RNS Number : 4754X
Whitbread PLC
30 April 2019

## Robust financial performance and on-plan to return Costa sale proceeds

- Solid financial performance in a challenging environment supported by efficiency programme
- UK network growth to over 76,000 rooms, with good return on capital†
- Second German Premier Inn opened in Hamburg in February 2019
- Whitbread's largest ever committed pipeline of nearly 20,000 rooms, including 7,000 in Germany
- Sale of Costa to The Coca-Cola Company for £3.9 billion, completed on 3 January 2019
- Tender offer to be launched in June to return up to £2 billion of Costa sale proceeds

### Financial highlights

| | FY19 | FY18 | *Change* |
|---|---|---|---|
| ***Underlying results (continuing operations)*** | | | |
| Revenue* | £2,049m | £2,007m | *2.1%* |
| Underlying profit before tax† | £438m | £432m | *1.2%* |
| Underlying basic EPS† | 193.2p | 190.7p | *1.3%* |
| Return on capital | 12.2% | 12.5% | *(30)bps* |
| ***Statutory results (continuing and discontinued)*** | | | |
| Profit for the year | £3,731m | £436m | *754.9%* |
| Basic earnings per share | 2,040.8p | 239.7p | *751.4%* |
| ***Statutory results (continuing operations)*** | | | |
| Profit before tax | £260m | £426m | *(39.1)%* |
| Profit for the year | £211m | £343m | *(38.7)%* |
| *Statutory results (continuing operations) includes £178m non-underlying items* | | | |
| ***Continuing and discontinued operations*** | | | |
| Cash generated from operations | £814m | £877m | *(7.1)%* |
| Discretionary free cash flow† | £498m | £585m | *(14.7)%* |
| Capital expenditure | £557m | £555m | *£2m* |

All measures are presented for the continuing business unless otherwise stated; † signifies an alternative performance measure (APM) - see notes and glossary for details; *FY includes £2 million non-underlying TSA income charged to Costa post-disposal

- Total UK accommodation sales growth of 3.5%, reflecting additional capacity
- UK like-for-like† accommodation sales (0.6)% impacted by soft demand, especially in Q4
- Underlying profit before tax increased by 1.2% to £438 million, supported by tight cost control and the benefit of the ongoing efficiency programme
- Statutory profit for the year of £3.7 billion, including the profit on disposal of Costa
- Statutory profit before tax declined by 39.1% to £260 million driven by £178 million of non-underlying items, of which £108 million relates to disposal costs relating to the sale of Costa
- Full year dividend of 99.65p (FY18: 101.15p) and full year payment of £180 million represents a 2% increase year-on-year on a pro-rated basis reflecting the sale of Costa in January 2019
- Good cash generation with discretionary free cash flow at £498 million
- Strong balance sheet with net cash† of £2,583 million following receipt of Costa sale proceeds
- Return on capital from continuing operations was strong at 12.2%, but declined slightly due to the timing of new capacity, German investment and softer UK hotel demand

*Alison Brittain, Whitbread Chief Executive Officer, commented:*

"The last year has been significant for Whitbread, with the sale of Costa to The Coca-Cola Company for £3.9 billion completing on 3 January 2019. We intend to return up to £2.5 billion of the net cash proceeds to shareholders, and we have repositioned Whitbread as a focused hotel business by delivering our three strategic priorities to grow and innovate in the UK; focus on our strengths to grow internationally; and to enhance the capabilities required to support long-term growth.

During the year Premier Inn UK[1] delivered total accommodation sales growth of 3.5% through further capacity addition. We have grown our UK network to over 76,000 rooms, with around 13,000 rooms in our committed UK pipeline. We announced a new runway of growth to 110,000 rooms at the Capital Markets Day in February and also see potential to extend the estate further with our two format innovations "hub" and "ZIP". Alongside our 4,008 new room openings this year, we have maintained our high occupancy, with 97% direct bookings, and have delivered a strong return on capital.

In Germany, we recently opened our second hotel, in Hamburg, and our pipeline is now almost 7,000 rooms, which is over 30% of our total pipeline for Whitbread. Our hotel in Frankfurt continues to perform well and has reached a mature level of market occupancy and average room rate†, in line with expectations, whilst outperforming the competitor set on customer feedback scores[2].

We have also made excellent progress on our efficiency programme, achieving our initial five-year target of £150 million in just three years mitigating significant inflationary pressure. We still have more work to do and in February we announced a new target of £220 million operating and capital efficiencies, to be delivered over the next three years. Our focus on efficiency remains important as industry cost inflation continues and there are ongoing signs of market weakness across both business and leisure, especially in the UK regions.

In the fourth quarter, we saw a decline in business and leisure confidence, leading to weaker domestic hotel demand. This weakness has increased into March and April particularly in the regional business market, coinciding with an acute period of political and economic uncertainty in the UK. At this stage in the new financial year it is too early to know how business confidence and its impact on the market will evolve. However, it's important to note that our strong balance sheet, ongoing efficiency programme and integrated operating model means we are likely to be more resilient in a weaker market than many of our competitors. In addition, our ability and willingness to

continue to invest through this period will place us in an advantaged position in the future.

Therefore, despite the short-term market challenges, our strong competitive position, ongoing disciplined allocation of capital and focus on executing our strategic plan will ensure we continue to win market share from the declining independent hotel sector in the UK and Germany. This will deliver sustainable growth in earnings and dividends, combined with our strong return on capital over the long-term."

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*Footnotes and definitions are contained immediately prior to the financial statements.*

*For images and video please visit Whitbread's media library at www.whitbread.co.uk/media.*

*A presentation for investors and analysts will be held at 8.30am on 30 April 2019 at J.P. Morgan, 60 Victoria Embankment, London, EC4Y 0JP. A webcast of the presentation will be available live and on-demand through Whitbread's website (www.whitbread.co.uk/investors).*

## **Strategic update** | A focused, fully integrated, international hotel business

### Whitbread's long-term plans for value creation in the UK and internationally

Whitbread is now a focused, vertically-integrated hotel business with over 78,000 rooms in the UK, Germany and the Middle East, operating under the Premier Inn brand. Premier Inn is the world's best budget hotel business with the following highlights:

- recognised as the world's strongest hotel brand [3];
- consistently ranked and voted as the UK's favourite hotel[4];
- delivers best-in-class operational performance; and
- track record of strong financial performance over the long-term.

Whitbread's strategic priorities will remain consistent with its proven plan to create sustainable shareholder value over the long-term. Whitbread will achieve long-term growth in earnings and dividends, combined with strong return on capital through disciplined execution in the three key areas:

1. continuing to grow and innovate Premier Inn in its core UK business;
2. focusing on Premier Inn's strengths to grow at scale internationally; and
3. enhancing the capabilities of Whitbread to support long-term growth.

### Solid financial progress during the year

The continuing operations of Whitbread delivered a robust financial performance during the year. Group revenues were up 2.1% to £2,049 million and underlying profit before tax increased by 1.2% to £438 million. This was driven by the contribution of new hotel additions, the ongoing efficiency programme, which helped to offset cost inflation, and lower underlying net finance costs† which benefitted from deposit of the Costa sale proceeds. Statutory profit before tax declined by 39.1% to £260 million driven by £178 million of non-underlying items, including disposal costs from the Costa sale. Return on capital remained strong at 12.2%, maintaining a very good premium to Whitbread's cost of capital.

The UK regional market experienced a challenging fourth quarter as domestic uncertainty continued to impact business planning and leisure spend. Premier Inn was impacted more than the market, reflecting a higher regional presence and a higher proportion of domestic customers than the competitor set. The London market was stronger than the regions in the fourth quarter due to the impact of international travel, from which Premier Inn gains limited benefit. However, despite the short-term weakness in the UK regional market, the long-term structural opportunity remains attractive and Whitbread's strong balance sheet ensures resilience.

### FY20 outlook

Whitbread is confident in its plans given the significant structural growth opportunities in the UK and internationally. Investment will continue in order to maintain Premier Inn's competitive advantages and to capitalise on these structural opportunities. The UK environment remains subdued and sustained inflation continues to be a significant challenge. At this stage in the new financial year it is too early to know how business confidence and its impact on the market will evolve. However, given Whitbread's strong balance sheet, efficiency programme and robust business model, it is in a strong position compared to its competitors.

There has been a further weakening in market demand since the start of FY20, particularly in the regions where most of Premier Inn's hotels are located. Regional midscale and economy market[5] total sales were down 1.5% in March and RevPAR was down 4.4%; a weaker performance than we had expected at the time of our FY19 third quarter trading update in January. Whitbread is therefore planning on the following assumptions for FY20:

- Weak UK market RevPAR, especially in the regions;
- Greater investment in the UK, including capacity addition of 3,000-4,000 rooms;
- Some operational dis-synergies of around £10 million following the sale of Costa;
- Good progress with the efficiency programme expected to deliver savings of £40-50 million, but £20-30 million lower than higher cost increases of approximately £70 million; and
- German losses expected to be approximately £12 million as we invest to support the c.2,500 rooms that will open during FY20.

Despite the short-term challenges outlined, Whitbread's ongoing disciplined allocation of capital and focus on executing the strategic plan will ensure Premier Inn continues to win market share from the declining independent hotel sector in the UK and Germany, delivering sustainable growth in earnings and dividends and a strong return on capital over the long-term.

## Capital return of up to £2.5 billion following sale of Costa to The Coca-Cola Company

On 3 January 2019 Whitbread completed the sale of Costa Limited to The Coca-Cola Company for an enterprise value of £3.9 billion, with net cash proceeds of £3.8 billion.

Whitbread intends to return up to £2.5 billion of the net cash proceeds to shareholders, unless more value creating opportunities arise and subject to prevailing market conditions. An initial on-market share buyback programme of up to £500 million began on 17 January 2019 and will end on 10 May 2019.

Following this share buyback programme, Whitbread intends to pursue a tender offer to repurchase up to a further £2 billion of shares. Whitbread seeks to launch this tender offer in June 2019, subject to shareholder approval which will be sought at a general meeting to be held directly after the Annual General Meeting on 19 June 2019. Shareholders will be sent relevant documentation at the end of May 2019.

In addition to the capital return, some of the cash proceeds from the sale of Costa have been used to reduce the Group's pension fund deficit and net indebtedness.

## 1. Innovate and grow in the core UK market

- Total revenue growth of 2.1% to £2,042 million driven by consistently strong capacity addition
- Profit from operations increased to £508 million through disciplined cost action
- Marginal decline in UK occupancy whilst adding significant new capacity
- Industry-leading direct distribution rate of 97%

*Premier Inn UK estate metrics*

| | FY19 | FY18 | *Change* |
|---|---|---|---|
| # hotels | 804 | 785 | *2.4%* |
| # rooms | 76,171 | 72,466 | *5.1%* |
| Direct booking | 97% | 97% | *51bps* |
| Occupancy | 78% | 79% | *(140)bps* |
| Average room rate | £62.91 | £62.87 | *0.1%* |
| Revenue per available room† | £48.99 | £49.85 | *(1.7)%* |
| Total accommodation sales growth | 3.5% | 7.1% | |
| Like-for-like accommodation sales growth | (0.6)% | 2.2% | |
| Like-for-like food & beverage sales growth | (2.0)% | 0.4% | |
| Return on capital (UK & International)* | 12.7% | 13.4% | *(70)bps* |
| Committed pipeline (rooms) | 12,996 | 14,750 | |

**pre-unallocated central costs*

Premier Inn UK delivered good total accommodation sales growth of 3.5% in a tough market, driven by additional capacity. There has been a weakening in both business and leisure consumer demand through the year, especially in the regions, where total accommodation sales increased 2.5% but RevPAR declined 1.9%. In London, Premier Inn's total accommodation sales growth was strong at 7.2%, resulting from the 1,259 room additions during the year and the 4,090 additions over the last three years, which are maturing well. Whilst the market remains tough, the large share of independent hotels which continue to face increasing cost pressures, creates a long-term structural opportunity for Premier Inn. As such the business will continue to use this opportunity to invest in new space to grow the future pipeline.

During the year Premier Inn opened 23 hotels in the UK, including a hub hotel in Edinburgh and the first ZIP concept hotel in Cardiff. The UK hotel estate is now more than 76,000 rooms, which is over 30,000 more than Whitbread's nearest competitor. This advantage has been extended over the last four years with around twice as many Premier Inn room openings than the combined total added by Travelodge, Holiday Inn Express and Ibis[6]. Alongside this material addition of new capacity, Premier Inn has held direct bookings at an industry-leading level of 97%.

