management Contract	13
Total Solus	286
Joint Sites	374
Total UK & Ireland	660
International	7
Total Hotels	667

## Restaurant Outlet Details

- Beefeater	138
- Brewers Fayre	148
- Table Table	105
- Taybarns	7
Total Restaurants	398
Numbers with adjacent Premier Inns	
- Beefeater	129
- Brewers Fayre	139
- Table Table	99
- Taybarns	7
Joint Sites <sup>1</sup>	374

Half Year  
2013/14

28,992
282
449
29,723
23,316
53,039
1,405
54,444

Half Year  
2012/13

26,165
282
449
26,896
22,124
49,020
1,296
50,316

Full Year  
2012/13

27,936
282
449
28,667
23,004
51,671
1,296
52,967

272
1
13
286
374
660
7
667

255
1
13
269
363
632
6
638

263
1
13
277
372
649
6
655

138
148
105
7
398
129
139
99
7
374

136
131
115
7
389
127
121
108
7
363

137
144
109
7
397
128
135
102
7
372

<sup>1</sup> Footnotes  
<sup>1</sup> Joint Sites excluding Standalone Restaurants

	Half Year 2013/14	Half Year 2012/13	Full Year 2012/13
System Sales - Total	£m 569.2	476.5	1,004.7
Sales - Total	£m 378.8	313.4	672.4
EBITDA from Operations	£m 66.2	54.8	129.2
Underlying EBIT from Operations <sup>1</sup>	£m 43.5	36.1	90.1
Total Net Assets <sup>2</sup>	£m 275.3	249.8	259.9
Cash Capital Expenditure - Total <sup>3</sup>	£m 35.9	40.4	80.1
<b>Key operating Measures</b>			
Like for Like Sales Growth <sup>4</sup>	% 5.5%	6.8%	6.8%
Underlying Operating Margin	% 11.5%	11.5%	13.4%
Return on Capital <sup>5</sup>	% 35.4%	31.2%	34.7%
<b>Outlet details</b>			
- Equity	968	860	920
- UK Franchise	696	619	658
Total UK	1,664	1,479	1,578
- International Equity	128	120	128
- International JV <sup>6</sup>	283	201	253
- International Franchise	605	544	568
Total International	1,016	865	949
<b>Total Costa</b>	<b>2,680</b>	<b>2,344</b>	<b>2,527</b>
Costa Express number of machines	3,142	1,986	2,560

<sup>1</sup> Underlying profit excludes amortisation of acquired intangibles.

<sup>2</sup> Net segmental assets

<sup>3</sup> Includes intangible capital expenditure

<sup>4</sup> Like for Like sales are pre IFRIC 13 adjustment

<sup>5</sup> Return on Capital (ROC) is based on underlying EBIT from operations for the year ended 29 August 2013, divided by the segmental net assets with no allocation for UK debt, taxation liabilities, pension and centrally held provisions.

<sup>6</sup> International JV includes Shanghai which is a subsidiary with a 51% interest.

# WHITBREAD

**“Making everyday experiences special”**