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Whitbread PLC
18 January 2018

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Whitbread PLC third quarter trading update FY18

Good total sales growth of 6.8% YTD and on track to meet full year expectations

- Third quarter total group sales growth of5.6%
- Group UK like-for-like sales growth of 0.3% reflecting recent tougher market conditions
- Premier Inn UK third quarter growth of 5.0% driven by investment in new hotel capacity
- Costa UK strong third quarter growth of 7.2% from new stores and Costa Express expansion

	UK Like-for-like Sales Growth		UK Total Sales Growth		UK & International Total Sales Growth	
	Q3[1]	YTD[2]	Q3[1]	YTD[2]	Q3[1]	YTD[2]
Hotels	0.0%	2.4%	5.5%	7.3%	5.2%	7.2%
Restaurants	1.8%	1.3%	3.5%	2.7%	3.5%	2.7%
Premier Inn	0.5%	2.1%	5.0%	6.0%	4.7%	5.9%
Costa[3]	(0.1)%	1.0%	7.2%	7.9%	6.9%	8.3%
Whitbread	**0.3%**	**1.8%**	**5.8%**	**6.7%**	**5.6%**	**6.8%**

[1]Q3 = 13-week period ended 30 November 2017 | [2]YTD = 39-week period ended 30 November 2017

[3]Costa UK like-for-like includes UK equity stores (Q3: (1.5)%) and Costa Express, further details below

Alison Brittain, Whitbread Chief Executive Officer, commented:

"We have made good progress in executing our strategy and have grown group sales so far this year by 6.8%. This growth, combined with the results from our group-wide efficiency programme, means that we are on track to achieve expectations for the full year.

Premier Inn UK achieved total hotel sales growth of 5.5% in the quarter as we continued to deliver our strategy to win market share through investment in new hotels and extensions, which will mature to give strong returns over the next few years. Our performance in the quarter moderated as the budget hotel market weakened and we had a particularly challenging October. Although it is early in the fourth quarter, performance so far has been encouraging and reflects a return to year-to-date performance.

Costa UK has delivered strong total sales growth of 7.2% in the quarter, as we pursue our strategy to increase our presence in high footfall and convenient locations such as drive-thru and travel locations and we are particularly pleased with the strong performance of Costa Express. As a result of our channel strategy, more customers are drinking more cups of our coffee than ever before and we have gained market share. We have also continued to invest in the overall customer proposition, including new coffee, food and digital capability. These improvements have been well received by our customers and we have just been voted as the nation's favourite coffee shop, for the eighth consecutive year.

Our Costa high street stores in theUK are highly profitable and generate strong returns. However, the well-publicised weak retail market footfall is negatively impacting our high street stores' like-for-like performance and we expect this to continue for some time. Internationally, Costa in China continues its good momentum with another quarter of positive like-for-like sales growth.

We remain committed to delivering our strategy to invest in the attractive structural growth opportunities in the budget hotel market and the growing coffee markets, in both the UK and internationally. We do expect the tough UK high street environment and inflation in our sector to continue to pose challenges in the year ahead. However, we have good momentum in the delivery of our plan to enhance our UK market leadership positions, create an international business of scale in Germany, China and Costa Express, and develop a more efficient infrastructure. This will create further customer loyalty and deliver long-term growth in earnings and dividends and a strong return on capital."

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Premier Inn

- Total sales growth ahead of the market in theUK at 5.0% in the quarter
- Flat Hotels like-for-like sales reflects recent market weakness (YTD: 2.4%)
- Growth driven by investment in new hotel capacity with good return on capital
- Significant new capacity added whilst maintaining high occupancy above 80%

Q3 (YTD in Appendix I)	Like-for-like Sales Growth	Total Revenue Growth
Hotels	0.0%	*5.5%*
Restaurants	1.8%	3.5%
Total Premier Inn UK[4]	**0.5%**	**5.0%**
International (inc. disposals)[5]	n.a.	(46.5)%
Total Premier Inn	**n.a.**	**4.7%**

Premier Inn UK metrics	*Actual*	*Growth*	*Like-for-like Growth*
Occupancy	83.3%	(120)bps	-
Average room rate	£64.00	(0.2)%	-
Revenue per available room	£53.30	(1.6)%	(1.5)%

Number of hotel rooms	71,282	-	-

[4] *UK & Ireland* | [5] *Includes Germany, recently exited operations in India and Southeast Asia and other international fees*

Premier Inn UK

In the UK, Premier Inn has performed well and continued to win market share with total sales growth in the third quarter of 5.0% (YTD: 6.0%). This was a mix of like-for-like sales growth of 0.5% (YTD: 2.1%) and the benefit of nearly 5,000 rooms added over the last 12 months, with 3,200 rooms opened year-to-date. Room openings in the current year have been significantly more weighted towards the first nine months, compared to prior years which were fourth quarter weighted. This timing of room openings has a temporary effect on like-for-like performance, although new capacity is expected to mature over the next few years.