Premier Inn's detailed catchment analysis in the UK has enabled us to extend the committed pipeline of new freehold and leasehold hotels. This takes the open and committed pipeline to 89,000 rooms, with a newly announced ambition of over 110,000 rooms. The most important factor in network planning is securing the best sites, in the best possible locations. Premier Inn's capital flexibility and property expertise enables growth ahead of the competition at a good return on capital. The recently updated view of the UK market highlights that the biggest growth opportunity for Premier Inn is in London and the South East, where there is potential to increase market share in historically underrepresented areas.

The first "ZIP by Premier Inn" hotel was launched in February 2019. ZIP is a significantly different offer to the traditional Premier Inn and hub formats and is attracting a different customer segment. The essence of ZIP is good quality, small and very simple rooms targeting a large segment of the market, which is currently underserved; the extra-value seeking customer. Importantly, these target customers do not currently stay at Premier Inn and are dissatisfied with their current options. By reducing the room size to 8.5m$^2$ and carefully engineering the design and fittings, return on capital is expected to be comparable to the rest of the network, whilst offering highly compelling prices, starting at £19 per night. This initial trial is continuing with a second ZIP hotel opening in Southampton towards the end of the year.

Premier Inn consistently achieves market leading combined customer quality and value scores[7] as a result of the focus placed on elements of the offer that matter most to guests. Many of Premier Inn's customers visit multiple hotels every year and therefore value a consistent high quality experience across the network of over 800 hotels. Ongoing refurbishment of rooms is critical to ensure consistency and underpins the success of the brand. However, a rigorous approach to cost and efficiency is also maintained. This has resulted in the development of a lower-cost refurbishment model, which will enable Premier Inn to accelerate the rate of refurbishments in the future to maintain its leading customer proposition. Although the near-term market is challenging, investment in the existing estate will continue given the scale of the longer term opportunity to win market share from the fragmented independent sector.

Premier Inn's 97% direct distribution is industry-leading and crucial to the unique operating model, providing customers with superior value for money. It also ensures that Premier Inn's gross RevPAR is the same as the net RevPAR achieved after cost of sales, unlike independents or other brands, which pay high commission rates to third parties such as online travel agents. The investment made in digital tools, including a best-in-class website and digital marketing capabilities, results in a higher quality of revenues achieved.

## 2. Focus on Premier Inn's strengths to grow internationally

***Premier Inn Germany*** | *Increasing capabilities to build a strong hotel network*

Premier Inn's aim in Germany is to leverage the strengths and capabilities of the UK business to create the number one budget brand in the

structurally attractive German hotel market. This includes the same flexible approach to property to gain superior site access, encouraging direct distribution and delivering a best-in-class value for money proposition.

This strategy has proved successful in Frankfurt, with a mature level of rate and occupancy achieved in line with expectations, alongside market-leading customer satisfaction scores. Hotel guests are a good mix of business and leisure and a high proportion of guests are domestic German travellers. Premier Inn's second hotel in Germany opened in Hamburg at the end of February, with another 20 hotels expected to be open by the end of 2020.

The German hotel market is a third larger than the UK and even more fragmented, with almost three-quarters of the market still consisting of small independent operators, which are experiencing a structural decline to the benefit of branded hotels. Despite this, the branded budget hotel sector still only represents an 8% market share, compared to 27% in the UK, as franchise operators have historically struggled to expand with limited property financing options available. Consequently, Premier Inn's vertically integrated model and willingness to invest capital in expansion provides a strong advantage in the budget market, supported by replicating the strong quality and value credentials from the UK.

Given the scale and attractive nature of the opportunity in Germany, Whitbread has increased investment to accelerate the pipeline and to prepare the business for a significant number of hotel openings over the next few years. These investments include marketing costs, set-up costs and putting more people on the ground, especially in the acquisitions team. As a result of these investments, losses in Germany will increase from £8 million this financial year to approximately £12 million in FY20. However, a number of synergies and capabilities are being leveraged from the UK, including the Premier Inn website platform and the dynamic pricing engine.

The property team continues to explore options to further accelerate growth in Germany, through a mix of freehold property developments, leasehold sites and acquisitions of small to medium existing hotel portfolios. The previously announced acquisition of 19 hotels from Foremost Hospitality Group is expected to complete in February 2020, with 13 hotels opening around the end of FY20, representing an important step in growing the German network. The acquisition is expected to deliver returns in excess of Whitbread's cost of capital and be earnings enhancing the year after completion.

The pipeline of new capacity in Germany is a mix of hotels to be acquired and the organic pipeline of new leasehold and freehold sites:

| ***Premier Inn Germany network*** | **Organic** | **To be acquired** | **Total** |
|---|---|---|---|
| Open and trading | 2 hotels *(390 rooms)* | 13 hotels *(2,120 rooms)* | **15 hotels *(2,510 rooms)*** |
| Committed pipeline | 17 hotels *(3,600 rooms)* | 6 hotels *(990 rooms)* | **23 hotels (4,590 rooms)** |
| **Total** | **19 hotels *(3,990 rooms)*** | **19 hotels *(3,110 rooms)*** | **38 hotels *(7,100 rooms)*** |

***Premier Inn Middle East***

Premier Inn in the Middle East continues to operate in tough market conditions, with a high level of new capacity being added in advance of the World Expo in Dubai in 2020. Premier Inn has a productive partnership with Emirates, with a new hotel recently opened in Al Jaddaf, bringing the total to eight hotels.

## 3. Enhancing Whitbread's capabilities to support long-term growth

Whitbread continues to leverage its scale to secure cost efficiencies, largely offsetting the structural cost pressures in the hotel market, which disproportionately impact the independent sector. This focus on cost, along with Whitbread's property expertise, underpins the consistent quality and competitive advantage enjoyed by Premier Inn.

Good progress has been made on separating Costa from Whitbread; a process that is due to last for up to two years to ensure an optimal outcome for both businesses. Many of the shared services teams and supplier contracts have been separated, with the main focus now on technology and information systems. Whilst work is being conducted to minimise dis-synergies arising from the separation, these are expected to be approximately £10 million in FY20.

***Vertically-integrated model***

Whitbread has conducted a rigorous review of its unique, vertically-integrated model, which combines the ownership of property, hotel operations, the brand and inventory distribution. Over the last 15 years, this unique approach has enabled Premier Inn to grow at a significantly faster pace than competitors, deliver a consistently superior customer experience and generate a strong return on capital for shareholders. Given the scale of the opportunity to invest in new hotel capacity in the UK and Germany, Whitbread believes its unique vertically-integrated model is the optimal approach to both access this growth opportunity and create sustainable value for shareholders over the long-term. Property flexibility is an integral part of this unique model. Through detailed network planning and disciplined investment in attractive freehold and leasehold hotels, Premier Inn has become the largest hotel network in the UK. The freehold property estate's current valuation is £4.9-5.8 billion. This valuation is based on sale and leaseback transactions, with a yield range of 4.5-5.0%, a rent cover of 2.25-2.40 times, and includes £400 million net assets under construction and non-trading.

***Winning teams***

Owning and operating the UK's leading hotel business enables superior attraction and retention of talented people. Following the sale of Costa to The Coca-Cola Company, Whitbread has already optimised its structure to ensure the right people are in place to support a single functional model, with each Executive Committee member responsible for end-to-end delivery of their respective functional areas. This will ensure the business is lean and agile going into the next phase of growth.

***Everyday efficiency***

In 2016, Whitbread began a five-year programme to generate £150 million of efficiency savings and mitigate inflationary cost pressures. This ambition was achieved in less than three years from a combination of procurement benefits and shared services, across both Premier Inn and Costa. Whitbread now aims to generate a further £220 million of savings over the next three years, which comprises £120 million of operational savings and £100 million of capital expenditure savings.

***Improving technology capabilities***

Over the last three years, Whitbread has undergone a significant investment programme to improve the core technology infrastructure, internal support systems and customer facing systems in Premier Inn. This year, there has been a focus on enabling an improvement in the customer booking journey, being more agile in adapting the website to changing customer demands, and preparing for the separation of Costa.

In addition, Whitbread will retain focus on the complex process of upgrading legacy customer reservation and inventory management systems in Premier Inn and integrating the new hotels in Germany onto Whitbread's platform.

***Property expertise***

Property expertise remains an important driver of success for Premier Inn. A willingness to be flexible with respect to freehold or leasehold acquisition ensures new sites are in the best locations, and have the optimal size and format.

Ownership of around two-thirds of the hotel estate also provides a significant competitive advantage as it gives Premier Inn control over the initial development of the hotel, and subsequently how it is maintained, extended, or re-developed. This will continue to provide further opportunities to optimise the network by individual asset, as well as more broadly through catchment optimisation and creating a more optimal portfolio of assets.

Whitbread's asset-backed balance sheet also supports a strong financial covenant, which means that in competitive bid situations for new leasehold developments, Premier Inn is often the preferred tenant and can secure more favourable lease and rental terms. Freehold ownership also reduces earnings volatility through the cycle and provides a flexible source of funding for the future, for example, through sale and leaseback transactions.

***A Force for Good***

Whitbread's sustainability programme, Force for Good, ensures that being a responsible business is integrated throughout the way Whitbread operates, by supporting its guests, local communities, team members and suppliers to live and work well.

The 2018 Dow Jones Sustainability Index (DJSI) score ranked Whitbread as second in the European Travel & Leisure industry. This excellent result highlights the depth and breadth of work that is taking place across the Force for Good programme and demonstrates Whitbread's commitment to continuously improve the work underway to become a more sustainable business.

Whitbread's diversity strategy ensures everyone can reach their potential. This includes removing barriers to entry and promoting diversity throughout the organisation. This year saw the launch of a "Diversity and Inclusion Day", which raised awareness of important topics such as unconscious bias and flexible working. In addition, the WISE (Whitbread Investing in Skills and Employment) programme continues to grow, with the creation of over 10,000 employment opportunities, including more than 3,000 full time apprenticeships and 4,000 work experience placements.

Premier Inn has been supporting Great Ormond Street Hospital since 2012. During this time over £14 million has been raised, facilitating the opening of a new 'Premier Inn Clinical Building'. Premier Inn has pledged to raise £10 million towards building a ground-breaking new sight and sound centre due to open in 2020, which will provide a world class facility for children with sight and hearing problems.

Whitbread provides customers with informed menu choices and delivers a nutritious strategy that supports the Government's aims to tackle childhood obesity. Progress towards Public Health England's sugar reduction target of 20% by 2020 is underway in relevant food categories and so far, Beefeater has achieved 24.6% and Brewers Fayre 28.7% sugar reduction in the puddings range.

Whitbread's hotels in the UK are all powered by 100% renewable energy, and over 20% of hotels have electricity generating solar panels. Premier Inn is also the largest hospitality company in Europe to set a science-based carbon reduction target. This target will see the business reduce its carbon emissions by 50% by 2025.

Operating a traceable and sustainable supply chain is vital for the hospitality industry and Whitbread has been recognised by NGO Development International as the leading accommodation provider in the FTSE 100 for compliance and conformance with the UK Modern Slavery Act and good practice in human rights.

## **Financial review** | Solid financial performance

- Revenue from continuing operations increased 2.1% to £2,049 million, from capacity additions
- Disciplined cost management and the ongoing efficiency programme supported growth in underlying profit before tax by 1.2% to £438 million
- Statutory profit before tax declined by 39.1% to £260 million driven by £178 million of non-underlying items, primarily relating to disposal costs from the Costa sale
- Good cash generation with discretionary free cash flow at £498 million
- Return on capital from continuing operations declined 30bps to 12.2% due to the timing of new capacity, German investment and weaker UK hotel demand
- Profit from discontinued operations of £3.5 billion due to the sale of Costa
- Plans in place to return up to £2.5 billion from the proceeds of the sale of Costa

### **Profit growth** | Good revenue growth and disciplined cost control underpins profit growth

| | **FY19** | **FY18** | ***Change*** |
|---|---|---|---|
| Revenue* | **£2,049m** | **£2,007m** | *2.1%* |
| Profit from operations | £499m | £498m | *0.2%* |
| Unallocated central costs | £(33)m | £(35)m | *5.4%* |
| **Underlying operating profit†** | **£466m** | **£463m** | *0.6%* |
| Underlying net finance costs | £(28)m | £(31)m | *7.5%* |
| **Underlying profit before tax** | **£438m** | **£432m** | *1.2%* |
| Non-underlying items | £(178)m | £(6)m | *n.m.* |
| **Statutory profit before tax** | **£260m** | **£426m** | ***(39.1)%*** |
| Tax | £(49)m | £(83)m | *40.7%* |
| **Profit for the year from continuing operations** | **£211m** | **£343m** | ***(38.7)%*** |
| Profit for the year from discontinued operations** | £3,520m | £93m | *n.m.* |
| **Profit for the year** | **£3,731m** | **£436m** | ***n.m.*** |

**FY19 revenue includes £2m of TSA revenue charged to Costa post disposal; **Statutory profit for the year from Costa including the gain on sale of £3,390 million*

***Profit from discontinued operations***

On 3 January 2019, Whitbread completed the sale of Costa to The Coca-Cola Company. As a result, for the period 2 March 2018 to 3 January 2019 Costa was accounted for as a discontinued operation. Profit for the year from discontinued operations increased to £3,520 million, including the gain on sale of £3,390 million. Despite a tough UK retail environment, Costa increased revenue and statutory profits for the comparable period to 3 January 2019.

