

Restaurant Group PLC

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World Cup and adverse weather hurt Restaurant Group sales in first half

The World Cup and extremes in the weather dented sales at the Restaurant Group PLC (LON:RTN) in the first half, leading the company to cut its full-year profit guidance.

The owner of Garfunkel's, Frankie & Benny's and Chiquito said total sales fell 2.1% to £326.1m in the six months to July 1 from £333.1m a year ago with like-for-like sales down 3.7%.

READ: Restaurant Group shares jump as it sees full year results meeting market forecasts

In early February and late March, the so-called Beast from the East, which brought heavy snowfall and icy temperatures across the UK, kept customers away from restaurants.

During the summer months, a heatwave and the World Cup meant people spent more time in the pub than at restaurants.

Given the adverse impact of the weather and the World Cup, the Restaurant Group said it now expects to deliver an adjusted pre-tax profit outcome for the full year that is broadly in-line with current market expectations.

Higher cost inflation hits profits

Adjusted pre-tax profit in the first half fell to £20.1m from £25.5m last year, reflecting higher costs arising from an increase in food and drink inflation, rents, utilities and the minimum wage.

The company said it expects inflationary costs pressures to continue through the second half and into next year but expects to mitigate around 50% of the gross cost headwinds of £18m. To bring down costs, the group is reviewing its estate with plans to close poor performing restaurants. In the first half, the firm recognised a £2.3bn charge for exiting 12 sites.

It plans to expand its pubs and concession business following a strong sales performance. Following the acquisition of the pub chains Ribble Valley Inns Ltd and Food & Fuel Ltd, the company expects to open at least 39 new sites in 2018.

In 2019, the plan is to open between 10 and 15 units in 2019, mainly pubs and concessions.

Sales improve in second half

The group said trading in the six weeks since the end of the World Cup on July 15 has been "encouraging" with like-for-like sales up 2.4%.

However, like-for-like sales in the 34 weeks to August 26 are down 2.8% and like-for-like sales for the first eight weeks of the second half are flat compared to last year.

Price: 147.8

Market Cap: £726.43 m

1 Year Share Price Graph



Share Information

Code: RTN

Listing: LSE

52 week High Low
163.8 110.1

Sector: Food & drink

Website: www.trgplc.com

Company Synopsis:

The Restaurant Group Plc (TRG) is a significant player in the UK casual dining market, operating over 500 restaurants and pubs which include Frankie and Benny's, Chiquito, Coast to Coast, Garfunkel's, Firejacks, Brunning & Price and Joe's Kitchen. We also operate a concession business which trades over 60 outlets across more than 30 brands, primarily in UK airports.

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The company maintained its dividend at 6.8p per share.

Shares rose 3.3% to 284.30p in morning trading.

Liberum repeated a 'buy' rating on the stock but cut its target price to 350p from 430p.

"The first half of 2018 has been very challenging with a perfect storm of events; extreme weather patterns, the World Cup and continued structural challenges," the broker said.

"Despite this, the group continues to transform as it invests heavily in digital and new concepts as it targets more favourable structural channels."

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