Annual Results 2009/10

29 April 2010

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WHITBREAD

Anthony Habgood

Chairman

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Christopher Rogers

Group Finance Director

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Summary

£m	2009/10	2008/9	Change
Underlying profit before tax	£239.1m	£224.4m	6.6%
Profit before tax, pre exceptional	£223.6m	£229.9m	(2.7)%
EPS underlying (diluted)	96.7p	90.7p	6.7%
Proposed final dividend	28.35p	26.90p	5.4%
Total dividend for year	38.00p	36.55p	4.0%

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Summary - Profit & loss

£m	2009/10	2008/9	Change
Revenue	1,435.0	1334.6	7.5%
Profit from operations	283.2	277.6	2.0%
Central costs	(18.4)	(22.6)	18.6%
Interest	(25.7)	(30.6)	16.0%
Underlying profit before tax	**239.1**	**224.4**	**6.6%**

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Summary – Profit & loss (cont.)

£m	2009/10	2008/9	Change
Underlying profit before tax	239.1	224.4	6.6%
Pension finance cost/credit – IAS 19	(15.5)	5.5	
Profit before tax, pre exceptional	223.6	229.9	(2.7)%
Taxation	(66.8)	(69.6)	4.0%
Net profit, pre exceptional	156.8	160.3	(2.2)%
Exceptionals	3.2	(70.0)	
Profit for the year	**160.0**	**90.3**	**77.2%**

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Revenue by business segment

£m	2009/10	2008/9	Change
Hotels & Restaurants	1,096.0	1061.6	3.2%
Costa	340.9	276.3 *1	23.4%
Less: inter-segment *2	(1.9)	(3.3)	
Revenue	**1,435.0**	**1,334.6**	**7.5%**

* 1 Costa restated in 2008/9 by 12.5m to include sales to franchisees previously shown in other

* 2 Sales between segments

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Hotels & Restaurants revenue

£m	2009/10	2008/9	Change
Premier Inn revenue	629.8	601.5	4.7%
Restaurants revenue	466.2	460.1	1.3%
Hotels & Restaurants	**1,096.0**	**1,061.6**	**3.2%**

- Impacted by swap with M&B in September 2008. Excluding impact of swap total up 4.5% with Restaurants up 7.0% and Premier Inn up 2.7%

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Like-for-like sales

%	2009/10	2008/9
Premier Inn	(4.3)	6.0
Restaurants	1.7	4.6
Hotels & Restaurants	(1.8)	5.4
Costa	5.5	2.0
Total	**(0.5)**	**4.9**

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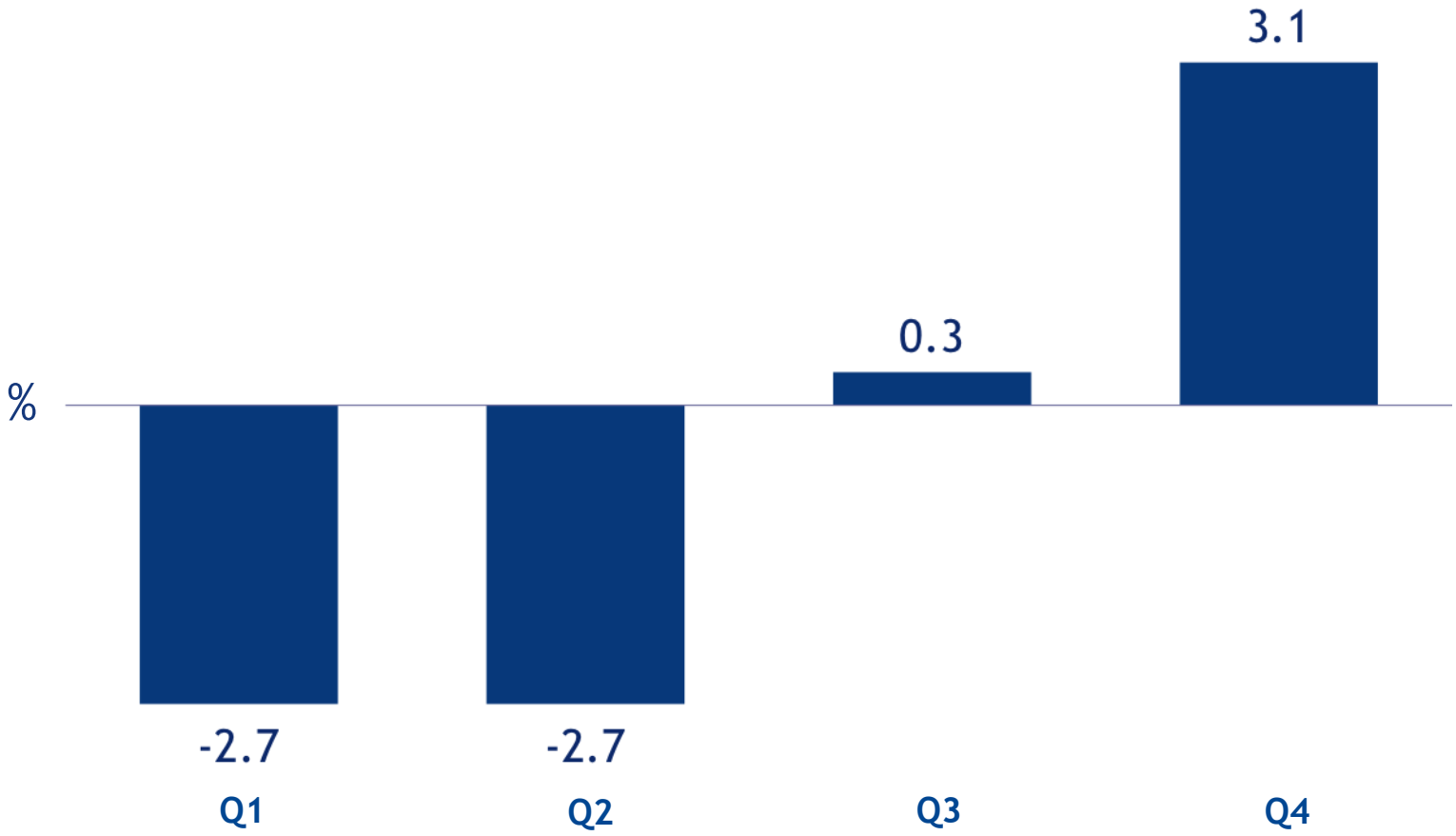
Like-for-like sales

An improving trend in Group like-for-like sales (%)



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Profit by business segment

£m	2009/10	2008/9	Change
Hotels & Restaurants - UK	251.6	258.2	(2.6)%
Hotels & Restaurants - Overseas	(4.6)	(3.3)	(39.4)%
Total Hotels & Restaurants	**247.0**	**254.9**	**(3.1)%**
Costa - UK	36.0	25.2	42.9%
Costa - Overseas	0.2	(2.5)	
Total Costa	36.2	22.7	59.5%
Profit from operations	**283.2**	**277.6**	**2.0%**

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Summary - Profit & loss

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Interest charge

£m	2009/10	2008/9
Interest on borrowings	(27.3)	(35.5)
Interest on deposits/investments	0.9	2.3
Other	0.7	2.6
Underlying interest charge	(25.7)	(30.6)
IAS 19 pension finance cost/credit	(15.5)	5.5
Interest charge, pre exceptional	**(41.2)**	**(25.1)**

- Average debt £569.2m, 2008/9 £531.0m

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Exceptional items

£m	2009/10
Reorganisation costs	(9.9)
Impairment*	(1.5)
Profit/(loss) on property disposals and reversions	(6.6)
Pension curtailment	4.0
Capital gains roll over*	16.8
Tax and interest exceptional items	0.4
Exceptional items	**3.2**

* No cash impact

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Cashflow

£m		2009/10	2008/9
Cashflow from operations	- EBITDA	361	351
	- Working capital	18	7
	- Other	(3)	(23)
		376	335
Cash capital expenditure		(132)	(276)
UK business acquisitions		-	(30)
International investment and acquisitions		(42)	(17)
Cashflow after investment		**202**	**12**

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Cashflow (cont.)