The pace of investment in new Costa stores and Costa Express machines continued, with capital expenditure in discontinued operations, excluding those relating to the China JV, similar to the prior year at £95 million.

### **Operating performance** | Robust results driven by ongoing network expansion

- Total Premier Inn revenue increased 2.0% to £2,047 million
- London accommodation total sales growth of 7.2% driven by new capacity addition

- Regional accommodation total sales growth of 2.5%, in tough market conditions
- Return on capital of 12.7%, alongside 5.3% increase in room capacity

***Financial highlights***

| | FY19 | FY18 | *Change* |
|---|---|---|---|
| **Revenue** | **£2,047m** | **£2,007m** | **2.0%** |
| UK (inc. F&B) | £2,042m | £2,000m | 2.1% |
| Germany | £5m | £4m | *n.m.* |
| Middle East* | £0m | £3m | *n.m.* |
| | | | |
| **Profit from operations** | **£499m** | **£498m** | **0.2%** |
| UK (inc. F&B) | £508m | £503m | 0.8% |
| Germany | (£8)m | (£5)m | *n.m.* |
| Middle East | (£1)m | £0m | *n.m.* |
| | | | |
| **Return on capital (before unallocated central costs)** | **12.7%** | **13.4%** | ***(70)bps*** |
| | | | |
| ***Other metrics*** | | | |
| UK accommodation total sales growth | 3.5% | 7.1% | |
| UK F&B total sales growth | (0.3)% | 2.5% | |
| Total UK sales growth | 2.1% | 5.3% | |
| | | | |
| UK accommodation like-for-like sales growth | (0.6)% | 2.2% | |
| UK F&B like-for-like sales growth | (2.0)% | 0.4% | |
| | | | |
| Q4 UK accommodation like-for-like sales growth | (3.2)% | 0.3% | |
| Q4 F&B like-for-like sales growth | (1.7)% | (1.1)% | |

**FY18 revenue of £3 million relates to "International" which includes the previously owned international business*

Premier Inn UK performed well during the year in a tough market, increasing revenue by 2.1% to £2,042 million and profit from operations up by 0.8% to £508 million. The UK hospitality industry continues to experience high inflationary pressure, primarily from rising wages, input costs and rent. This led to cost increases of around £55 million over the year which, along with ongoing investments in hotel refurbishments and IT systems, impacted total operating margins. This was partially offset by the efficiency programme and total sales growth from new capacity resulting in a margin decline of 40bps.

Given the opportunity to win market share from the fragmented independent hotel market, Premier Inn has continued to focus on adding capacity to maximise total accommodation sales growth. This has been achieved whilst delivering high occupancy, good operating margins and delivering an attractive return on capital of 12.7% before unallocated central costs.

In London, Premier Inn grew total accommodation sales by 7.2%, ahead of the midscale and economy hotel market [3], due to the contribution of 4,090 new rooms added in London over the last three years. Premier Inn like-for-like RevPAR and like-for-like sales declined by 0.9% and 0.5% respectively, compared to the midscale and economy market where total sales and RevPAR were up 6% and 1.8% respectively. This reflects the short-term impact that significant capacity addition has on the current estate, as well as Premier Inn's lower mix of international customers.

In the regions, Premier Inn increased total accommodation sales by 2.5%, slightly ahead of the midscale and economy hotel market [3] which grew at 2.3% over the year.

Growth in the midscale and economy hotel market has slowed in the second half of the year as political uncertainty impacted business and leisure consumer confidence. Premier Inn was particularly impacted by this in the fourth quarter due to the significant capacity added in a low volume period. As a result, in the second half, Premier Inn total accommodation sales increased by 1.9% compared to 4.8% in the first half of the year. This was more prevalent in the regions where total accommodation sales increased 0.5% in the second half, whilst London continued to remain robust, with accommodation sales growth of 7.3%.

***UK total accommodation sales growth comparison***

| | H1 FY19 | H2 FY19 | FY19 |
|---|---|---|---|
| ***London*** | | | |
| Premier Inn | 7.2% | 7.3% | 7.2% |
| Midscale and economy hotel market[3] | 3.0% | 9.2% | 6.0% |
| **London outperformance** | **420bps** | **(190)bps** | **120bps** |
| | | | |
| ***Regions*** | | | |
| Premier Inn | 4.3% | 0.5% | 2.5% |
| Midscale and economy hotel market[3] | 3.5% | 0.9% | 2.3% |
| **Regions outperformance** | **80bps** | **(40)bps** | **20bps** |
| | | | |
| ***Total UK*** | | | |
| Premier Inn | 4.8% | 1.9% | 3.5% |
| Midscale and economy hotel market[3] | 3.7% | 3.4% | 3.6% |
| **Total UK outperformance** | **110bps** | **(150)bps** | **(10)bps** |

Whitbread's food and beverage offer is integral to the hotel operations, performance and guest experience. Total revenue remained broadly flat year-on-year, but like-for-like sales decreased by 2.0% (FY18: 0.4%) due to a more subdued casual dining market.

Premier Inn's expansion in Germany continues in line with plans, with a new hotel in Hamburg opened at the end of FY19. Planned investment in Germany to extend the pipeline, open new hotels, and integrate the Foremost Hospitality acquisition will result in a loss of approximately £12 million in Germany in FY20. The Premier Inn business in the Middle East is operated through a joint-venture with Emirates. In a challenging market, with significant new supply additions, losses in the Middle East were in-line with expectations at £1 million, due to the timing of new openings.

Statutory profit before tax declined 39.1% to £260 million due to £178 million non-underlying items.

***Non-underlying items***

Non-underlying items of £178 million relate to disposal costs following the sale of Costa of £108 million, including £20 million on Group reorganisation costs including separating IT infrastructure and contract renegotiation, £55 million write off of IT intangible assets and related contracts, and £13 million relating to head office restructuring. Separation activity will continue into FY20 with a further expected

non-underlying cost of approximately £23 million.

Other non-underlying items include £44 million property disposal costs and provisions including £11 million of property impairment losses and £20 million of impairment losses on IT intangibles, £13 million guaranteed minimum pension contribution, £7 million on UK hotel restructuring and £6 million pension finance costs. Full details are in Note 5 to the accompanying financial statements.

### *Net finance costs*

Underlying net finance costs for the year were £28 million (FY18: £31 million) benefiting year-on-year from the Costa proceeds received in January 2019. Total net finance costs were £34 million (FY18: £41 million) including the non-underlying IAS19 pension finance charge of £6 million (FY18: £10 million).

### *Taxation*

Underlying tax† for the year was £85 million, with an effective tax rate of 19.4% (FY18: £84 million: 19.5%). Statutory tax expense for the year was £49 million (FY18: £83 million). There was a non-underlying tax credit of £36 million (FY18 £1 million) relating to the non-underlying charges described above.

### *Earnings per share*

| | FY19 | FY18 | *Change* |
|---|---|---|---|
| **Continuing operations** | | | |
| Underlying basic earnings per share | 193.2p | 190.7p | *1.3%* |
| Statutory basic earnings per share | 115.2p | 188.0p | *(38.7)%* |
| | | | |
| **Continuing and discontinued operations** | | | |
| Underlying basic earnings per share | 248.8p | 260.2p | *(4.4)%* |
| Statutory basic earnings per share | 2,040.8p | 239.7p | *751.4%* |

Statutory basic earnings per share from the continued and discontinued business includes the profit from the sale of Costa. Statutory basic earnings per share for the continuing business includes the £178 million non-underlying items including costs that relate to the Costa disposal. Full details of earnings per share movements are in Note 8 to the accompanying financial statements.

### *Dividend*

The Group's dividend policy is to grow the dividend broadly in line with earnings across the cycle. To reflect the lower cash earnings position following the sale of Costa, Whitbread will rebase the dividend on a pro-forma payout. This will ensure a sustainable dividend can be paid over the long-term and throughout the economic cycle. A final dividend of 67.00 pence per share (FY18: 69.75p) was declared by the Board on 29 April 2019. The full year dividend payment of £180 million represents a 2% increase year-on-year on a pro-rated basis. Full details are set out in Note 9 to the accompanying financial statements. The final dividend will be paid on 5 July 2019 to all shareholders on the register at the close of business on 31 May 2019. Shareholders will again be offered the option to participate in a dividend re-investment plan.

## **Cash generation** | Consistent & strong to fund investments

| *Cash generation is reported for the continued and discontinued business* | FY19 | FY18 |
|---|---|---|
| **Underlying operating profit** | **£599m** | **£622m** |
| Depreciation and amortisation | £226m | £230m |
| Other non-cash items | £(10)m | £13m |
| Change in working capital | £(1)m | £12m |
| **Cash generated from operations** | **£814m** | **£877m** |
| Maintenance capital expenditure | £(192)m | £(159)m |
| Interest | £(34)m | £(34)m |
| Tax | £(90)m | £(99)m |
| **Discretionary free cash flow** | **£498m** | **£585m** |
| Pension* | £(194)m | £(101)m |
| Dividends | £(187)m | £(178)m |
| Expansionary capital expenditure | £(365)m | £(396)m |
| Proceeds from sale & leaseback transactions | £0m | £75m |
| Proceeds from disposal of business and PPE | £9m | £57m |
| Proceeds on disposal of subsidiaries | £3,809m | £0m |
| Shares purchased in share buybacks | £(170)m | £0m |
| Other | £16m | £15m |
| **Net cash flow** | **£3,416m** | **£57m** |
| Opening net (cash) / debt | £833m | £890m |
| **Closing net (cash) / debt** | **£(2,583)m** | **£833m** |

**includes the first phase of the one-off pension settlement of £107 million*

Cash generation remained strong in the year with cash generated from continued and discontinued operations of £814 million (FY18: £877 million), whilst converting 83% of underlying operating profit into discretionary free cash flow totalling £498 million (FY18: £585 million; 94%). This discretionary free cash flow was used to fund Whitbread's agreed pension deficit recovery contribution of £87 million, dividend payments of £187 million and expansionary capital expenditure of £365 million. The discretionary free cash flow was down year-on-year due to the disposal of Costa in January and an increase in cash maintenance capital of £33 million in Premier Inn.

The proceeds from the sale of Costa were also received in the year, which were £3.8 billion net of transaction costs, separation costs and tax. These have been used to fund £170 million of the share buyback programme and the first phase of the pension settlement of £107 million (see Pensions).

## **Capital investment** | Compelling opportunities to invest at a strong return on capital

| | FY19 | FY18 | *Last 2 years* |
|---|---|---|---|
| Maintenance and product improvement | £151m | £118m | £269m |
| New / extended UK hotels* | £226m | £227m | £453m |
| Premier Inn Germany & Middle East** | £85m | £65m | £150m |
| Discontinued Operations | £95m | £145m | £240m |
| **Total** | **£557m** | **£555m** | **£1,112m** |

**FY19 spend includes £3.5 million investment in Pure; *FY18 capital investment of £2 million relates to "International" which includes the previously owned international business*

Capital expenditure during the year was £557 million (FY18: £555 million). Investments in new and extended hotels mature over a 1-4 year period and deliver mature return on capital between 12% and 14%. In the last two years, £453 million has been invested in expanding the UK network with a further £150 million invested in the organic pipeline in Germany and the Middle East. Maintenance capital expenditure in

Premier Inn is essential to ensure consistent, high quality rooms across the estate which is a key driver of repeat direct business. Maintenance capital increased £33 million year-on-year due to the timing of cash payments, and is expected to be approximately £150 million in FY20.

Capital expenditure for Premier Inn Germany does not reflect any amounts for the announced agreement to acquire a portfolio of hotels, which will be paid on completion of the transaction, which is expected to be in February 2020. The total cost of the transaction and costs relating to conversion to Premier Inn are expected to be around £300 million, with around £200 million due in FY20 and the remaining payments made on the opening of the six pipeline hotels.

