

Whitbread plc

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Premier Inn owner Whitbread reports weaker sales after Costa disposal

Premier Inn owner Whitbread plc (LON:WTB) reported a decline in first-quarter accommodation sales, blaming weaker business and consumer confidence due to Brexit uncertainty.

The company, which completed the £3.9bn sale of its Costa coffee chain to Coca-Cola in January, said total UK accommodation sales dropped 1.5% with like-for-like sales down 4.6%. Like-for-like revenue per available room was also down 6.0%.

READ: Whitbread investors check out as UK hotel bookings drop
Whitbread said the regional UK market saw the biggest dip in demand for its hotels, offsetting growth in London. Across the UK and international markets, including Germany, accommodation sales fell 1.3%. Total sales, including the food and beverage division, dropped 1.0%.

Hotel expansion plan

The group, which also owns pubs and restaurants including Beefeater, Brewers Fayre and Thyme, has been using some of the disposal proceeds from its disposal of Costa to help fund the expansion of Premier Inn.

It opened 282 rooms in the UK in the first quarter and its second Germany hotel in Hamburg earlier this year.

The company plans to open 3,000 to 3,500 hotels in the UK this year and aims to have 20 hotels open in Germany by 2020.

In February, the group bought a portfolio of 19 hotels in Germany from Foremost Hospitality. It plans to open a first tranche of 13 of these hotels as rebranded Premier Inns in the first half of next year.

Cautious outlook

"Whilst we are cautious about short-term market conditions, we are confident in our plans given the significant growth opportunities in the UK and internationally," said chief executive Alison Brittain.

"Given our strong balance sheet, efficiency programme and robust business model, we are in a strong position and we will continue to invest in order to maintain Premier Inn's competitive advantages and to capitalise on our structural growth opportunities."

Whitbread has been in the process of returning cash to shareholders since its Costa sale. The group completed a £482m share buyback in May and announced a further £2bn tender offer, which is subject to approval at the annual general meeting on Wednesday.

Light on cheer

Richard Hunter, Head of Markets at interactive investor, commented: "Despite having previously laid the groundwork in

Price: 4961

Market Cap: £6.63 billion

1 Year Share Price Graph



Share Information

Code: WTB

Listing: LSE

52 week High Low
5162 3927

Sector: Leisure, gaming and gambling

Website: www.whitbread.co.uk

Company Synopsis:

Whitbread PLC is the UK's largest hotel and restaurant company operating businesses in the budget hotels and restaurant sectors. Its brands include Premier Inn, Beefeater, Table Table, Brewers Fayre, Taybarns and Costa Coffee. Whitbread PLC employs over 33,000 people and serves 8.5 million customers every month in its 1500 outlets across the UK.

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guiding expectations lower, Whitbread has delivered an update which is light on cheer."

He added: "Without the diversification and success that Costa brought, the company is now mostly hostage to the cyclical hotels market.

"With business confidence under threat from an uncertain economic outlook in the UK, accommodation sales have been weak, particularly in the regions where Premier Inn has a significant presence."

"Meanwhile," Hunter said, "cost inflation generally is a worry and the Food & Beverage part of the business is also under pressure. The company itself has provided a cautious short-term outlook and it is not easy to gauge where the next fillip for the share price may come from.

"With the metrics of occupancy, average room rate and revenue per available room also in current decline, the group clearly has its work cut out."

In afternoon trading, shares in Whitbread were 0.6% higher at 4,625p, having recovered from an early drop to a session low of 4,500p.

-- Adds analyst comment, share price --

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