£m	2009/10	2008/9
Cashflow after investment	202	12
Interest, tax and ordinary dividends	(132)	(135)
Pension contributions (unfunded/special)	(6)	(50)
Disposals	42	(1)
Other	4	(23)
Decrease/(increase) in net debt	**110**	**(197)**

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Capital expenditure

£m	2009/10	2008/9
Hotels & Restaurants	112	242
Costa	15	30
Corporate/other	5	4
Total	**132**	**276**
Expansionary	65	194
Maintenance	61	73
Other	6	9

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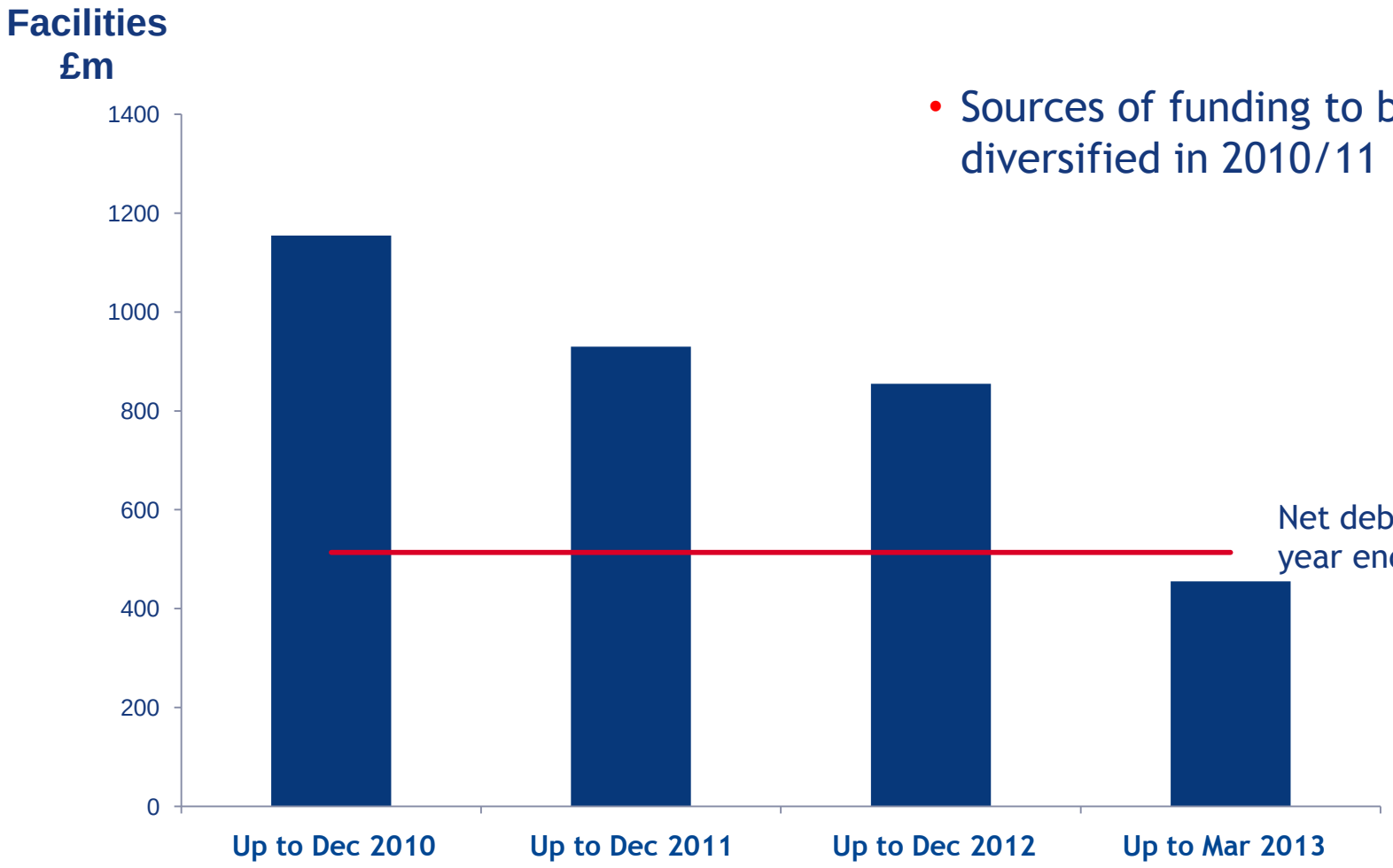
Capital expenditure

- Hotels & Restaurants
  - Fewer UK room openings from 4,245 to 1,624
  - UK leasehold balance 73% vs 39% in prior year
  - Pipeline of future sites increased
- Costa
  - UK net openings 186 to 188
  - Mix of UK openings between equity and franchise changed from c.50:50 in 2008/9 to c.20:80 in 2009/10

Debt maturities



- Sources of funding to be diversified in 2010/11

Net debt of £513m at year end

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Pension

- IAS 19 pension deficit £434m (£341m net of tax). Compares to £408m (£294m net of tax) at half year
- Payment schedule agreed
- New structure in place which delivers cashflow benefit

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Other financial items – 2010/11

- Capex of £250m for full year
  - Increased room openings
  - Building pipeline for 2011/12
  - Change in mix of Costa openings
- Underlying effective tax rate of c.30% but cash tax reduced by £28m due to new pension structure
- Pension fund interest charge £11.5m
- Investing £8m in customer facing initiatives and marketing to drive sales
- Minimum wage increase in October 2010 of 2.2%

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Summary

- Underpinned by good cost control, underlying profit before tax £239.1m, up 6.6%
- Cash generation of £110m
- EPS, underlying 96.7p up 6.7%
- Proposed final dividend 28.35p, up 5.4%

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Alan Parker

Chief Executive

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Agenda

- **2009/10**
  - Successfully achieving our three priorities

- **Looking ahead**
  - Building market share across the business
    - Growth from customer focus
    - Expanding our network

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2009/10 priorities achieved

Outperforming the market ✓

Reducing costs and improving efficiency ✓

Achieving cash flow neutrality ✓

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2009/10 priorities achieved

Outperforming the market ✓

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2009/10: Outperforming the market

Hotels & Restaurants

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2009/10: Outperforming the market

Recession action plan

FOCUSED ADVERTISING	• Brand awareness at an all time high* • Now No.1 hotel brand
INCREASED SALES ACTIVITY	• New Business Account users up 13% • 20 new large corporate agreements
PREMIER OFFERS	• £29 driving lower price visibility • Value for money rating record high
RESERVATIONS DISTRIBUTION	• New website driving 80% increase in visits • Participation in ADS for incremental business

* Source: BDRC Hotel Guest Survey 2010 Wave 2 (January to March 2010)

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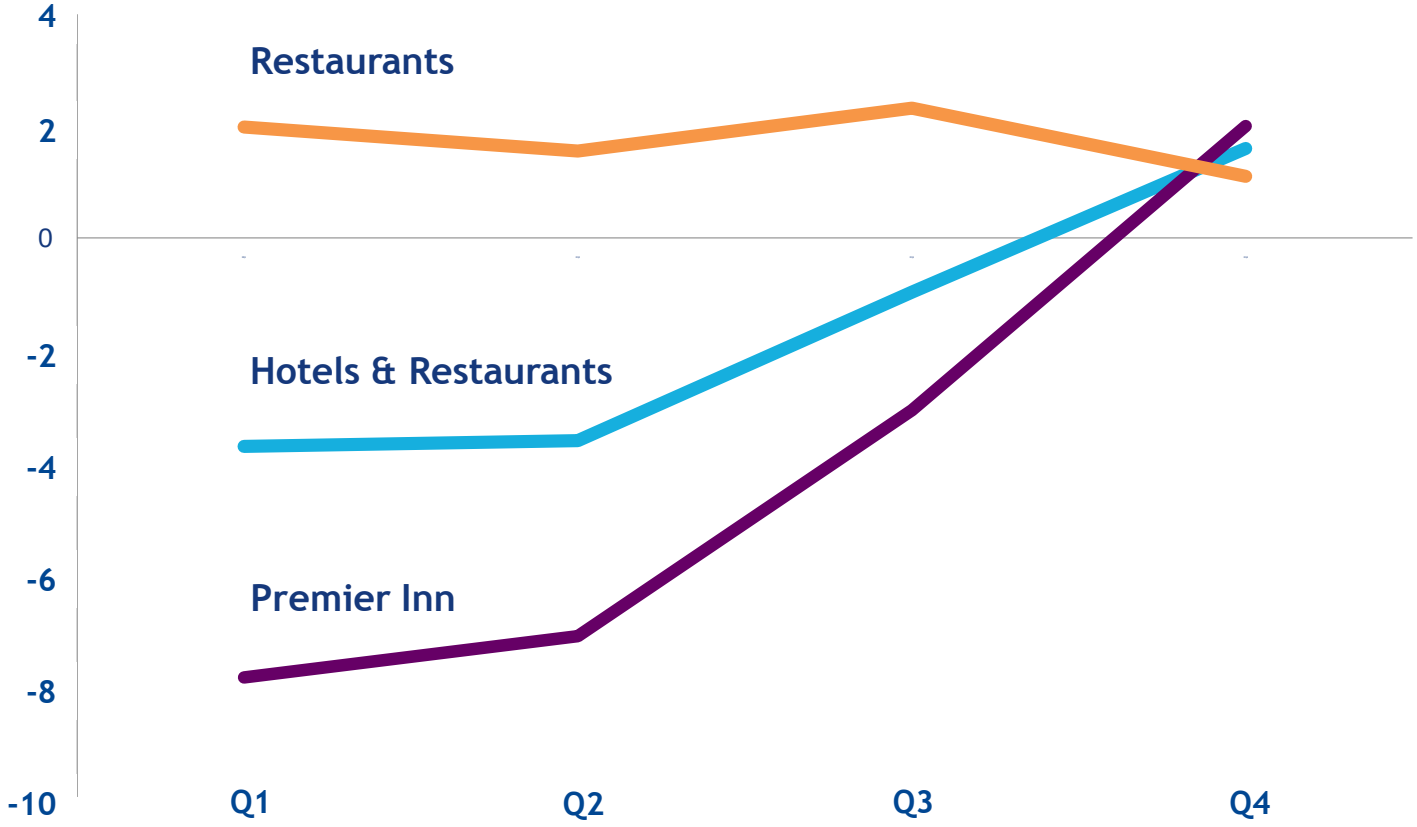
2009/10: Outperforming the market