## **Capital discipline** | Asset-backed balance sheet provides flexibility

| | FY19 | H1 FY19 | FY18 |
|---|---|---|---|
| **Funds From Operations (FFO)†*** | **£902m** | **£953m** | **£921m** |
| Adjusted net (cash) / debt† | **£(2,573)m** | £890m | £843m |
| Lease debt (8x rent)† | £2,193m | £2,316m | £2,227m |
| **Lease-adjusted net (cash) / debt†** | **£(380)m** | **£3,206m** | **£3,070m** |
| Freehold / leasehold mix | 62:38% | 63:37% | 64:36% |
| Lease-adjusted net debt : FFO† | (0.4)x | 3.4x | 3.3x |
| Fixed charge cover† | 2.9x | 2.8x | 2.9x |

**FY19 funds from operations excludes the first phase of the accelerated pension settlement of £107 million*

Whitbread has retained its strong financial position and has access to a broad source of funds at attractive rates, in order to take advantage of freehold property and acquisition opportunities as they arise, such as the agreed acquisition in Germany that will complete in February 2020. Maintaining a prudent leverage position also ensures that Whitbread retains a strong covenant for further leasehold expansion in the UK and Germany.

Following the sale of Costa to The Coca-Cola Company, Whitbread will use a lease-adjusted net debt to funds from operations (FFO) ratio to ensure it retains a strong financial position. In-line with credit rating agency methodology, net debt is adjusted for leases at eight times the annual property rent. After returning up to £2.5 billion of the Costa proceeds to shareholders, and retaining around £800 million to fund future growth opportunities in the UK and Germany, Whitbread will be at around 3.5 times lease-adjusted net debt to FFO. Whitbread believes that equal to or less than 3.5 times FFO is an appropriate leverage for the continuing business.

Sufficient headroom in debt funding facilities is also in place to finance short and medium-term requirements, with total committed facilities of approximately £1.8 billion. Committed debt facilities include US Private Placement loans of £359 million (at the hedged rate), a £450 million bond and a syndicated bank revolving credit facility ("RCF") of £950 million.

### *Pension*

Whitbread reached an agreement with the Trustee of its defined benefit pension scheme, the Whitbread Group Pension Fund (the "Pension Fund") following the sale of Costa. The agreement released Costa from its obligations to the Pension Fund and involved a one-off contribution to the Pension Fund of £380 million together with some contingent protection, which has enabled the Trustee to significantly reduce the Pension Fund's investment risk. This replaced the previous protection and previously agreed deficit recovery plan, which would have required Whitbread to make total payments of £326 million to the Pension Fund over the next four years. Additional contributions to the Pension Fund of approximately £10 million per year will continue to be made through the Scottish Partnership arrangements. A consolidated charge was put in place securing properties totalling £450 million which will reduce to £408 million following completion of the 2020 actuarial valuation. The charge secures the obligations of various Group companies to make payments to the Pension Fund and replaced two charges that were released.

## **Return on capital** | Consistently delivering above cost of capital

| | FY19 | FY18 | Change |
|---|---|---|---|
| Premier Inn (before unallocated central costs) | 12.7% | 13.4% | *(70)bps* |
| Continuing operations | 12.2% | 12.5% | *(30)bps* |
| **Continuing and discontinued operations** | **15.6%** | **15.4%** | *20bps* |
| Impact on the Group of capital invested for future openings | (130)bps | (110)bps | *(20)bps* |

There is currently £302 million of capital invested for future openings. This has an impact on Whitbread's continuing and discontinued reported return on capital of 130bps.

## **Surplus capital** | Returning up to £2.5 billion of proceeds from the sale of Costa

Whitbread received gross proceeds from the sale of Costa to The Coca-Cola Company of £3.9 billion, with total separation and transaction costs, including tax, resulting in £3.8 billion net cash proceeds. From this, Whitbread agreed to make accelerated contributions to the Whitbread Pension scheme of £380 million, which reduces the deficit. A further £300 million has been retained by Whitbread for the purchase and brand conversion of 19 hotels in Germany in February 2020.

Due to the opportunities for future growth, Whitbread will retain £500 million to de-leverage in the short-term, providing sufficient future leverage capacity. This enables up to £2.5 billion in surplus capital to be returned to shareholders, unless more value creating alternatives arise. A share buy-back programme commenced in January 2019, with the intention to repurchase up to £500 million of shares by May. By the year end, 3.5 million of ordinary shares were purchased and held as Treasury shares, of which 3 million have subsequently been cancelled in the new financial year.

Whitbread intends to return up to £2 billion through a tender offer to be launched in June 2019, subject to approval by shareholders. A tender offer enables shareholders to tender their shares for purchase at a specified price (or within a price range), over a specified period of time. Shareholders can choose how many of their shares to tender. At this stage, Whitbread intends to pursue a "variable price" tender offer, with the price range based on the volume-weighted average price of Whitbread's shares in a short period up to and including closing of the tender offer at the point of completion. Any surplus capital either following the tender offer will be reviewed and the appropriate manner to return to shareholders will be considered.

## **IFRS 16 Leases** | Non-cash financial reporting changes in FY20

The new accounting standard for leases will be implemented during FY20, with full adoption for the FY20 interim results. Whilst there will be

a significant impact on the statutory income statement and balance sheet, there will be no change to Whitbread's cashflows and it's growth plans, including the ongoing disciplined approach to capital allocation. Furthermore, no detrimental impact is expected to Whitbread's covenants or ability to satisfy its liabilities.

***IFRS 16 - Summary of changes and impacts***

Under IFRS 16, lease liabilities and associated 'right of use' assets are recognised on the balance sheet using discounted cash flows. As many of Whitbread's leases are long property leases, these changes will significantly increase both total assets and total liabilities, and have a material impact on key performance metrics, including earnings per share.

In the income statement, rental charges for operating leases are replaced with depreciation of the newly recognised asset and interest on the newly recognised lease liability. This in turn will impact some of Whitbread's key reporting measures, including underlying operating profit, which will increase as a pre-interest measure, and profit before tax, which will decrease as a disproportionate amount of interest is applied at the start of a lease.

***Indicative FY19 IFRS 16 impact on Balance Sheet***

| | **Pre-IFRS 16** | **Add lease liabilities (+/- 100)*** | **Add right-of-use asset (+/- 100)*** | **Post-IFRS 16** |
|---|---|---|---|---|
| Total assets | £7,904m | - | £2,100m | £10,004m |
| Total liabilities | £(1,702)m | £(2,500)m | - | £(4,202)m |
| **Net assets** | **£6,202m** | £(2,500)m | £2,100m | **£5,802** |

***Indicative FY19 impact on Income Statement***

| | **Pre-IFRS 16** | **Remove rent** | **Add depreciation & interest (+/- 10)*** | **Post-IFRS 16** |
|---|---|---|---|---|
| **EBITDAR†** | **£795m** | - | - | **£795m** |
| Rent and depreciation** | £(329)m | £169m | £(90)m | £(250)m |
| **Underlying operating profit** | **£466m** | £169m | £(90)m | **£545m** |
| Net finance costs | £(28)m | - | £(110)m | £(138)m |
| **Underlying profit before tax** | **£438m** | £169m | £(200)m | **£407m** |

***includes £21 million amortisation*

***Key performance measures under IFRS 16***

Under IFRS 16, EBITDAR will not be impacted and will therefore provide a good indicator for continuing operating performance. In addition, certain adjustments will be required to ensure the important return on capital measure remains a meaningful and consistent metric going forward.

***Indicative FY19 impact***

| | **Pre-IFRS 16** | **Post-IFRS 16** | ***Range of outcomes**** |
|---|---|---|---|
| EBITDAR | £795m | £795m | - |
| Underlying operating profit | £466m | £545m | *£10m* |
| Underlying profit before tax | £438m | £407m | *£10m* |
| Statutory profit before tax | £260m | £229m | *£10m* |
| Underlying basic earnings per share | 193.2p | 176.2p | *5p* |
| Statutory basic earnings per share | 115.2p | 98.2p | *5p* |

**All of the impacts are presented as a range of outcomes as they remain subject to refinement of judgements, estimates and assumptions, further detailed review and full audit of the transition amounts in the year of transition.*

## Other information

***Going concern***

A combination of the strong operating cash flows generated by the business and the significant headroom on its credit facilities supports the Directors' view that the Group has sufficient funds available for it to meet its foreseeable working capital requirements. The Directors have taken into account the potential wider macro-economic effects of leaving the EU, including foreign exchange and interest rate fluctuations, and concluded that the going concern basis remains appropriate.

***Risks and uncertainties***

The directors have reconsidered the principal risks and uncertainties of the Group and these remain largely unchanged from those reported on pages 54 and 55 of the Annual Report and Accounts 2017/8 and include:

- Cyber and Data Security - reduces the effectiveness of systems or results in loss of data;
- Change -ability to execute the significant volume of change;
- Economic Climate - results in a decline in GDP, consumer and business spending, a fall in RevPAR and inflation pressure impacting growth plans;
- Retention and wage inflation - failure to maintain staff engagement and retention in a tightening labour market;
- Pandemic/Terrorism - impacts the safety and security of customers or staff and the consequent impact on trading;
- Food safety and hygiene - the preparation and storage of food and/or supply chain failure results in food poisoning and reputational damage;
- Health and safety - death or serious injury as a result of company negligence;
- Third party arrangements - business interruption as a result of the withdrawal of services below acceptable standards or reputational damage as a result of unethical supplier practices.

The risk of a wider macro-economic effect as a result of the UK leaving the EU, including foreign exchange and interest rate fluctuations, is addressed by the Group's Economic Climate risk. The Change risk referenced the upgrade of the customer booking system whilst also delivering an ongoing efficiency programme and upgrading the digital capability and customer proposition. Going forward any potential areas of risk will continue to be closely monitored and evaluated.

### *Supplementary information*

Further information is available in Microsoft Excel from: www.whitbread.co.uk/investors/results-reports-and-presentations. This information includes:

- Premier Inn network data;
- Premier Inn sales, profit and return on capital information;
- omparison of Premier Inn UK sales performance to market trends;
- Group income statement; and
- Lease commitments.

### *American Depositary Receipts*

Whitbread has established a sponsored Level 1 American Depositary Receipt (ADR) programme for which Deutsche Bank perform the role of depositary bank. The Level 1 ADR programme trades on the U.S. over-the-counter (OTC) markets under the symbol WTBDY (it is not listed on a U.S. stock exchange).

### *Rounding*

Certain financial data contained in this document have been rounded and accordingly may not add up to 100 per cent. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Where applicable, year-on-year growth percentages have been calculated from the financial data presented in the year end accounts, which are reported to one decimal place. Where year-on-year growth percentages are immaterial or do not provide an appropriate measure of performance, the designation "n.m." (not measured) is included.

### *Notes*

*†The performance of the Group is monitored internally using a variety of statutory and alternative performance measures (APMs). APMs are not defined within IFRS and are used to assess the underlying operational performance of the Group and as such these measures should be considered alongside IFRS measures. APMs used in this announcement include like-for-like sales, underlying operating profit, underlying profit, underlying basic earnings per share, net debt, return on capital, fixed charge cover, discretionary free cash flow, lease-adjusted net (cash) debt: FFO and EBITDAR. For full definitions please refer to the glossary at the end of the document.*

1 *Unless otherwise stated, "Premier Inn" includes Premier Inn UK, Premier Inn Germany, Premier Inn International and food & beverage revenue. This was previously referred to as Premier Inn & Restaurants.*

2 *Source: TrustYou - 12 months to 28 February 2019*

3 *Brand Finance Hotels 50, 2018*

4 *Source: Which? 2018 Top Rated Large Hotel Chain 4th year in a row*

*Source: British Travel Awards 2018 Best UK Midscale / Economy Hotel Brand 8th year in a row*

5 *Source: STR Global*

6 *Company websites as at 28 February 2019*

**Consolidated income statement**
Year ended 28 February 2019

| | Notes | **52 weeks to 28 February 2019 £m** | 52 weeks to 1 March 2018 (restated[1]) £m |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | **2,049.1** | 2,007.4 |
| Operating costs | | **(1,754.4)** | (1,542.0) |
| **Operating profit before joint ventures** | | **294.7** | 465.4 |
| Share of (loss)/profit from joint ventures | | **(0.6)** | 1.8 |
| **Operating profit** | | **294.1** | 467.2 |
| Finance costs | | **(39.0)** | (41.2) |
| Finance income | | **4.7** | 0.5 |
| **Profit before tax** | 4 | **259.8** | 426.5 |
| Analysed as: | | | |
| **Underlying profit before tax** | 4 | **437.9** | 432.6 |
| Non-underlying items | 5 | **(178.1)** | (6.1) |
| **Profit before tax** | | **259.8** | 426.5 |
| **Tax expense** | | **(49.2)** | (83.0) |
| Analysed as: | | | |
| Underlying tax expense | 6 | **(84.8)** | (84.2) |
| Non-underlying tax credit | 5 | **35.6** | 1.2 |
| **Tax expense** | 6 | **(49.2)** | (83.0) |
| **Profit for the period from continuing operations** | | **210.6** | 343.5 |
| **Discontinued operations** | | | |
| Profit for the period from discontinued operations | 7 | **3,520.0** | 92.9 |
| **Profit for the period** | | **3,730.6** | 436.4 |
| Attributable to: | | | |
| Parent shareholders | | **3,730.6** | 438.0 |
| Non-controlling interest | | **-** | (1.6) |
| | | **3,730.6** | 436.4 |

