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Whitbread PLC
27 June 2018

Q1 FY19 Trading Update

27 June 2018

Group total sales growth of 3.2% and good progress with efficiency savings

- Expect to deliver full year results in-line with expectations
- Premier Inn UK total accommodation sales growth of 4.3% driven by investment in new hotels
- Costa UK total sales growth of 5.2% through new store growth and Costa Express expansion
- Good progress in preparing Costa to be demerged from Whitbread

	UK like-for-like[1] Sales Growth	UK Total Sales Growth	UK & International[2] Total Sales Growth
Accommodation	(0.3)%	4.3%	3.7%
Food & beverage	(1.9)%	(0.4)%	(0.4)%
Premier Inn	(0.9)%	2.5%	2.2%
Costa (Stores & Express)	(2.0)%	5.2%	4.9%
Whitbread	**(1.3)%**	**3.5%**	**3.2%**

[1]Costa UK like-for-like includes UK equity stores and Costa Express UK only

[2]Includes Germany, recently exited operations in India and Southeast Asia and other international fees

Alison Brittain, Whitbread PLC Chief Executive, said:

"Whitbread has started the year growing total Group sales by 3.2%. We expect to deliver in-line with expectations for the full year and we continue to make strong progress on our efficiency programme.

Premier Inn UK delivered total accommodation sales growth of 4.3% driven by additional capacity. The hotel market was weaker in the first quarter due to strong comparable data this time last year and increased supply, including significant room openings from Premier Inn. Our new capacity has a short-term impact on like-for-likes but delivers good long-term sales growth. Forward bookings have improved recently, supported by the robust business to business market and comparatives ease later in the year. Our F&B sales declined slightly due to lower footfall from adverse weather.

Costa UK grew total sales by 5.2% in the quarter through the strong contribution from new stores and Express machines. We continue to actively rebalance our network to high-footfall and convenient locations and have made good progress with our product innovation and operational initiatives. Our stores remain highly profitable and deliver an excellent return on capital. Costa Express continues to perform well and like-for-like sales in China are growing.

Both the budget hotel market and the coffee market present long-term structural growth opportunities, and whilst we are cautious of shorter-term trading conditions in the UK, due to well-publicised consumer trends, we are confident that we have the right strategies in place to enhance our UK and international market positions and ensure each business is well-positioned to thrive as a separate entity."

Update on Costa demerger

In April 2018, Whitbread committed to demerge Costa from Whitbread as fast as practical and appropriate to optimise value for shareholders. Constructive early steps have been taken in preparation for the demerger and good progress continues to be made on the core infrastructure and efficiency work that was already underway. A further update on the demerger will be provided alongside the interim results in October 2018.

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Premier Inn

- Total UK accommodation sales growth ahead of the market at 4.3% in the quarter
- Growth driven by investment in new hotels, with 644 rooms opened during the first quarter
- Flat like-for-like accommodation sales reflect market weakness and strong comparators
- The German pipeline has grown to 31 committed sites, comprising around 6,000 rooms

	Like-for-like Sales Growth	Total Sales Growth
Accommodation	(0.3)%	4.3%
Food & beverage	(1.9)%	(0.4)%
Total Premier Inn UK[3]	**(0.9)%**	**2.5%**
Germany	n.a.	6.9%
Total Premier Inn[4]	**n.a.**	**2.2%**

Premier Inn UK metrics	*Actual*	*Growth*	*Like-for-like Growth*
Occupancy	77.2%	(200)bps	-
Average room rate	£63.59	0.7%	-
Revenue per available room	£49.07	(1.9)%	(1.6)%
Net number of hotel rooms	72,879	413	-

[3] *UK & Ireland* | [4]*Last year total sales includes £1.8m sales from recently exited operations in India and Southeast Asia*

Premier Inn UK

During the first quarter Premier Inn UK performed well, growing total accommodation sales ahead of the market at 4.3%. This was driven by the 4,198 rooms that have been opened over the last 12 months, including 644 rooms that opened this quarter, and the robust domestic business to business market.

Premier Inn's flat like-for-like accommodation sales reflected the continuation of weak market conditions in London as comparatives from last year were very strong driven by inbound tourism. Overall hotel market occupancy in London declined year-on-year, which was compounded through Premier Inn's capacity growth of 13.8%. This strong capacity growth contributed to Premier Inn's total accommodation sales growth of 6.3%. London continues to be a good long-term market with strong demand and high occupancy levels and further capacity will be added.