Building positive sales momentum

Year-on-year %

Hotels & Restaurants like-for-like sales



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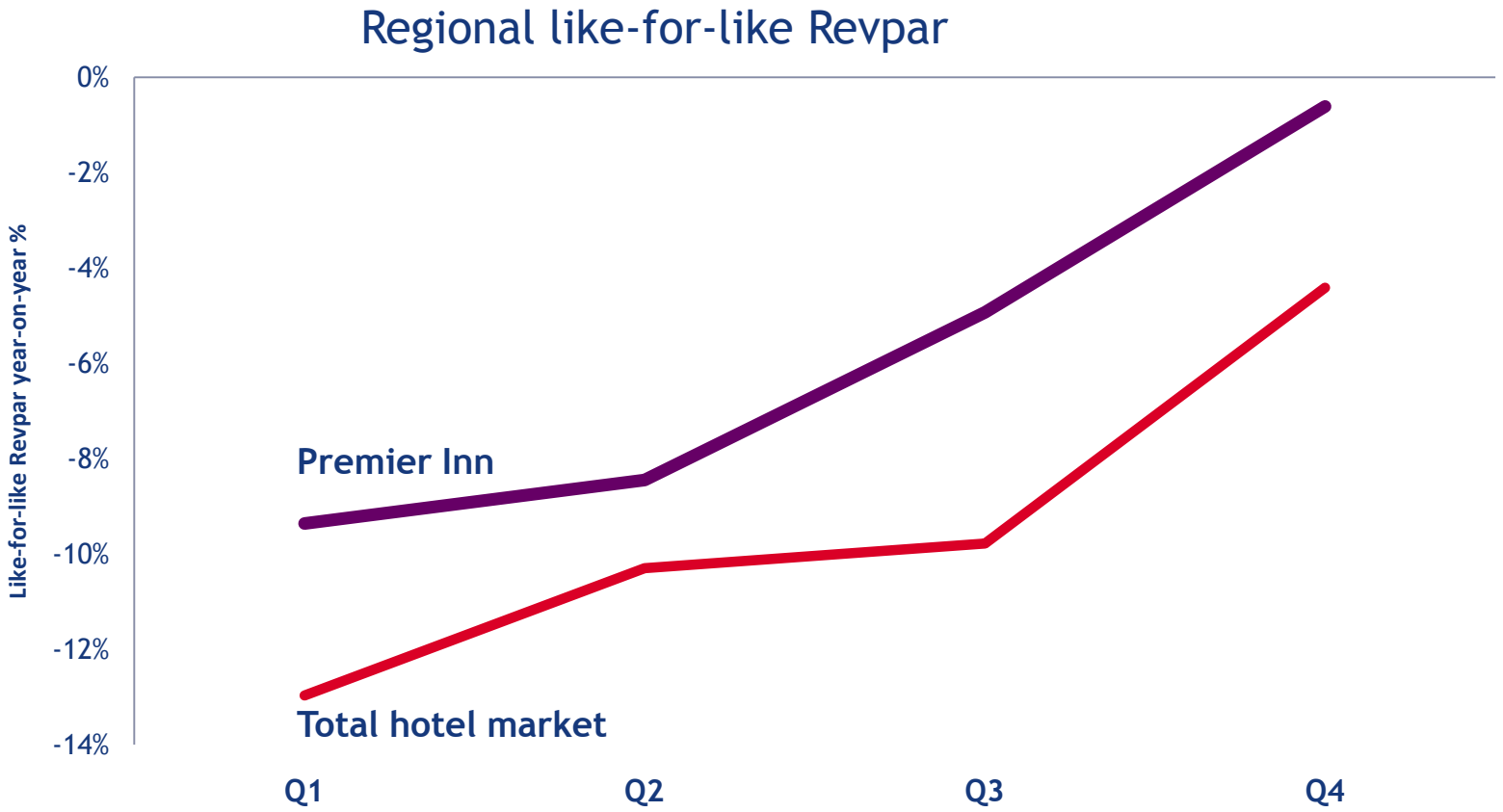
2009/10: Outperforming the market

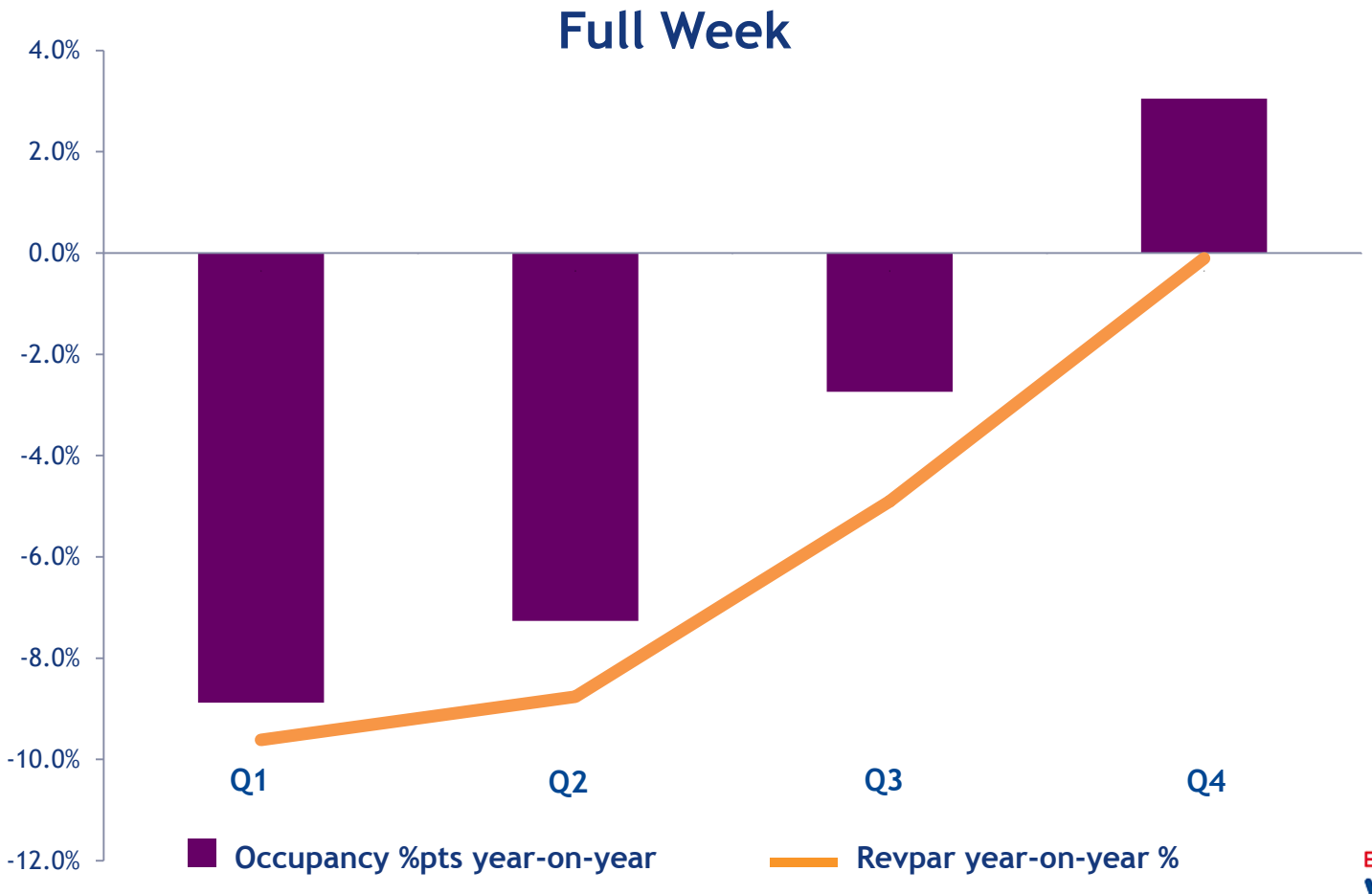
Revpar outperformance in a competitive market