[1] The prior period income statement has been restated to reflect the impact of treating Costa as a discontinued operation (see Note 7).

| Earnings per share (Note 8) | 52 weeks to 28 February 2019 pence | 52 weeks to 1 March 2018 pence |
|---|---|---|
| **From continuing operations** | | |
| **Earnings per share** | | |
| Basic | **115.2** | 188.0 |
| Diluted | **114.6** | 187.5 |
| **Underlying earnings per share** | | |
| Basic | **193.2** | 190.7 |
| Diluted | **192.2** | 190.2 |
| | | |
| **From continuing and discontinued operations** | | |
| **Earnings per share** | | |
| Basic | **2,040.8** | 239.7 |
| Diluted | **2,030.8** | 239.1 |
| **Underlying earnings per share** | | |
| Basic | **248.8** | 260.2 |
| Diluted | **247.6** | 259.4 |

**Consolidated statement of comprehensive income**
Year ended 28 February 2019

| | Notes | 52 weeks to 28 February 2019 £m | 52 weeks to 1 March 2018 (restated) £m |
|---|---|---|---|
| **Profit for the year** | | **3,730.6** | 436.4 |
| | | | |
| **Items that will not be reclassified to the income statement:** | | | |
| Re-measurement (loss)/gain on defined benefit pension scheme | | **(1.9)** | 48.9 |
| Current tax on pensions | 6 | **34.5** | 17.2 |
| Deferred tax on pensions | 6 | **(34.6)** | (25.8) |
| | | **(2.0)** | 40.3 |
| **Items that may be reclassified subsequently to the income statement:** | | | |
| Net gain on cash flow hedges | | **4.8** | 2.4 |
| Current tax on cash flow hedges - continuing operations | 6 | **-** | 0.2 |
| Current tax on cash flow hedges - discontinued operations | | **-** | 0.2 |
| Deferred tax on cash flow hedges | 6 | **(1.1)** | (0.8) |
| | | **3.7** | 2.0 |
| | | | |
| Exchange differences on translation of foreign operations | | **(9.4)** | 0.6 |
| Exchange differences recycled to the income statement on disposal of business | | **(1.9)** | - |
| | | **(11.3)** | 0.6 |
| | | | |
| **Other comprehensive (loss)/income for the year, net of tax** | | **(9.6)** | 42.9 |
| | | | |
| **Total comprehensive income for the year, net of tax** | | **3,721.0** | 479.3 |
| | | | |
| Attributable to: | | | |
| Parent shareholders | | **3,721.0** | 480.9 |
| Non-controlling interest | | **-** | (1.6) |
| | | **3,721.0** | 479.3 |

**Consolidated statement of changes in equity**
Year ended 28 February 2019

| | Share capital £m | Share premium £m | Capital redemption reserve £m | Retained earnings £m | Currency translation reserve £m | Other reserves £m | Total £m | Non-controlling interest £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|
| At 2 March 2017 | 150.2 | 68.0 | 12.3 | 4,330.9 | 28.4 | (2,061.5) | 2,528.3 | (3.5) | 2,524.8 |
| | | | | | | | | | |
| Profit for the year | - | - | - | 438.0 | - | - | 438.0 | (1.6) | 436.4 |
| Other comprehensive income | - | - | - | 39.9 | 0.6 | 2.4 | 42.9 | - | 42.9 |
| Total comprehensive income | - | - | - | 477.9 | 0.6 | 2.4 | 480.9 | (1.6) | 479.3 |
| | | | | | | | | | |
| Ordinary shares issued | 0.2 | 5.2 | - | - | - | - | 5.4 | - | 5.4 |
| Loss on ESOT shares issued | - | - | - | (2.0) | - | 2.0 | - | - | - |
| Accrued share-based payments | - | - | - | 4.3 | - | - | 4.3 | - | 4.3 |
| Tax on share-based payments | - | - | - | 1.4 | - | - | 1.4 | | 1.4 |
| Tax rate change on historical revaluation | - | - | - | (0.1) | - | - | (0.1) | - | (0.1) |
| Acquisition of non-controlling interest | - | - | - | (40.1) | - | - | (40.1) | 5.1 | (35.0) |
| Equity dividends | - | - | - | (177.6) | - | - | (177.6) | - | (177.6) |
| At 1 March 2018 | 150.4 | 73.2 | 12.3 | 4,594.7 | 29.0 | (2,057.1) | 2,802.5 | - | 2,802.5 |
| | | | | | | | | | |
| Profit for the year | **-** | **-** | **-** | **3,730.6** | **-** | | **3,730.6** | **-** | **3,730.6** |
| Other comprehensive loss | **-** | **-** | **-** | **(3.1)** | **(11.3)** | **4.8** | **(9.6)** | **-** | **(9.6)** |
| Total comprehensive income | **-** | **-** | **-** | **3,727.5** | **(11.3)** | **4.8** | **3,721.0** | | **3,721.0** |
| | | | | | | | | | |
| Ordinary shares issued | **0.2** | **8.3** | **-** | **-** | **-** | **-** | **8.5** | **-** | **8.5** |
| Loss on ESOT shares issued | **-** | **-** | **-** | **(4.6)** | **-** | **4.6** | **-** | **-** | **-** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Accrued share-based payments | - | - | - | **22.4** | - | - | **22.4** | - | **22.4** |
| Tax on share-based payments | - | - | - | **5.3** | - | - | **5.3** | - | **5.3** |
| Tax rate change on historical revaluation | - | - | - | - | - | | | - | |
| Equity dividends | - | - | - | **(187.4)** | - | - | **(187.4)** | - | **(187.4)** |
| Shares purchased in share buyback[1] | - | - | - | - | - | **(169.9)** | **(169.9)** | - | **(169.9)** |
| At 28 February 2019 | **150.6** | **81.5** | **12.3** | **8,157.9** | **17.7** | **(2,217.6)** | **6,202.4** | **-** | **6,202.4** |

[1] Following the completion of the sale of Costa on 3 January 2019, the Group announced its intention to start a share buyback programme. In the period to 28 February 2019, the Group purchased 3.5m ordinary shares (representing approximately 1.8% of the issued ordinary share capital) at an average price of £48.87 per share, and an aggregate cost of £169.9m under the share buyback programme. Whitbread initially intends to hold the shares as treasury shares. On 11 April 2019, Whitbread PLC cancelled 3.0m treasury shares.

**Consolidated balance sheet**
At 28 February 2019

| | Notes | **28 February 2019 £m** | 1 March 2018 £m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | | **175.6** | 300.7 |
| Property, plant and equipment | | **4,090.0** | 4,176.0 |
| Investment in joint ventures | | **56.6** | 50.4 |
| Derivative financial instruments | | **14.5** | 9.2 |
| Trade and other receivables | | **-** | 5.8 |
| | | **4,336.7** | 4,542.1 |
| **Current assets** | | | |
| Inventories | | **14.5** | 48.8 |
| Derivative financial instruments | | **1.9** | 12.5 |
| Current tax assets | 6 | **12.6** | |
| Trade and other receivables | | **123.5** | 191.1 |
| Cash and cash equivalents | 10 | **3,403.2** | 90.6 |
| | | **3,555.7** | 343.0 |
| Assets held for sale | | **12.2** | 7.3 |
| **Total assets** | | **7,904.6** | 4,892.4 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Borrowings | 10 | **-** | 108.9 |
| Provisions | | **40.9** | 26.7 |
| Derivative financial instruments | | **2.1** | 2.6 |
| Current tax liabilities | 6 | **-** | 44.8 |
| Trade and other payables | | **562.2** | 668.2 |
| | | **605.2** | 851.2 |
| **Non-current liabilities** | | | |
| Borrowings | 10 | **819.9** | 814.5 |
| Provisions | | **17.0** | 21.4 |
| Derivative financial instruments | | **3.7** | 5.3 |
| Deferred tax liabilities | 6 | **116.3** | 82.4 |
| Pension liability | | **119.6** | 288.6 |
| Trade and other payables | | **20.5** | 26.5 |
| | | **1,097.0** | 1,238.7 |
| **Total liabilities** | | **1,702.2** | 2,089.9 |
| **Net assets** | | **6,202.4** | 2,802.5 |
| **EQUITY** | | | |
| Share capital | | **150.6** | 150.4 |
| Share premium | | **81.5** | 73.2 |
| Capital redemption reserve | | **12.3** | 12.3 |
| Retained earnings | | **8,157.9** | 4,594.7 |
| Currency translation reserve | | **17.7** | 29.0 |
| Other reserves | | **(2,217.6)** | (2,057.1) |
| **Equity attributable to equity holders of the parent** | | **6,202.4** | 2,802.5 |
| Non-controlling interest | | **-** | - |
| **Total equity** | | **6,202.4** | 2,802.5 |

**Alison Brittain** Chief Executive
**Nicholas Cadbury** Finance Director
29 April 2019

**Consolidated cash flow statement**
Year ended 28 February 2019

| | Notes | **52 weeks to 28 February 2019 £m** | 52 weeks to 1 March 2018 £m |
|---|---|---|---|
| **Profit for the year** | | **3,730.6** | 436.4 |
| Adjustments for: | | | |
| Tax expense | | **79.2** | 112.0 |
| Net finance cost | | **35.1** | 41.4 |
| Share of loss/(profit) from joint ventures | | **1.4** | (2.0) |
| Profit on disposal of discontinued operations | 7 | **(3,390.2)** | - |
| Non-underlying operating costs | | **144.4** | 32.3 |
| Net cash outflow from non-underlying operating costs | | **(25.0)** | (1.7) |
| Underlying depreciation and amortisation | | **226.2** | 229.9 |
| Share-based payments | | **15.4** | 4.3 |
| Other non-cash items | | **(1.3)** | 12.9 |
| **Cash generated from operations before working capital changes** | | **815.8** | 865.5 |

| | | | |
|---|---|---|---|
| Increase in inventories | | **(2.1)** | (0.6) |
| Increase in trade and other receivables | | **(58.8)** | (50.6) |
| Increase in trade and other payables | | **59.5** | 62.8 |
| **Cash generated from operations** | | **814.4** | 877.1 |
| | | | |
| Payments against provisions | | **(10.7)** | (22.5) |
| Pension payments | | **(193.9)** | (100.8) |
| Interest paid | | **(38.8)** | (34.3) |
| Interest received | | **4.9** | 0.8 |
| Corporation taxes paid | | **(90.2)** | (99.3) |
| **Net cash flows from operating activities** | | **485.7** | 621.0 |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(479.6)** | (467.0) |
| Investment in intangible assets | | **(67.7)** | (52.8) |
| Proceeds from disposal of property, plant and equipment | | **8.9** | 74.9 |
| Proceeds from disposal of subsidiaries, net of cash disposed | 7 | **3,809.3** | 56.6 |
| Capital contributions and loans to joint ventures | | **(9.3)** | (0.3) |
| **Net cash flows from investing activities** | | **3,261.6** | (388.6) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | | **8.5** | 5.4 |
| Shares purchased in share buyback | | **(169.9)** | - |
| Decrease in short-term borrowings | 10 | **-** | (109.6) |
| Proceeds from long-term borrowings | 10 | **-** | 200.0 |
| Repayments of long-term borrowings | 10 | **(85.6)** | (87.0) |
| Renegotiation costs of long-term borrowings | 10 | **-** | (1.3) |
| Acquisition of non-controlling interest | | **-** | (35.0) |
| Dividends paid | 9 | **(187.4)** | (177.6) |
| **Net cash flows from financing activities** | | **(434.4)** | (205.1) |
| | | | |
| **Net increase in cash and cash equivalents** | 10 | **3,312.9** | 27.3 |
| Opening cash and cash equivalents | 10 | **90.6** | 63.0 |
| Foreign exchange differences | 10 | **(0.3)** | 0.3 |
| **Closing cash and cash equivalents** | 10 | **3,403.2** | 90.6 |

The cash flow statement above includes the entire Group, including cash flows relating to the Costa business. Disaggregated information relating to the Costa business is provided in Note 7.**Notes to the accounts**

**1. Basis of accounting and preparation**

The consolidated financial statements and preliminary announcement of Whitbread PLC for the year ended 28 February 2019 were authorised for issue by the Board of Directors on 29 April 2019.

