

Ei Group PLC

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City broker calls Ei Group's £348m sale of pub portfolio a 'game-changer'

The UK's largest pubs operator Ei Group PLC (LON:EIG) has sold off 370 of its properties to US hedge fund giant Davidson Kempner Capital Management as part of a £348m deal that analysts have called a "game-changer".

The £348m figure is in line with net book value (NBV) and equivalent to 13 times earnings.

Ei had previously told investors that it wanted to cash in on its Commercial Properties division by offloading the bulk of the 412 pubs that sit within it.

"We are very pleased to have agreed the sale of the portfolio, which is in line with our strategy of delivering attractive and sustainable returns to shareholders by unlocking the embedded value and optimising the returns from every asset within the business," said chief executive Simon Townsend.

Clearing debt

Much of the proceeds will be used to pay down debt as part of the FTSE 250 group's goal to reduce its net debt/ EBITDA to 6.0x.

City broker Liberum thinks the sale will also allow Ei to pay a special dividend or add to the £20m buyback programme which is currently underway.

"Ei's successful disposal of a large portfolio of commercial properties is a game changer, allowing more rapid deleverage and leaving scope for cash returns to shareholders while underscoring the underlying net asset valuation of the group," said Liberum analysts in a note.

"This is not a one-off but should now be an ongoing strategy transferring value from debt holders to shareholders."

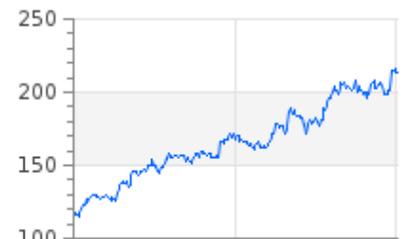
Liberum repeated its 'buy' recommendation for Ei and upped its price target to 250p (from 215p).

Ei shares were up 1.2% to 200p in mid-morning trading on Friday.

Price: 213p

Market Cap: £970.54M

1 Year Share Price Graph



March 2018 September 2018 March 2019

Share Information

Code: EIG

Listing: LSE

52 week **High** **Low**
218.00p 114.20p

Sector: Restaurants, pubs

Website: www.eigroupplc.com

Company Synopsis:

Ei is the largest portfolio manager of pubs in the UK, with some 4,500 properties. Our business is built on the strength and scale of our leased and tenanted pub operation coupled with a rapidly growing managed pub estate. Our scale and expertise allows us to support, invest and add value to pubs throughout England and Wales.

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