Source: TRI

2009/10: Outperforming the market

Revpar driven by increased occupancy



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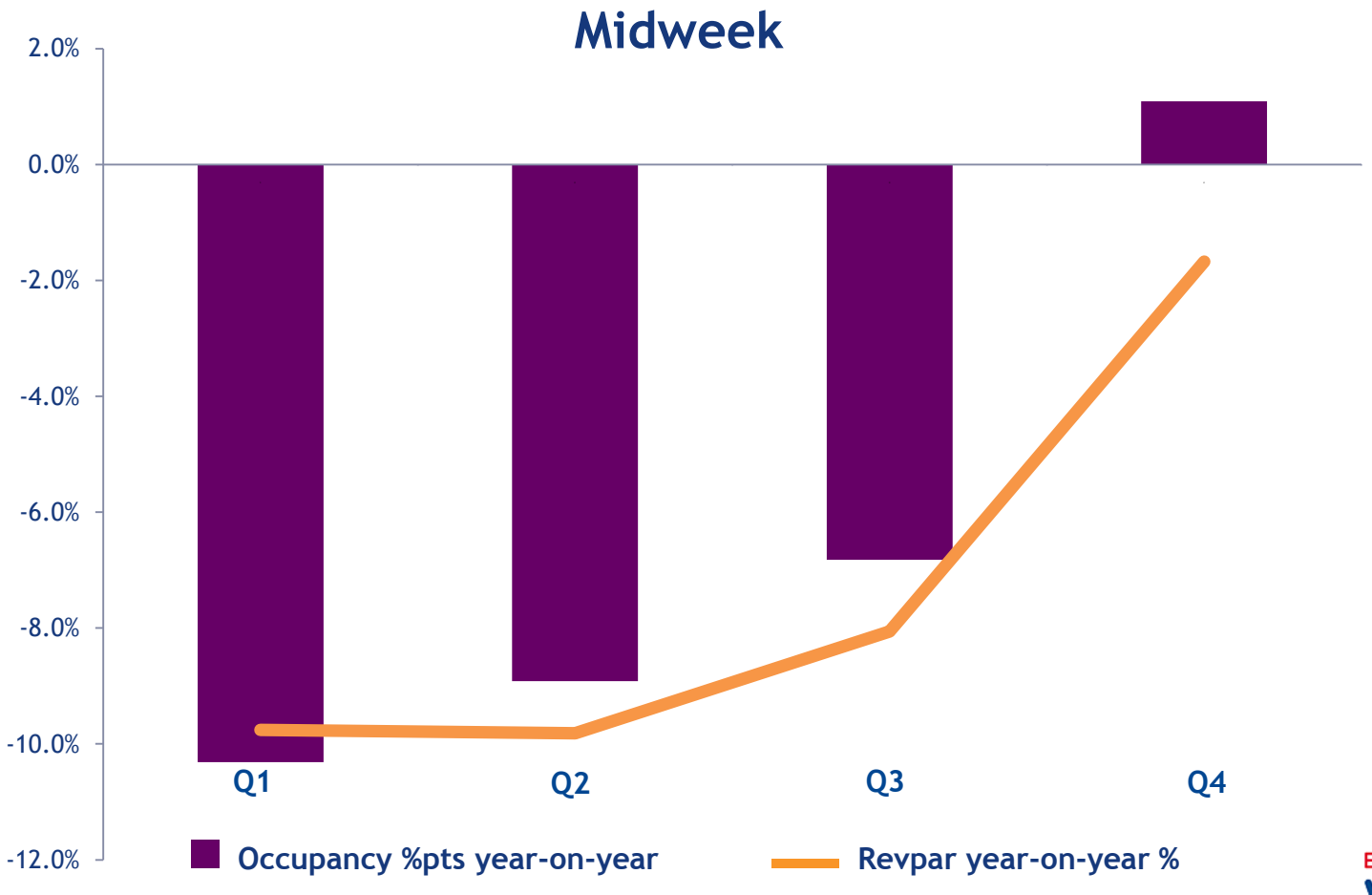
2009/10: Outperforming the market

Commercial demand recovering



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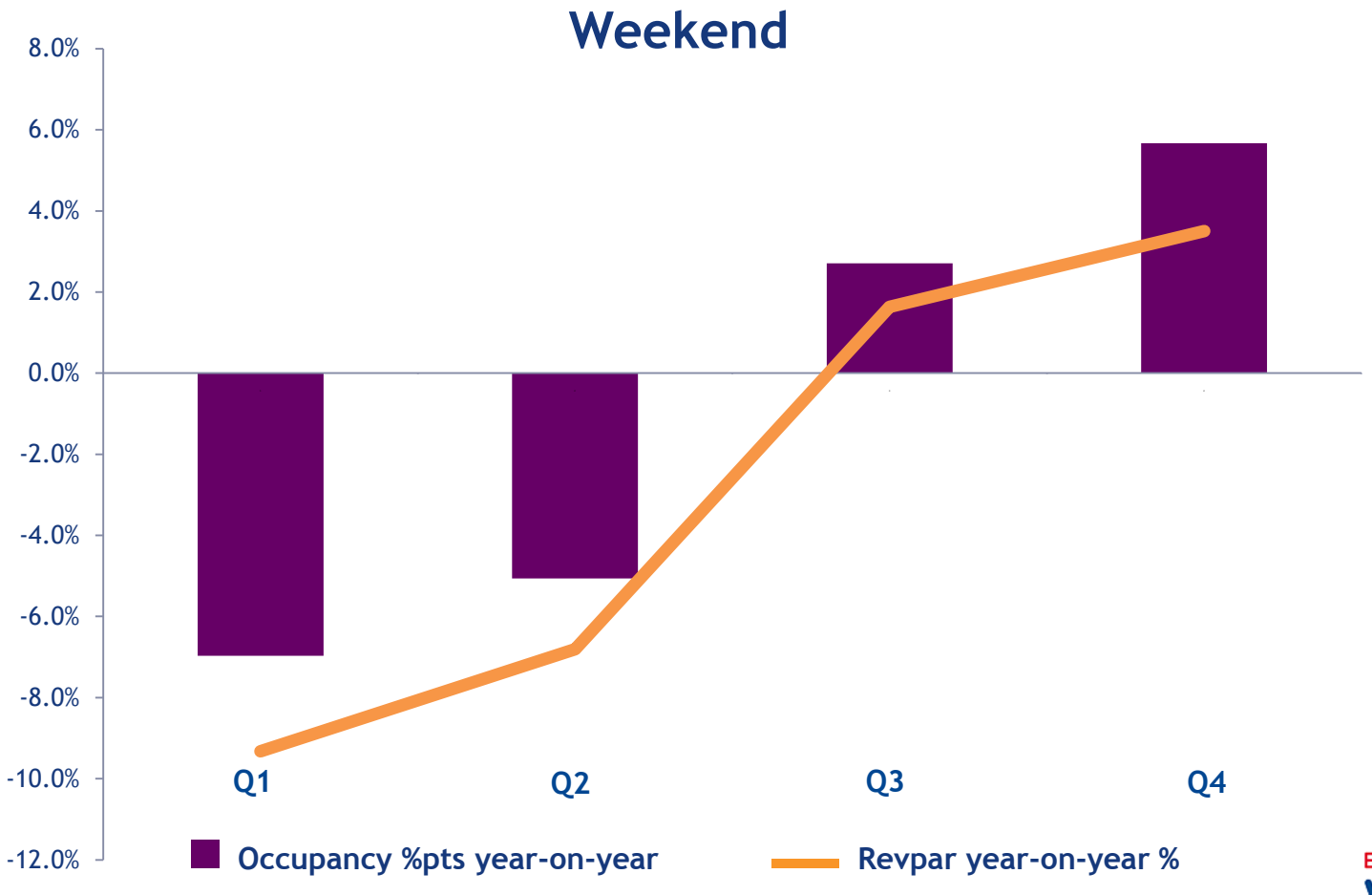
2009/10: Outperforming the market

Leisure demand driven by focused marketing



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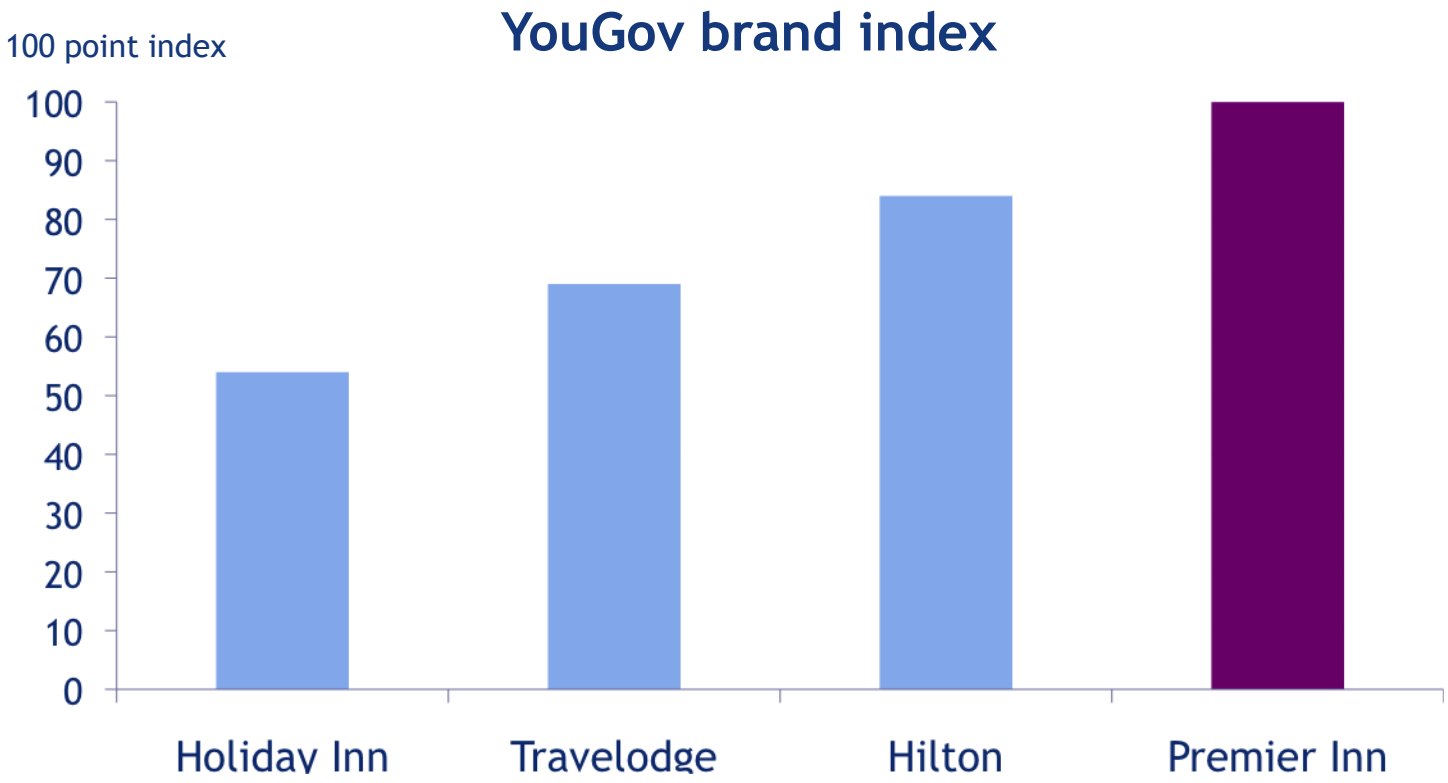
2009/10: Outperforming the market