The financial year represents the 52 weeks to 28 February 2019 (prior financial year: 52 weeks to 1 March 2018).

The financial information included in this preliminary statement of results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 (the "Act"). The financial information for the year ended 28 February 2019 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the year ended 28 February 2019 will be delivered to the Registrar of Companies in advance of the Group's Annual General Meeting.

The statutory accounts for the year ended 1 March 2018, have been delivered to the Registrar of Companies, and the Auditors of the Group made a report thereon under Chapter 3 of part 16 of the Act. That report was unqualified and did not contain a statement under sections 498 (2) or (3) of the Act.

The consolidated financial statements of Whitbread PLC, and all its subsidiaries, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006.

**2. Basis of consolidation**

The consolidated financial statements incorporate the accounts of Whitbread PLC and all its subsidiaries, together with the Group's share of the net assets and results of joint ventures and associate incorporated using the equity method of accounting. These are adjusted, where appropriate, to conform to Group accounting policies.

A subsidiary is an entity controlled by the Group. Control is the power to direct the relevant activities of the subsidiary which significantly affect the subsidiary's return, so as to have rights to the variable return from its activities.

Apart from the acquisition of Whitbread Group PLC by Whitbread PLC in 2000/01, which was accounted for using merger accounting, acquisitions by the Group are accounted for under the acquisition method and any goodwill arising is capitalised as an intangible asset. The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from, or up to, the date that control passes respectively. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

**Discontinued operations**
In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', the net results of Costa Limited and related subsidiaries (collectively referred to as 'Costa') are presented within discontinued operations in the Group Income Statement (for which the comparatives and related notes have been restated). The disposal completed on 3 January 2019. The balance sheet at 28 February 2019 shows the financial position of the continuing group only, with comparatives being for the full group as it was at 1 March 2018. Refer to Note 7 for further details.

**3. Accounting policies**

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended 1 March 2018 except for the adoption of new standards and interpretations that are applicable for the year ended 28 February 2019.

The Group has adopted the following standards and amendments for the first time for the annual reporting period commencing 2 March 2018:

- IFRS 15 Revenue from Contracts with Customers

  IFRS 15 provides a five-step revenue recognition model, applicable to all sales contracts, which is based on the principle that revenue is recognised when control of goods or services is transferred to the customer.

  The Group has analysed all material revenue streams and concluded that the application of IFRS 15 will result in the same timing and amount of revenue recognition as its previous accounting policy. Consequently, no separate presentation of the impact on the financial statements is given.

- IFRS 9 Financial Instruments

  The Group adopted IFRS 9 prospectively and the information for comparative periods has not been restated. IFRS 9 covers the classification, measurement and derecognition of financial assets and financial liabilities, together with a new hedge accounting model and a new expected credit loss model for calculating impairment of financial assets. Adopting IFRS 9 has not had a material impact on the accounting policy for recognition or measurement of financial assets or liabilities and so no separate presentation of its impact on the financial statements is presented.

The Group has adopted the following standards and interpretations which have been assessed as having no financial impact or disclosure requirements at this time:

- Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property - Amendments to IAS 40

- Interpretation 22 Foreign Currency Transactions and Advance Consideration

**Non-underlying items and use of underlying performance measures**

We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way that the business performance is measured internally.

The term underlying profit is not defined under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, statutory measurements of profit. Underlying measures of profitability are non-IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measures calculated and presented in accordance with IFRS.

We report underlying measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses.

Underlying measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider hinder comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses.

The face of the income statement presents underlying profit before tax and reconciles this to profit before tax. Underlying earnings per share is calculated using underlying profit after tax attributable to the parent shareholders.

The adjustments made to reported profit in the consolidated income statement, in order to derive our underlying results, may include:

- profit or loss on disposal of property, plant and equipment, property provisions and onerous leases. On occasion we may dispose of properties, either as part of a sale and leaseback financing transaction or because the property is no longer required in our ongoing business. In addition, the Group may recognise liabilities in respect of lease obligations on properties which have been previously disposed of but where the lease obligations have reverted to the Group under privity. Profits or losses on these items may be significant and are not reflective of the Group's ongoing trading results;
- profit or loss on the sale of a business or investment, and the associated cost impact on the continuing business from the sale of the business or investment. These disposals are not part of the Group's ongoing trading business and are therefore excluded;
- restructuring costs, resulting from a strategic review of the Group's businesses or operations, the inclusion of which would distort the year on year comparability of the Group's trading results;
- impairment or write off of assets as the result of restructuring or closure of a business and impairment of sites which are underperforming or are to be closed, the inclusion of which would distort the year on year comparability of the Group's trading results;
- acquisition costs incurred as part of a business combination or other transaction outside of the ordinary course of business;
- amortisation of intangible assets recognised as part of a business combination or other strategic asset acquisitions;
- finance and other charge/credit for defined benefit pension scheme. These costs are non-cash and do not relate to the Group's ongoing activities as the scheme is closed to future accrual;
- finance costs resulting from the unwinding of discounts on provisions created in respect of non-underlying items; and
- tax settlements in respect of prior years including the related interest and the impact of changes in the statutory tax rate, the inclusion of which would distort year on year comparability, as well as the tax impact of the non-underlying items identified above.

**4. Segment information**

For management purposes, following the decision to dispose of Costa, the Group is organised into a single strategic business unit, Premier Inn. Premier Inn provides services in relation to accommodation and food both in the UK and internationally. The comparative period segmental information has been restated to remove Costa. Information about the income, expenses, cash flows and net assets of the Costa business is provided in Note 7.

The UK and International Premier Inn segments have been aggregated on the grounds that the International segment is immaterial. Management monitors the operating results of its strategic business units separately for the purpose of making decisions about allocating resources and assessing performance. Segment performance is measured based on underlying operating profit.

The following tables present revenue and profit information and certain asset and liability information regarding business operating segments for the years ended 28 February 2019 and 1 March 2018.

| | **2018/19 £m** | 2017/18 (restated) £m |
|---|---|---|
| Revenue from external customers | **2,047.1** | 2,007.4 |
| Non-underlying revenue (Note 5) | **2.0** | - |
| **Total revenue** | **2,049.1** | 2,007.4 |
| **Profit from operations** | **499.5** | 498.4 |
| Central costs | **(33.2)** | (35.1) |
| **Underlying operating profit** | **466.3** | 463.3 |
| Underlying net finance costs | **(28.4)** | (30.7) |
| **Underlying profit before tax** | **437.9** | 432.6 |
| Non-underlying items (Note 5) | **(178.1)** | (6.1) |
| **Profit before tax** | **259.8** | 426.5 |
| **Other segment information** | | |
| Share of (loss)/profit from joint ventures | **(0.6)** | 1.8 |
| Investment in joint ventures | **56.6** | 45.5 |
| Total property rent | **168.5** | 156.4 |
| Capital expenditure: | | |
| Property, plant and equipment - cash basis | **396.3** | 370.4 |
| Property, plant and equipment - accruals basis | **382.2** | 381.1 |
| Intangible assets | **55.1** | 39.9 |
| Depreciation - underlying | **(139.1)** | (133.2) |
| Amortisation - underlying | **(20.9)** | (17.2) |

| Revenues from external customers are split geographically as follows: | **2018/19 £m** | 2017/18 £m |
|---|---|---|
| United Kingdom* | **2,037.0** | 1,996.3 |
| Non United Kingdom | **12.1** | 11.1 |
| | **2,049.1** | 2,007.4 |

** United Kingdom (UK) revenue is revenue where the source of the supply is the UK.*

| Non-current assets** are split geographically as follows: | **2018/19 £m** | 2017/18 £m |
|---|---|---|
| United Kingdom | **4,027.6** | 3,935.1 |
| Non United Kingdom | **294.6** | 199.2 |
| | **4,322.2** | 4,134.3 |

*** Non-current assets exclude derivative financial instruments.*

**5. Non-underlying items**

As set out in the policy in Note 3, we use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and APMs which are consistent with the way that the business performance is measured internally. We report underlying measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses. Underlying measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider hinder the comparison of the financial performance of the Group's businesses either from one period to another or with other

similar businesses.

| | 2018/19 £m | 2017/18 (restated) £m |
|---|---|---|
| **Non-underlying items were as follows:** | | |
| Revenue: | | |
| TSA revenue (a) | **2.0** | - |
| Operating costs: | | |
| TSA costs (a) | **(1.9)** | - |
| Costa disposal - separation costs (b) | **(19.9)** | - |
| Costa disposal - impact on continuing business (c) | **(80.4)** | - |
| Costa disposal - review of strategic IS assets (d) | **(7.7)** | - |
| Guaranteed minimum pension (e) | **(13.1)** | - |
| Disposal, impairment and write off of intangible assets and property, plant and equipment and property provisions (f) | **(44.2)** | 0.2 |
| UK restructuring (g) | **(7.0)** | (1.7) |
| PI International business exit (h) | **-** | 6.7 |
| Acquisition costs (i) | **-** | (1.3) |
| **Non-underlying operating costs** | **(174.2)** | 3.9 |
| **Non-underlying items before net finance costs and tax** | **(172.2)** | 3.9 |
| Net finance costs: | | |
| IAS 19 pension finance cost | **(5.9)** | (10.0) |
| **Non-underlying net finance cost** | **(5.9)** | (10.0) |
| **Non-underlying items before tax** | **(178.1)** | (6.1) |
| Tax adjustments included in reported profit after tax, but excluded in arriving at underlying profit after tax: | | |
| Tax on non-underlying items | **35.6** | 1.2 |
| **Non-underlying tax credit** | **35.6** | 1.2 |

(a) Following the sale of Costa to the The Coca-Cola Company, the Group entered into a Transitional Services Arrangement (TSA) to provide certain services to facilitate the successful separation of Costa from the Whitbread Group. This includes HR, IT and facilities services. The revenue has been earned since the completion of the sale on 3 January 2019 and will continue for a limited time, with all services expected to conclude by the end of 2020.

(b) Apart from the costs of providing the Transitional Services to Costa, the Group incurred £19.9m of separation costs in relation to the reorganisation of the Group. This included costs of separating IT infrastructure, contract renegotiation and other related activities. Separation activities will continue into next year, with further costs expected to be in the region of £23m.

(c) Following the disposal of Costa, the Group undertook a full review of the continuing business operations resulting in a total charge of £80.4m including the write off of IT intangible assets of £45.1m and related contracts of £9.7m (including provisions for onerous future contract costs of £7.4m); people costs of £13.2m relating to the restructure of support centre operations; and other costs of £12.4m.

(d) Following the disposal of Costa, and considering the requirements of the continuing business, the Group undertook a review of strategic IS assets and projects that were intended for implementation across both Premier Inn and Costa. This review resulted in an impairment of assets amounting to £7.7m, representing the reduced future economic value of the projects not needing to have such a wide strategic remit.

(e) In October 2018, following a High Court ruling that pension schemes should equalise guaranteed minimum pension benefits for men and women. The cost of reflecting this decision in the obligations of the Whitbread Group defined benefit scheme at the year-end was estimated at £13.1m, which has been recognised as a past service cost in the income statement in the current year. Any future revision to the estimate will be recognised in other comprehensive income.

(f) During the year, the Group made a net gain on asset disposals of £2.0m from development profit on sale and leaseback transactions and disposal of sites previously held for sale. This was offset by impairment losses of hotel sites transferred to assets held for sale of £4.8m, impairment losses on trading sites of £7.2m, and impairment losses on IT intangibles of £19.9m. In addition, provisions for onerous leases of £3.5m and provision for other property costs of £10.8m were also recognised in the year.

(g) During the year, the Group restructured its hotel and restaurant operations resulting in redundancy and project costs of £7.0m.

(h) During the prior year, the Group disposed of its businesses in Thailand, India and Indonesia, achieving net sales proceeds in excess of those assumed in the initial impairment calculation resulting in a net credit of £6.7m in 2017/18.

(i) During the prior year, the Group entered into an agreement to acquire the share capital of Foremost Hospitality Group GmbH, incurring professional fees in relation to the transaction of £1.3m.