The regional market was more robust as domestic business travel grows steadily and Premier Inn continues to increase market share. Premier Inn's position is supported by its strong value for money credentials and recently implemented business booker tool. Total accommodation sales growth in the regions in the first quarter was 3.8%, driven by the addition of 5.1% capacity.

Forward bookings have improved recently, and Premier Inn still plans to add 4,000 to 4,500 rooms across the UK and Germany this financial year. The organic pipeline to reach 85,000 rooms by 2020 is secured through a mixture of new freehold, new leasehold and extended sites. This new capacity is expected to mature to reach return on capital in-line with the current estate and maintaining high direct bookings of 97% contributes to the strong margin structure.

Premier Inn Germany

Premier Inn's hotel in Frankfurt has now been open for over two years and is maturing in-line with expectations to reach occupancy levels of c.64%, whilst maintaining 100% direct bookings. In the first quarter of the year another hotel was added to the organic pipeline which brings the total pipeline in Germany to almost 6,000 rooms. This year, Premier Inn will open three hotels in Germany; two in Munich and one in Hamburg. Premier Inn will also continue to add to the pipeline through a mixture of organic freehold and leasehold sites, supplemented with suitable bolt-on acquisitions.

Costa

- UK sales growth of 5.2% in the first quarter driven by new stores and Express machines
- UK like-for-like sales declined by 2.0%, reflecting the general retail market conditions
- UK Costa Express continued to perform well with Q1 total sales growth of 9.6%
- China started the year well with positive like-for-like sales

	Like-for-like[5] Sales Growth	**System Sales Growth**	**Total Sales Growth**
UK Equity stores	(2.9)%	4.4%	4.3%
UK Express	1.0%	9.5%	9.6%
UK Franchise & Other	n.a.	4.4%	3.8%
Total Costa UK	**(2.0)%**	**5.1%**	**5.2%**
International	n.a.	(0.3)%	3.3%
Total Costa	**n.a.**	**3.8%**	**4.9%**

Costa network size	
Number of UK equity stores	1,397
Number of UK franchise stores	1,070
Number of Express machines (UK & Int.)	8,228
Number of China stores	459

[5] *Costa UK like-for-like includes UK equity stores and Costa Express UK only*

Costa UK

In the first quarter, Costa UK grew total sales by 5.2% through the addition of new stores and Express machines in attractive convenience-based locations. The UK like-for-like sales decline resulted principally from footfall weakness in traditional shopping locations, whereas travel locations continued to show good growth. New products included an expanded selection of savoury snacks and the new 'Flat Black' and 'Flat Mocha' coffees to sit alongside the popular Flat White.

The upgrade of point-of-sale terminals across the UK was completed in April, which has already enabled a lunch-time value bundle to be introduced across the country. The technology upgrade has also enabled the trial of mobile ordering of coffee in 16 stores in London.

Costa Express

Total UK sales growth in Costa Express was 9.6% for the first quarter, driven by machine additions over the last year and positive like-for-like sales growth, demonstrating the strong customer demand for the convenience and quality of coffee provided by this unique proposition. Despite the number of global machines remaining broadly flat in the quarter, after the exit of trials in Canada, plans are on track to install 1,300 machines worldwide this financial year, with international trials underway in European markets.

Costa China and International

Positive momentum continues in China, with encouraging results from new and refurbished stores and good like-for-like sales growth. Plans to open approximately 100 gross new stores this year and continue to launch new products are on track, with recent introductions of Cold Brew and Character Roast already performing well.

Appendix I | Premier Inn UK hotels performance comparison

Q1

	Premier Inn UK accommodation	**Midscale &**

Year-on-year change	*Like-for-like Sales*	*Total Sales*	*Like-for-like RevPAR*	*Total RevPAR*	**economy market**[6]
London	(3.7)%	6.3%	(4.3)%	(6.6)%	(3.0)%
Regional	0.5%	3.8%	(0.8)%	(1.2)%	0.9%
Total UK	**(0.3)%**	**4.3%**	**(1.6)%**	**(1.9)%**	**0.2%**

[6] *STR Global*

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