Strongest hotel brand in the UK



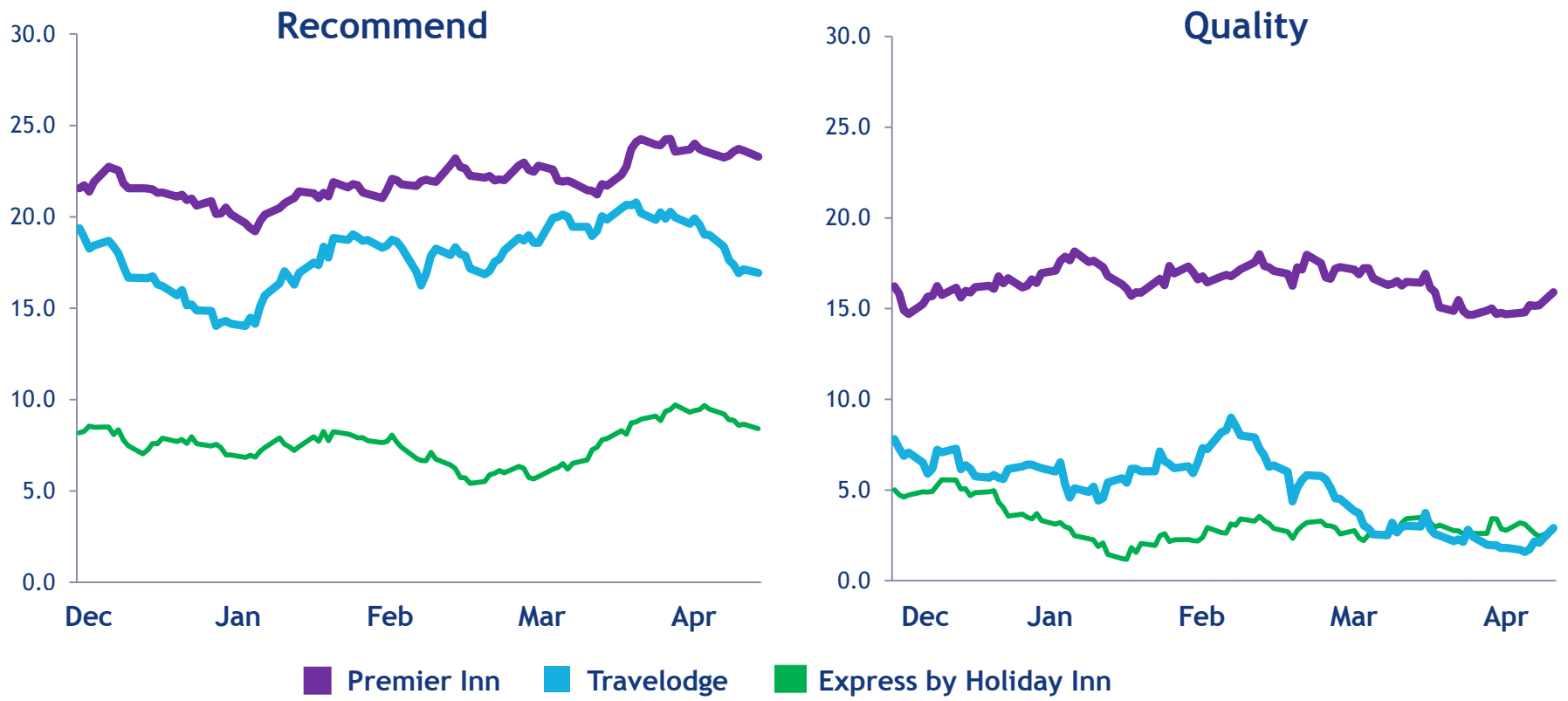
- Benchmarked positive net score from an average of six brand health measures

Source: YouGov BrandIndex Standard scores moving average 16 weeks (Base: all respondents 57,262)