**6. Taxation**

| **Consolidated income statement - continuing operations** | 2018/19 £m | 2017/18 (restated) £m |
|---|---|---|
| Current tax: | | |
| Current tax expense | **55.1** | 82.3 |
| Adjustments in respect of previous periods | **(3.3)** | 3.0 |
| | **51.8** | 85.3 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | **(4.0)** | (2.1) |
| Adjustments in respect of previous periods | **1.4** | (0.2) |
| | **(2.6)** | (2.3) |
| **Tax reported in the consolidated income statement** | **49.2** | 83.0 |

| **Consolidated statement of comprehensive income - continuing operations** | 2018/19 £m | 2017/18 (restated) £m |
|---|---|---|
| Current tax: | | |
| Cash flow hedges | **-** | (0.2) |
| Pensions | **(34.5)** | (17.2) |
| Deferred tax: | | |
| Cash flow hedges | **0.8** | 0.8 |
| Pensions | **34.6** | 25.8 |
| **Tax reported in other comprehensive income** | **0.9** | 9.2 |

A reconciliation of the tax charge applicable to underlying profit before tax and profit before tax of continuing operations at the statutory tax rate, to the actual tax charge at the Group's effective tax rate, for the years ended 28 February 2019 and 1 March 2018 respectively is as follows:

| | **2018/19** | | **2017/18** | |
|---|---|---|---|---|
| | **Tax on underlying profit £m** | **Tax on profit £m** | Tax on underlying profit £m | Tax on profit £m |
| **Profit before tax as reported in the consolidated income statement** | 437.9 | 259.8 | 432.6 | 426.5 |
| Tax at current UK tax rate of 19.00% (2017/18: 19.08%) | 83.2 | 49.4 | 82.6 | 81.4 |
| Effect of different tax rates and unrecognised losses in overseas companies | 1.4 | 1.3 | 0.8 | 7.5 |
| Effect of joint ventures | 0.1 | 0.1 | (0.3) | (0.3) |
| Expenditure not allowable | 2.2 | - | (1.1) | (8.3) |

| | | | | |
|---|---|---|---|---|
| Adjustments to current tax expense in respect of previous years | (2.9) | (3.3) | (0.4) | 3.0 |
| Adjustments to deferred tax expense in respect of previous years | 0.5 | 1.4 | 2.2 | (0.2) |
| Impact of deferred tax being at a different rate from current tax rate | 0.3 | 0.3 | 0.4 | (0.1) |
| **Tax expense reported in the consolidated income statement** | 84.8 | 49.2 | 84.2 | 83.0 |

**Current tax liability**
The corporation tax balance is a receivable of £12.6m (2018: liability of £44.8m).

**Deferred tax**
The major deferred tax assets/(liabilities) recognised by the Group and movements during the current and prior financial years are as follows:

| | **Accelerated Capital Allowances £m** | **Rolled over gains and property valuations £m** | **Pensions £m** | **Other £m** | **Total £m** |
|---|---|---|---|---|---|
| At 2 March 2017 | (44.0) | (68.1) | 53.1 | (3.0) | (62.0) |
| (Charge)/credit to income statement | (1.4) | 3.8 | 0.7 | 1.6 | 4.7 |
| Credit to statement of changes in equity | - | - | - | 1.3 | 1.3 |
| Charge to statement of comprehensive income | - | - | (25.8) | (0.8) | (26.6) |
| Foreign exchange and other movements | 0.1 | - | 0.1 | - | 0.2 |
| At 1 March 2018 | (45.3) | (64.3) | 28.1 | (0.9) | (82.4) |
| (Charge)/credit to income statement | **(1.9)** | **1.3** | **2.5** | **0.7** | **2.6** |
| Charge to statement of comprehensive income | **-** | **-** | **(34.6)** | **(0.8)** | **(35.4)** |
| Credit to statement of changes in equity | **-** | **-** | **-** | **5.3** | **5.3** |
| Discontinued operations - amounts (charged)/credited to income statement | **0.9** | **-** | **-** | **(0.3)** | **0.6** |
| Discontinued operations - amounts transferred to disposal group | **(7.4)** | **-** | **-** | **0.2** | **(7.2)** |
| Foreign exchange and other movements | 0.3 | - | (0.1) | - | 0.2 |
| **At 28 February 2019** | **(53.4)** | **(63.0)** | **(4.1)** | **4.2** | **(116.3)** |

Total deferred tax liabilities relating to disposals during the year were £nil (2018: £nil).

The Group has incurred overseas tax losses which, subject to any local restrictions, can be carried forward and offset against future taxable profits in the companies in which they arose. The Group carries out an annual assessment of the recoverability of these losses and does not think it is appropriate at this stage to recognise any deferred tax asset. If the Group were to recognise these deferred tax assets in their entirety, profits would increase by £5.0m (2018: £17.6m), of which, the share attributable to the parent shareholders is £5.0m (2018: £17.6m).

The decrease in the value of the unrecognised deferred tax asset is a result of the disposal of the Costa overseas business.

At 28 February 2019, there was no recognised deferred tax liability (2018: £nil) for taxes that would be payable on any unremitted earnings, as all such amounts are permanently reinvested or, where they are not, there are no corporation tax consequences of such companies paying dividends to parent companies.

Tax relief on total interest capitalised amounts to £0.6m (2018: £0.9m).

**Factors affecting the tax charge for future years**
The Finance Act 2016 reduced the main rate of UK corporation tax to 17% with effect from 1 April 2020. The effect of the new rate was included in the financial statements in 2016/17. The rate change will also impact the amount of the future cash tax payments to be made by the Group.

**7. Discontinued operations and non-current assets held for sale**

On 31 August 2018, the Group entered into a formal sale agreement to dispose of Costa to The Coca-Cola Company. The Costa business, which represented the entirety of the Costa operating segment, was classified as a discontinued operation at that date. Consequently, Costa has not been presented as an operating segment in the segment note.

The sale completed on 3 January 2019 and the results of the discontinued operation which have been included in the profit for the year and the effect of the disposal on the financial position of the Group were as follows:

**Results of the discontinued operation for the period to disposal**

| | **2018/19 £m** | 2017/18 £m |
|---|---|---|
| **Income Statement for discontinued operations** | | |
| Revenue | **1,140.1** | 1,291.7 |
| Operating costs | **(978.6)** | (1,169.3) |
| **Operating profit before joint ventures** | **161.5** | 122.4 |
| Share of (loss)/profit from joint ventures | **(0.8)** | 0.2 |
| **Operating profit** | **160.7** | 122.6 |
| Net finance costs | **(0.9)** | (0.7) |
| **Profit before tax** | **159.8** | 121.9 |
| Tax expense | **(30.0)** | (29.0) |
| **Profit from operating activities, net of tax** | **129.8** | 92.9 |
| Gain on sale of discontinued operation | **3,390.2** | - |
| Income tax on gain on sale of discontinued operation | **-** | - |
| **Profit from discontinued operations, net of tax** | **3,520.0** | 92.9 |
| Attributable to: | | |
| Parent shareholders | **3,520.0** | 94.5 |
| Non-controlling interest | **-** | (1.6) |
| | **3,520.0** | 92.9 |

Non-underlying items included in the above results amounted to a credit of £27.8m (2017/18: charge of £36.2m).

| | **2018/19 £m** | 2017/18 £m |
|---|---|---|
| **Cash flows from/(used in) discontinued operation** | | |
| Net cash flows from operating activities | **138.3** | 202.4 |
| Net cash flows from investing activities | **(93.2)** | (109.1) |
| Net cash flows from financing activities | **(12.7)** | (25.4) |
| **Net cash flows from discontinued operations** | **32.4** | 67.9 |
| Intragroup funding and transactions | **83.8** | (69.2) |
| Net cash flows from discontinued operations, net of intercompany | **116.2** | (1.3) |

**Effect of disposal on the financial position of the group**

| Net assets disposed of and gain on sale | £m |
|---|---|
| Intangible assets | 107.8 |
| Property, plant and equipment | 331.2 |
| Investment in joint ventures | 3.0 |
| Inventories | 36.4 |
| Derivative financial instruments | 1.4 |
| Trade and other receivables | 133.2 |
| Cash and cash equivalents | 139.3 |
| Borrowing | (11.6) |
| Provisions | (10.1) |
| Current tax liabilities | (12.8) |
| Deferred tax liabilities | 7.1 |
| Trade and other payables | (163.3) |
| | 561.6 |
| Consideration received in cash and cash equivalents, net of transaction costs | 3,948.6 |
| **Gain on sale before income tax and reclassification of foreign currency translation reserve** | 3,387.0 |
| Exchange differences recycled to the income statement | 1.9 |
| Hedge reserve recycled to the income statement | 1.3 |
| | 3,390.2 |
| **Net cash inflow arising on disposal:** | |
| Consideration received in cash and cash equivalents, net of transaction costs | 3,948.6 |
| Less cash and cash equivalents disposed of | (139.3) |
| | 3,809.3 |

**Taxation of discontinued operations**

The gain on sale of discontinued operations qualified for the Substantial Shareholder Exemption and consequently was not subject to corporation tax.

**8. Earnings per share**

The basic earnings per share figures (EPS) are calculated by dividing the net profit for the year attributable to ordinary shareholders, therefore before non-controlling interests, by the weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed employee share ownership trust (ESOT).

The diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the year. Where the average share price for the year is lower than the option price, the options become anti-dilutive and are excluded from the calculation. The number of such options was nil (2018: nil).

The numbers of shares used for the earnings per share calculations are as follows:

| | **2018/19 million** | 2017/18 million |
|---|---|---|
| Basic weighted average number of ordinary shares | **182.8** | 182.7 |
| Effect of dilution - share options | **0.9** | 0.5 |
| **Diluted weighted average number of ordinary shares** | **183.7** | 183.2 |

The total number of shares in issue at the year-end, as used in the calculation of the basic weighted average number of ordinary shares, was 195.9m, less 15.6m treasury shares held by Whitbread PLC and 0.5m held by the ESOT (2018: 195.6m, less 12.1m treasury shares held by Whitbread PLC and 0.8m held by the ESOT).

The profits used for the earnings per share calculations are as follows:

**Continuing operations**

| | **2018/19 £m** | 2017/18 £m |
|---|---|---|
| **Profit for the year attributable to parent shareholders** | **3,730.6** | 438.0 |
| Profit from discontinued operations attributable to parent shareholders | **(3,520.0)** | (94.5) |
| **Profit for the year from continuing operations attributable to parent shareholders** | **210.6** | 343.5 |
| Non-underlying items - gross | **178.1** | 6.1 |
| Non-underlying items - taxation | **(35.6)** | (1.2) |
| **Underlying profit for the year attributable to parent shareholders** | **353.1** | 348.4 |

| | **2018/19 pence** | 2017/18 pence |
|---|---|---|
| **Basic EPS on profit for the year** | **115.2** | 188.0 |
| Non-underlying items - gross | **97.4** | 3.3 |
| Non-underlying items - taxation | **(19.4)** | (0.6) |
| **Basic on underlying profit for the year** | **193.2** | 190.7 |
| | | |
| **Diluted EPS on profit for the year** | **114.6** | 187.5 |
| **Diluted EPS on underlying profit for the year** | **192.2** | 190.2 |

**Continuing and discontinued operations**

| | **2018/19 £m** | 2017/18 £m |
|---|---|---|
| **Profit for the year attributable to parent shareholders** | **3,730.6** | 438.0 |
| Non-underlying items - gross | **(3,239.9)** | 42.3 |
| Non-underlying items - taxation | **(35.9)** | (4.7) |
| Non-underlying items - non-controlling interest | **-** | (0.3) |
| **Underlying profit for the year attributable to parent shareholders** | **454.8** | 475.3 |

| | **2018/19 pence** | 2017/18 pence |
|---|---|---|
| **Basic EPS on profit for the year** | **2,040.8** | 239.7 |
| Non-underlying items - gross | **(1,772.4)** | 23.2 |
| Non-underlying items - taxation | **(19.6)** | (2.5) |
| Non-underlying items - non-controlling interest | **-** | (0.2) |
| **Basic EPS on underlying profit for the year** | **248.8** | 260.2 |
| | | |
| **Diluted EPS on profit for the year** | **2,030.8** | 239.1 |
| **Diluted EPS on underlying profit for the year** | **247.6** | 259.4 |

**9. Dividends paid and proposed**

| | **2018/19 pence per share** | **£m** | 2017/18 pence per share | £m |
|---|---|---|---|---|
| Final dividend, proposed and paid, relating to the prior year | **69.75** | **127.6** | 65.90 | 120.3 |
| Interim dividend, proposed and paid, for the current year | **32.65** | **59.8** | 31.40 | 57.3 |

| | | | | | |
|---|---|---|---|---|---|
| **Total equity dividends paid in the year** | | **187.4** | | 177.6 |
| Dividends on other shares: | | | | |
| B share dividend | **0.50** | **-** | 0.50 | - |
| C share dividend | **0.60** | **-** | 0.60 | - |
| | | **-** | | - |
| **Total dividends paid** | | **187.4** | | 177.6 |
| Proposed for approval at Annual General Meeting: | | | | |
| **Final equity dividend for the current year** | **67.00** | **120.5** | 69.75 | 127.4 |

A final dividend of 67.00p per share (2018: 69.75p) amounting to a dividend of £120.5m (2018: £127.4m) was recommended by the directors at their meeting on 29 April 2019. A dividend reinvestment plan (DRIP) alternative will be offered. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements.

**10. Movements in cash and net debt**

| **Year ended 28 February 2019** | **1 March 2018 £m** | **Cost of borrowings £m** | **Cash flow £m** | **Foreign exchange £m** | **Fair value adjustments to loans £m** | **Amortisation of premiums and discounts £m** | **28 February 2019 £m** |
|---|---|---|---|---|---|---|---|
| Cash at bank and in hand | **29.2** | | | | | | **25.9** |
| Short-term deposits | **61.4** | | | | | | **3,377.3** |
| Overdrafts | **-** | | | | | | **-** |
| Cash and cash equivalents | **90.6** | **-** | **3,312.9** | **(0.3)** | **-** | **-** | **3,403.2** |
| Short-term bank borrowings | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Loan capital under one year | **(108.9)** | | | | | | **-** |
| Loan capital over one year | **(814.5)** | | | | | | **(819.9)** |
| Total loan capital | **(923.4)** | **-** | **97.2** | **9.5** | **(1.6)** | **(1.6)** | **(819.9)** |
| Net debt | **(832.8)** | **-** | **3,410.1** | **9.2** | **(1.6)** | **(1.6)** | **2,583.3** |

| **Year ended 1 March 2018** | **2 March 2017 £m** | **Cost of borrowings £m** | **Cash flow £m** | **Foreign exchange £m** | **Fair value adjustments to loans £m** | **Amortisation of premiums and discounts £m** | **1 March 2018 £m** |
|---|---|---|---|---|---|---|---|
| Cash at bank and in hand | 62.9 | | | | | | **29.2** |
| Short-term deposits | 0.1 | | | | | | **61.4** |
| Overdrafts | - | | | | | | **-** |
| Cash and cash equivalents | 63.0 | **-** | **27.3** | **0.3** | **-** | **-** | **90.6** |
| Short-term bank borrowings | (109.6) | **-** | **109.6** | **-** | **-** | **-** | **-** |
| Loan capital under one year | (47.8) | | | | | | **(108.9)** |
| Loan capital over one year | (795.6) | | | | | | **(814.5)** |
| Total loan capital | (843.4) | **1.3** | **(113.0)** | **25.0** | **8.3** | **(1.6)** | **(923.4)** |
| Net debt | (890.0) | **1.3** | **23.9** | **25.3** | **8.3** | **(1.6)** | **(832.8)** |

Net debt includes US$ denominated loan notes of US$168.5m (2018: US$285.0m) retranslated to £127.4m (2018: £208.2m). These notes have been hedged using cross-currency swaps. At maturity, £108.6m (2018: £181.6m) will be repaid taking into account the cross-currency swaps. If the impact of these hedges is taken into account, reported net cash would be £2,601.0m (2018: net debt £806.0m).

## Glossary

**Accommodation sales**
Premier Inn accommodation revenue excluding non-room income such as food and beverage.

**Adjusted net debt†**
Net debt adjusted for cash not readily available.
*Closest IFRS measure:* Borrowings less cash and cash equivalents
*Reconciliation: Refer below*

**Adjusted property rent**
Property rent less a proportion of contingent rent.

**Average room rate (ARR)†**
Hotel revenue divided by the number of rooms occupied by guests.
*Closest IFRS measure: No direct equivalent*
*Reconciliation: N/A*

**Direct bookings/distribution**
Based on stayed bookings in the financial year made direct to the Premier Inn website, Premier Inn app, Premier Inn customer contact centre or hotel front desks.

**Discretionary free cash flow†**
Cash generated from operations after payments for interest, tax and maintenance capital.
*Closest IFRS measure: Cash generated from operations*
*Reconciliation: Financial review*

**Earnings per share (EPS)**
Profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares in issue during the year after deducting treasury shares and shares held by an independently managed share ownership trust ('ESOT').

**EBITDA†**
Underlying earnings before interest, tax, depreciation and amortisation, excluding income from Joint Ventures.
*Closest IFRS measure: No direct equivalent*
*Reconciliation: Refer below*

**EBITDAR†**
Underlying earnings before interest, tax, depreciation, amortisation and rent, excluding income from Joint Ventures.
*Closest IFRS measure: No direct equivalent*
*Reconciliation: Refer below*

**Fixed charge cover†**
Ratio of underlying operating profit before total property rent compared to interest plus total property rent.

*Closest IFRS measure: No direct equivalent*
*Reconciliation: Refer below*

**Food and beverage (F&B) sales**
Food and beverage revenue from all Whitbread owned pub restaurants and integrated hotel restaurants.

**Funds from operations (FFO)†**
Net cash flows from operating activities, adding back changes in working capital, property rent & cash
Interest.
*Closest IFRS measure:* Cash flow from operations
*Reconciliation: Refer below*

**IFRS**
International Financial Reporting Standards.

**Lease debt**
Eight times adjusted property rent.

**Lease adjusted net debt†**
Adjusted net debt plus lease debt.
*Closest IFRS measure:* Borrowings less cash and cash equivalents
*Reconciliation: Refer below*

**Lease-adjusted net debt : FFO†**
Ratio of lease-adjusted net debt compared to funds from operations (FFO). New measure to align with ratings agency methodology.
*Closest IFRS measure: No direct equivalent*
*Reconciliation: Refer below*

**Like-for-like sales†**
Period over period change in revenue for outlets open for at least one year. Redefined to reflect wider industry practice. Comparatives have been presented using the revised definition.
*Closest IFRS measure: No direct equivalent*
*Reconciliation: N/A*

**Net cash/debt†**
Total company borrowings after deducting cash and cash equivalents.
*Closest IFRS measure:* Borrowings less cash and cash equivalents
*Reconciliation: Note 10*

**Occupancy**
Number of hotel bedrooms occupied by guests expressed as a percentage of the number of bedrooms available in the period.

**Operating margin/margins**
Profit from operations expressed as a percentage of total revenue.

**Operating profit**
Profit before interest and tax.

**Profit from operations**
Profit before central costs, interest and tax.

**RevPAR†**
Revenue per available room is also known as 'yield'. This hotel measure is achieved by multiplying the ARR by Occupancy.
*Closest IFRS measure: No direct equivalent*
*Reconciliation: N/A*

**Return on Capital†**
Underlying operating profit for the year divided by net assets at the balance sheet date, adding back net debt, taxation liabilities, the pension deficit and derivative financial assets and liabilities.
*Closest IFRS measure: No direct equivalent*
*Reconciliation: Refer below*

**Underlying basic EPS†**
Underlying profit attributable to the parent shareholders divided by the basic weighted average number of ordinary shares.
*Closest IFRS measure: Basic EPS*
*Reconciliation: Note 8*

**Underlying net finance cost†**
Finance costs net of finance income excluding non-underlying finance costs or income.
*Closest IFRS measure: Net finance costs*
*Reconciliation: Note 4*

**Underlying operating profit†**
Operating profit before non-underlying operating items.
*Closest IFRS measure: Operating profit*
*Reconciliation: Refer below*

**Underlying profit before tax†**
Profit before tax before non-underlying items.
*Closest IFRS measure: Profit before tax*
*Reconciliation: Note 4*

**Underlying tax†**
Tax expense excluding non-underlying tax items.
*Closest IFRS measure: Tax Expense*
*Reconciliation: Note 6*

†**Alternative Performance Measures**
We use a range of measures to monitor the financial performance of the Group. These measures include both statutory measures in accordance with IFRS and alternative performance measures (APMs) which are consistent with the way that the business performance is measured internally.

We report underlying measures because we believe they provide both management and investors with useful additional information about the financial performance of the Group's businesses.

Underlying measures of profitability represent the equivalent IFRS measures adjusted for specific items that we consider relevant for comparison of the financial performance of the Group's businesses either from one period to another or with other similar businesses.
APMs are not defined by IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

**Reconciliations of APMs**

**Continuing operations**
**Underlying operating profit** **2018/19** **2017/18**

| | | | |
|---|---|---|---|
| Operating profit | Income statement | 294.1 | 467.2 |
| Non-underlying items | Note 5 | 172.2 | (3.9) |
| **Underlying operating profit** | | **466.3** | **463.3** |
| Central costs | Note 4 | 33.2 | 35.1 |
| **Profit from operations** | | **499.5** | **498.4** |

| **Return on Capital** | | **2018/19** | **2017/18** |
|---|---|---|---|
| Net assets | Balance sheet | 6,202.4 | 2,492.4 |
| Net debt | Note 10 | (2,583.3) | 831.3 |
| Current tax (assets)/liabilities | Note 6 | (12.6) | 11.1 |
| Deferred tax liabilities | Note 6 | 116.3 | 89.0 |
| Pension liability | Balance sheet | 119.6 | 288.6 |
| Derivative financial assets | Balance sheet | (16.4) | (21.6) |
| Derivative financial liabilities | Balance sheet | 5.8 | 7.5 |
| **Net assets for return on capital** | | **3,831.8** | **3,698.3** |
| | | | |
| **Return on capital** | | **12.2%** | **12.5%** |

| **EBITDA and EBITDAR** | | **2018/19** | **2017/18** |
|---|---|---|---|
| Underlying operating profit | Note 4 | 466.3 | 463.3 |
| Depreciation | Note 4 | 139.1 | 133.2 |
| Amortisation | Note 4 | 20.9 | 17.2 |
| **EBITDA** | | **626.3** | **613.7** |
| Total property rent | Note 4 | 168.5 | 156.4 |
| **EBITDAR** | | **794.8** | **770.1** |

**Continuing and discontinued operations**

| **Underlying operating profit** | | **2018/19** | **2017/18** |
|---|---|---|---|
| Operating profit | | 454.8 | 589.8 |
| Non-underlying operating costs | | 144.4 | 32.3 |
| **Underlying operating profit** | | **599.2** | **622.1** |

| **Return on Capital** | | **2018/19** | **2017/18** |
|---|---|---|---|
| Net assets | Balance sheet | 6,202.4 | 2,802.5 |
| Net debt | Note 10 | (2,583.3) | 832.8 |
| Current tax liabilities | Note 6 | (12.6) | 44.8 |
| Deferred tax liabilities | Note 6 | 116.3 | 82.4 |
| Pension liability | Balance sheet | 119.6 | 288.6 |
| Derivative financial assets | Balance sheet | (16.4) | (21.7) |
| Derivative financial liabilities | Balance sheet | 5.8 | 7.9 |
| **Net assets for return on capital** | | **3,831.8** | **4,037.3** |
| | | | |
| **Return on capital** | | **15.6%** | **15.4%** |

| **EBITDA and EBITDAR** | **2018/19** | **2017/18** |
|---|---|---|
| Underlying operating profit | 599.2 | 622.1 |
| Depreciation | 199.6 | 208.7 |
| Amortisation | 26.6 | 21.2 |
| **EBITDA** | **825.4** | **852.0** |
| Total property rent | 277.4 | 282.1 |
| **EBITDAR** | **1,102.8** | **1,134.1** |

| **Fixed charge cover** | **2018/19** | **2017/18** |
|---|---|---|
| Underlying operating profit | 599.2 | 622.1 |
| Total property rent | 277.4 | 282.1 |
| **Underlying operating profit before rent** | **876.6** | **904.2** |
| | | |
| Underlying interest | 29.2 | 31.4 |
| Total property rent | 277.4 | 282.1 |
| **Underlying interest plus rent** | **306.6** | **313.5** |
| | | |
| **Fixed charge cover** | **2.9** | **2.9** |

| **Funds from operations and adjusted net debt** | **2018/19** | **2017/18** |
|---|---|---|
| Net cash flow from operations | 485.7 | 621.0 |
| Movement in working capital | 1.4 | (11.6) |
| **Unadjusted funds from operations** | **487.1** | **609.4** |
| Cash interest | 33.9 | 33.5 |
| Adjusted property rent | 274.1 | 278.4 |
| Adjustment for one-off pension payment | 107.0 | - |
| **Funds from operations** | **902.1** | **921.3** |
| | | |
| **Net (cash)/debt** | (2,583.3) | 832.8 |
| Restricted cash adjustment | 10.0 | 10.0 |
| **Adjusted net (cash)/debt** | **(2,573.3)** | **842.8** |
| Lease debt | 2,192.8 | 2,227.0 |
| **Lease-adjusted net (cash)/debt** | **(380.5)** | **3,069.8** |
| | | |
| **Lease-adjusted net debt to FFO** | **(0.4)** | **3.3** |

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