2009/10: Outperforming the market

Leading customer preference

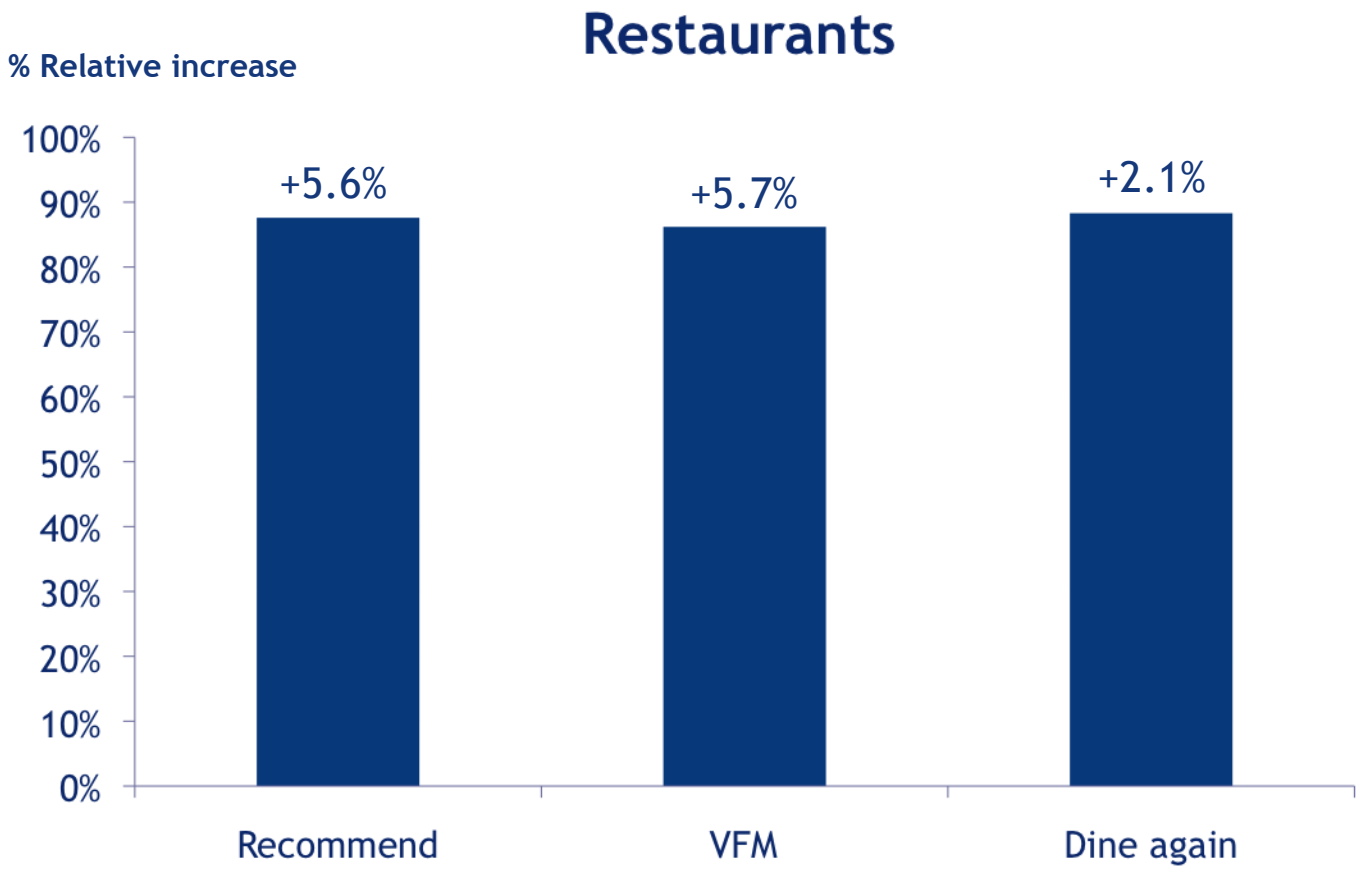
YouGov brand index



Source : YouGov Brand Index all Hotels 4 week moving average 19th April 2010

2009/10: Outperforming the market

Strong and improving restaurant customer scores



Source: ORC International

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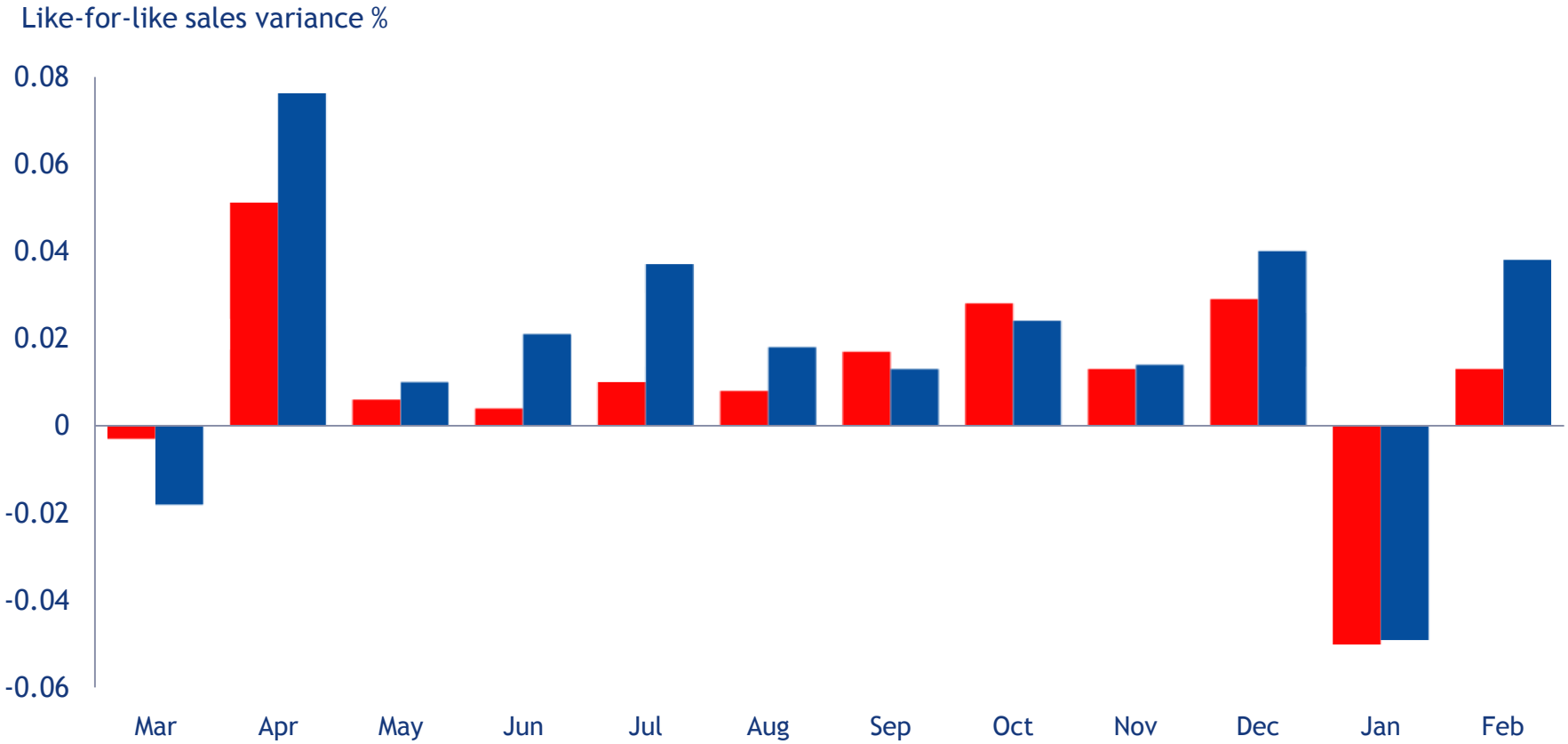
2009/10: Outperforming the market

Consistent improvement in restaurant sales



Source: Coffer Peach Business Tracker

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2009/10: Successfully achieving our three priorities

International expansion continues

Bangalore, December 2009

Dubai International Airport, January 2010

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2009/10: Successfully achieving our three priorities

COSTA

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2009/10: Outperforming the market

A step up for Costa

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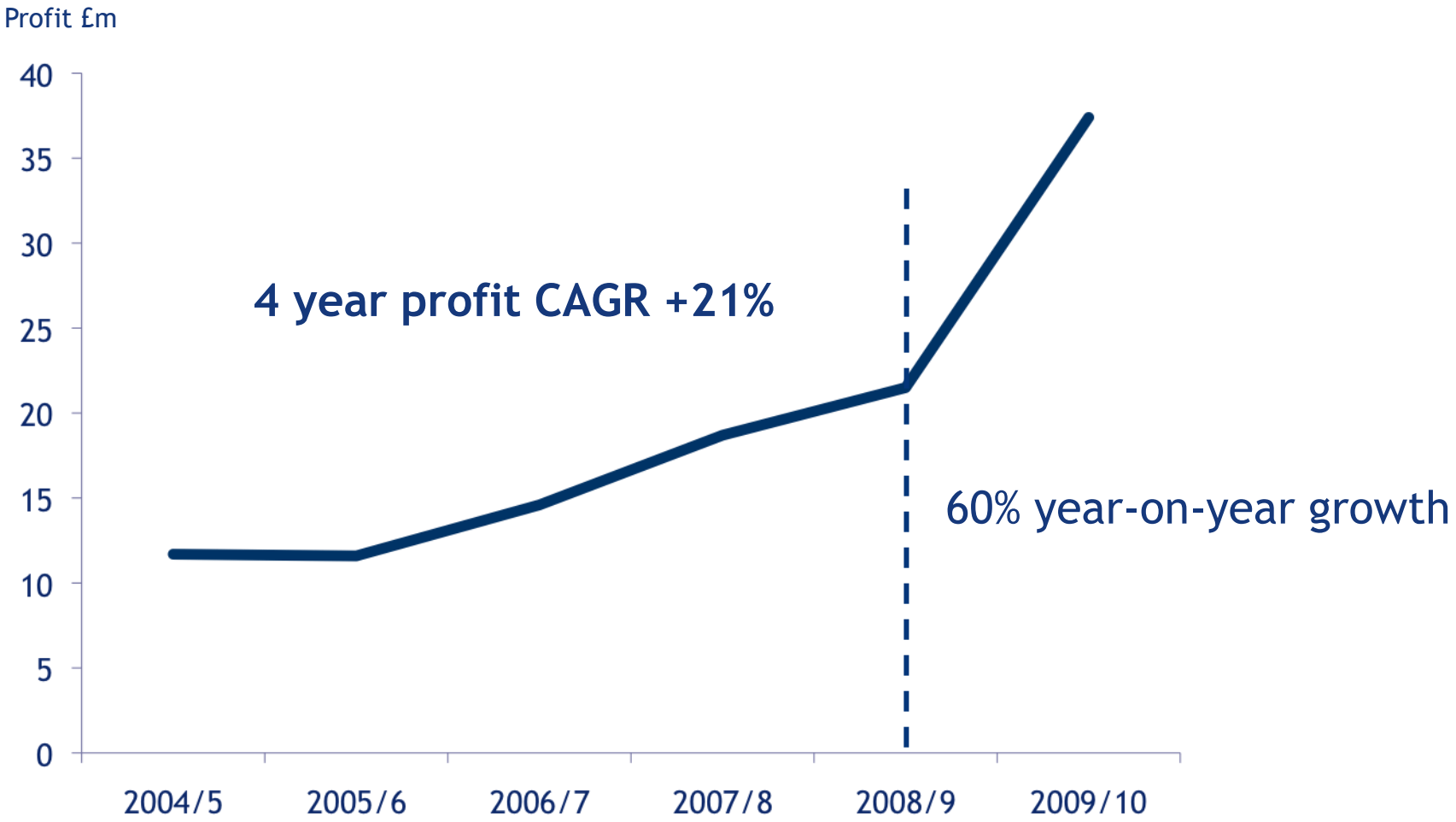

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2009/10: Outperforming the market

Strong like-for-like sales

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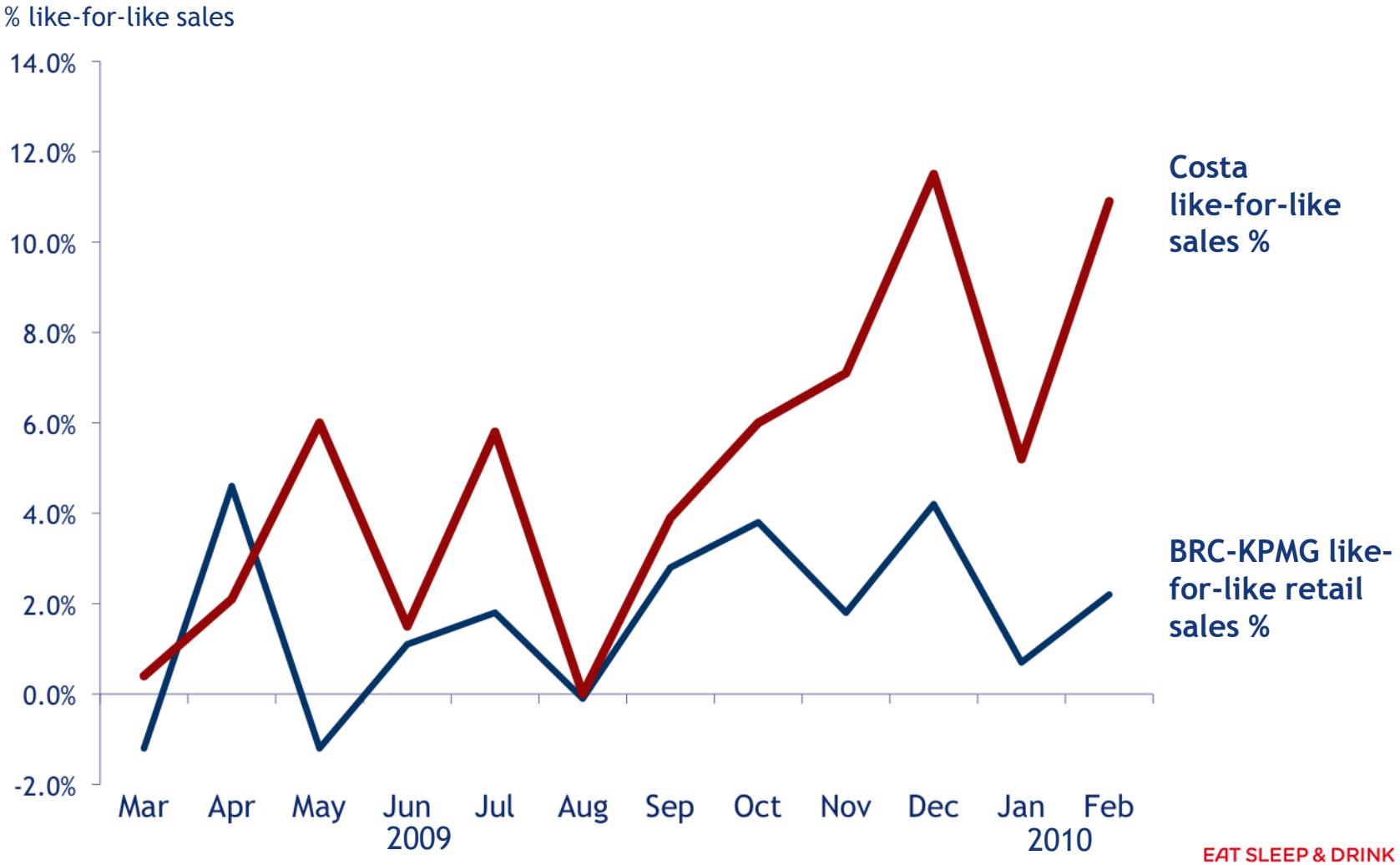

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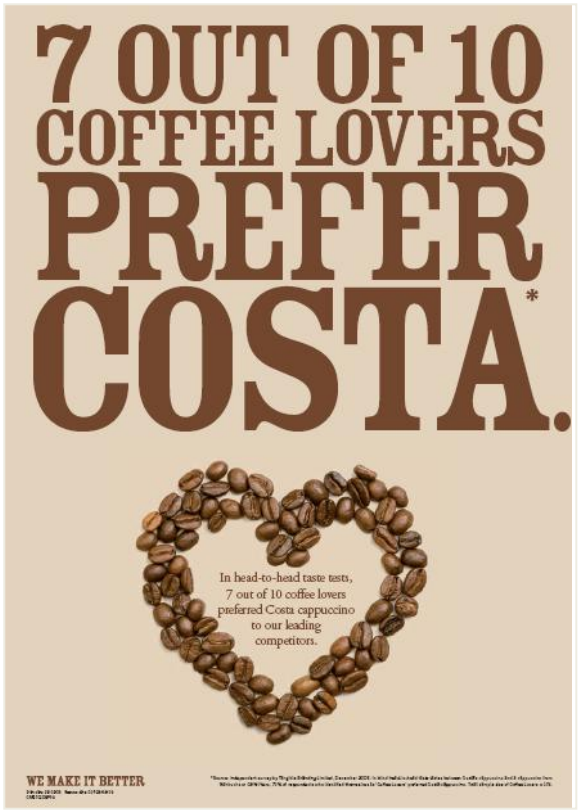
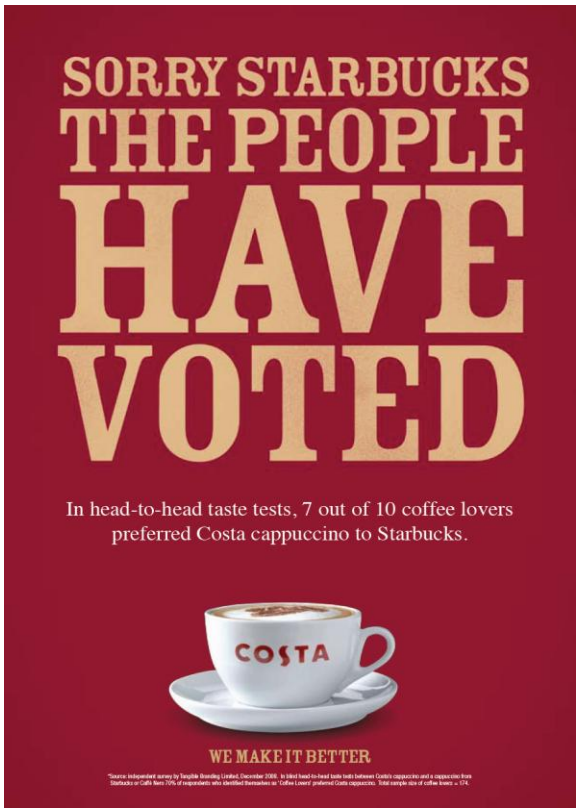
2009/10: Outperforming the market

Compelling advertising based on customer preference

COSTA





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Building our brand network

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Total stores

1,600

24%

1,288

International: 407

UK: 881

International: 531

UK: 1,069

2008/9

2009/10

2009/10 includes Coffeeheaven

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2009/10: Outperforming the market

Costa comes of age

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- Second largest international coffee shop brand
- System sales growth up 28% to £516m
- ROCE up from 27% to 37%
- Operating margin up from 8.2% to 10.6%

2009/10: Outperforming the market

Acceleration in Central Europe through acquisition

	coffee heaven	COSTA*	Total
Latvia	7	-	7
Poland	62	13	75
Czech	13	6	19
Hungary	4	3	7
Bulgaria	3	11	14
Total	89	33	122

* Existing Costa stores

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2009/10: Outperforming the market

Coffeeheaven

- An excellent strategic fit

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2009/10 priorities achieved

Reducing costs and improving efficiency ✓

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2009/10: Successfully achieving our three priorities

Improving efficiency across the Group

- Structural programme on track
  - Total savings +£25m pa by February 2011
- Ongoing savings achieved by:
  - Outsourcing – logistics, payroll, back office accounting
  - Simpler systems
- Operating cost control:
  - Cost reviews benchmarked by unit
  - Standardised operational structures
  - Labour scheduling efficiency
  - Procurement review of all suppliers

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2009/10 priorities achieved

Achieving cash flow neutrality ✓

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2009/10: Successfully achieving our three priorities

+£300m cashflow improvement

- Growth has continued
  - 2,240 new rooms
  - 312 net new Costa stores
  - 10,000+ rooms secured in pipeline

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Agenda

- **2009/10**
  - Successfully achieving our three priorities

- **Looking ahead**
  - Building market share across the business
    - Growth from customer focus
    - Expanding our network

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Hull
Citadel Way

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Building market share: Growth from customer focus

Moving occupancy towards 80%

- Growth levers implemented last year to continue occupancy benefits
- Dynamic pricing now in place for profitable incremental Revpar
  - Lower pricing on shoulder nights
  - More competitive on advanced bookings
  - Take limited price on higher demand nights
- 2010/11 additional £8m investment in marketing
  - Advertising
  - Customer Relationship Management
  - Reservation distribution

Building market share: Expanding our network

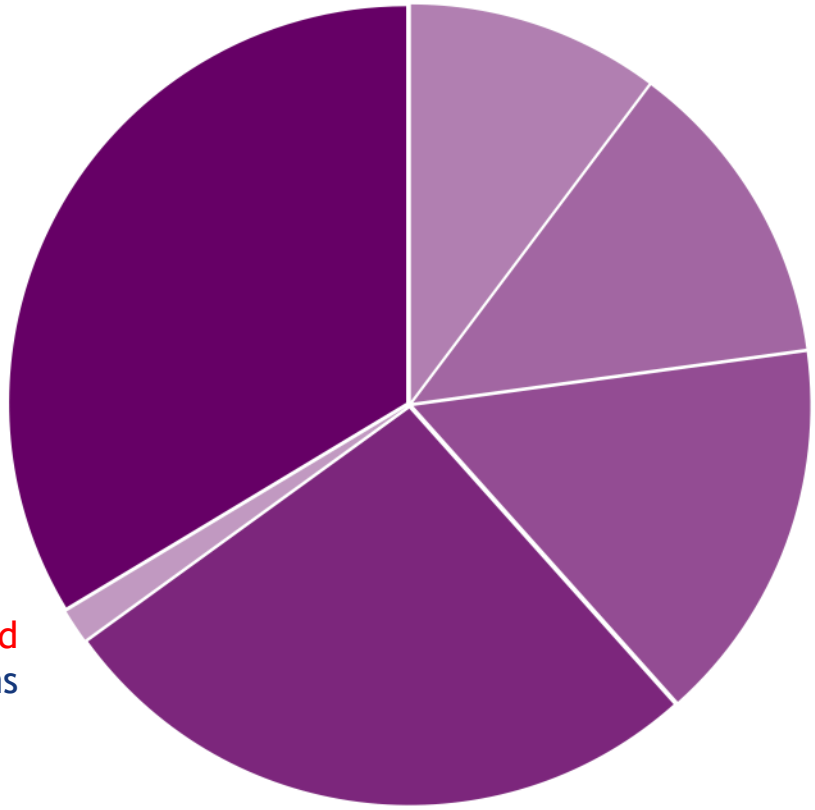
Pipeline secured for c.25% UK expansion

	Hotels	Rooms
2010/11 openings	29	2,508
Future new sites	44	6,417
Extensions	-	1,979
Total	**73**	**10,904**

NB: Excludes 15 hotels/631 rooms due to exit of Roadchef franchise in 2010/11

Building market share: Expanding our network

30% of pipeline in London



Room pipeline excluding extensions

Costa
Second largest international coffee shop brand

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Building market share: Growth from customer focus

Launch of Costa Coffee Club

- 1.5m cards activated since 4 March
- Loyalty points on total spend to reward frequent customers
- Database for ongoing relationship marketing

Figures based on first 7 weeks of launch

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Building market share: Expanding the UK network

Multiple routes of expansion

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- Existing markets
  - New towns
  - London high streets
  - Urban micro markets
- New markets
  - Universities
  - Hospitals
  - Retail parks
  - Cinemas

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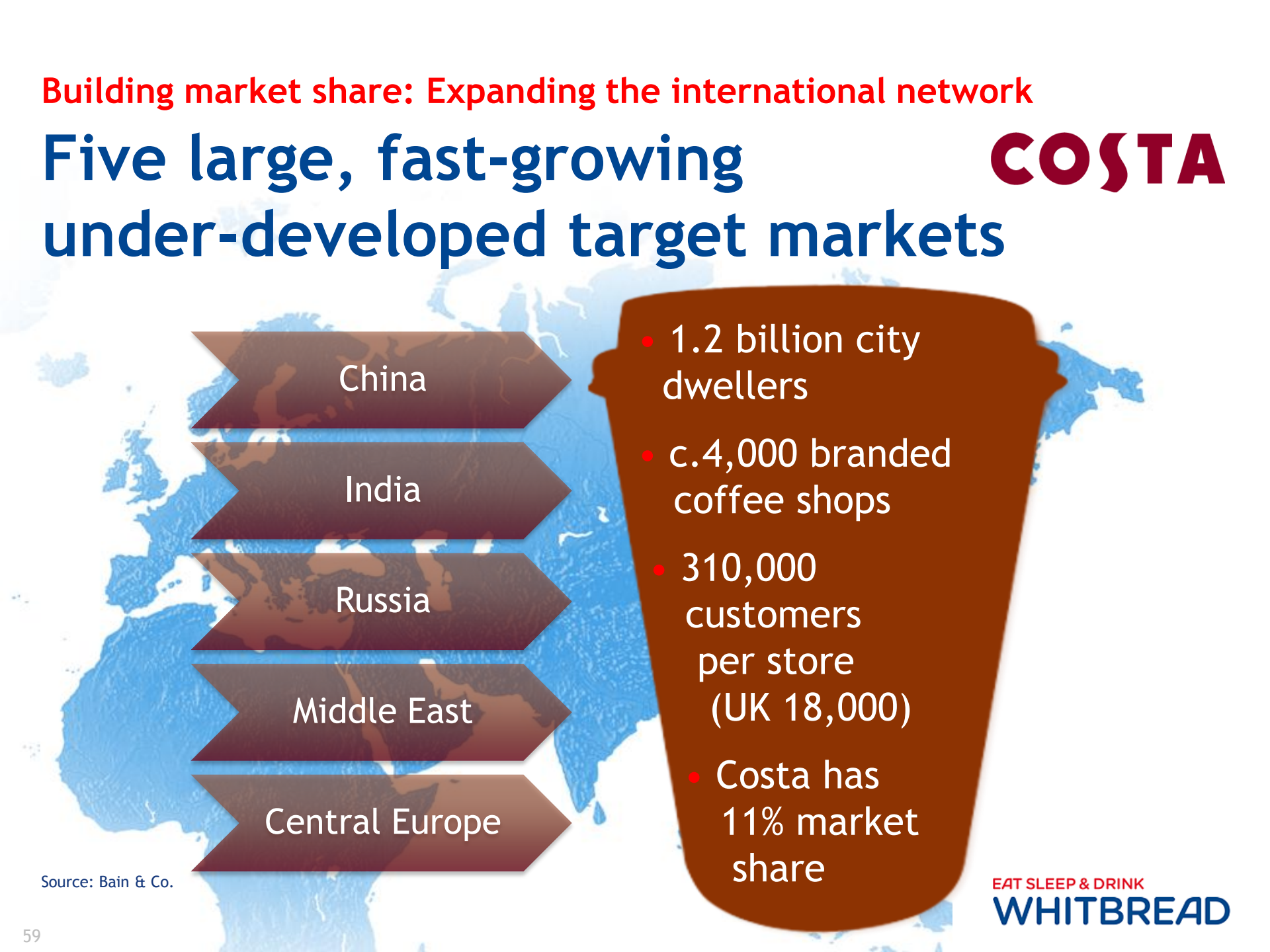
Building market share: Expanding the international network

Five large, fast-growing under-developed target markets

COSTA



- 1.2 billion city dwellers
- c.4,000 branded coffee shops
- 310,000 customers per store (UK 18,000)
- Costa has 11% market share

Source: Bain & Co.

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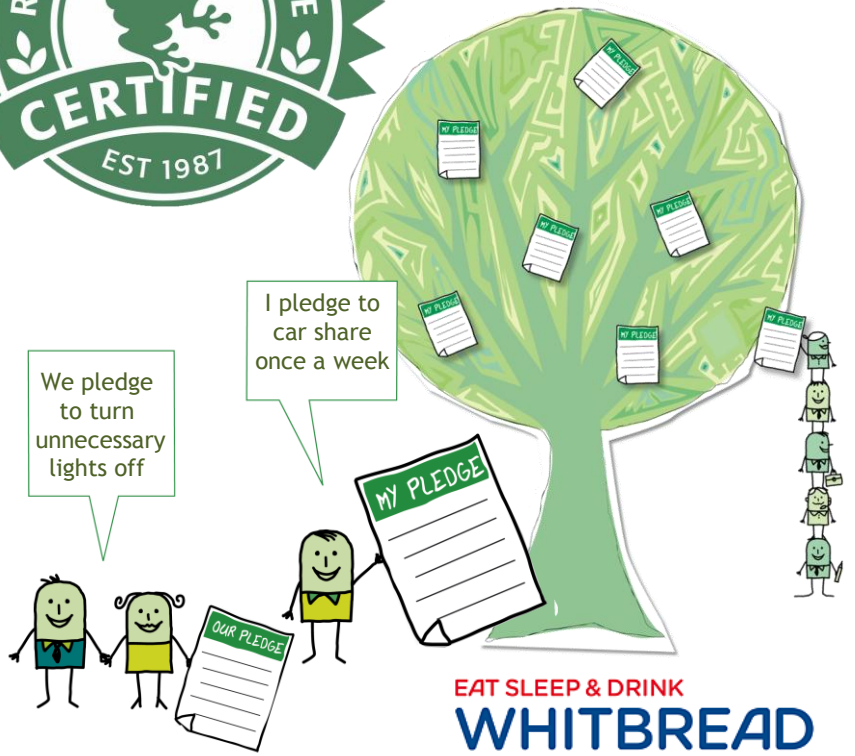
Good together...

RAINFOREST ALLIANCE™ CERTIFIED EST 1987



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Looking ahead

GOOD TOGETHER...

- An integrated programme of corporate responsibility
- Six work streams

Environment	Employees	Sourcing
Health	Customers	Community

- 60% of our customers and employees were ‘concerned’ about environmental issues
- Achieved Carbon Trust Standard in 2009

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Summary

- Priorities achieved with profits increased
- +£300m improvement in cashflow
- Strong value brands in under developed market sectors
- Strategy in place to grow market share
- Measured network expansion plans
- Subject to uncertain economic conditions, strong fundamentals remain

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