During the third quarter, there were signs of market weakness, most notably in London, with year-on-year declines in both occupancy and average room rate. Within the quarter, Premier Inn' performance in October was particularly challenging. However, early performance in the fourth quarter is showing a general improvement on the third quarter, although further insight on the forward booking position will increase over the next few weeks. Market weakness in London was partly driven by the relatively high level of recent new capacity, which is expected to moderate in the year ahead. London market capacity growth included more than 2,500 Premier Inn rooms added over the last two years, which has increased Premier Inn's capacity in London by more than 25%.

Premier Inn has added more than 10,000 rooms over the last two years, representing a more than 15% increase in capacity. This has been achieved whilst also maintaining occupancy over 80%, increasing average room rates to almost £65 per night and delivering strong return on capital. During this period of growth, Premier Inn has also increased the proportion of customers booking direct to over 95%.

Premier Inn is also confident of increasing its capacity to 85,000 rooms by 2020, with the remaining 13,700 rooms now secured through a mix of extending existing hotels, new freehold developments and new leasehold hotels.

Premier Inn International

Whilst overall International sales fell due to completing the exit of underperforming hotels in India and Southeast Asia, Premier Inn's first hotel in Germany continues to perform well, providing us with confidence to extend the network. A further hotel in Dortmund has been added to the committed pipeline, bringing the total to 10 hotels, which will deliver a further 2,200 rooms. In the year ahead, hotels will be opened in Munich, Leipzig and Hamburg, comprising 550 rooms. Work is continuing to accelerate this pipeline through a mix of freehold and leasehold development, as well as exploring small acquisition opportunities.

Costa

- Good UK revenue growth of 7.2% in Q3 driven by strong performance in growth channels
- UK equity store like-for-like performance reflects the general retail market conditions
- UK Costa Express continuing strong performance with Q3 total sales growth of 20.4%

Q3 (YTD in Appendix I)	**Like-for-like Sales Growth**	**System Sales Growth**	**Total Revenue Growth**
UK equity stores	(1.5)%	4.9%	4.9%
UK Express locations	6.7%	20.4%	20.4%
UK Franchise & Other	n.a.	6.5%	2.9%
Total Costa UK	**(0.1)%**	**7.5%**	**7.2%**
International	n.a.	2.1%	4.2%
Total Costa	**n.a.**	**6.3%**	**6.9%**

Costa network size	
Number of UK equity stores	1,357
Number of UK franchise stores	1,032
Number of Express machines (UK & Int.)	8,046
Number of China stores	425

Costa's revenue has grown by 6.9% in the third quarter and by 8.3% year-to-date, principally through the addition of new capacity in attractive channels with high footfall in the UK, key international markets and the ongoing expansion of Costa Express.

Costa UK

Through both retail stores and Express machines, Costa continued to take advantage of the growing coffee market in the UK with 7.2% total revenue growth in the third quarter (YTD: 7.9%) and (0.1)% like-for-like sales (YTD: 1.0%). This expansion was delivered through a targeted investment programme to open new stores in high footfall locations - principally in drive-thru, retail park and travel locations and the growing demand for quality and convenience that Costa Express provides.

Performance declined in traditional high street stores reflecting weakening footfall, with trading on the high street expected to remain subdued in the near term. However, a significant programme of work is well underway to improve the overall customer proposition, including new coffee product development, enhancements to the food offering and improvements in digital capabilities, which offset some of the declines in high street footfall. During the quarter, customers responded well to the improved food offer, with a good increase in the proportion of customers buying food with their coffee. In addition, the new Costa Club loyalty app was launched in November 2017, which now has 1.2 million active users.

Costa Express has continued to perform exceptionally well in the UK with total sales growth of 20.4% in the third quarter to almost £60 million (YTD: 18.7% total sales growth to over £150 million), which represents more than 15% of Costa's total revenue. Costa Express UK delivered good like-for-like same location sales growth of 6.7% in the third quarter (YTD: 6.4%) and has added over 1,000 net new machines over the last nine months. New machines have been added through strong commercial partnerships with petrol station and convenience store operators.

Costa International

The international business is now operating in 31 countries. Total sales growth moderated in the third quarter due to the closure of the equity-owned business in France, together with the closure of underperforming stores in China. Following enhancements to the management team and refocusing the strategy, Costa China has continued to perform well with total revenue growth in China of 5.3% year-to-date.

There are significant opportunities in Costa Express and Costa China to build businesses of scale with strong return on capital. To achieve this, it is expected that investment will increase over the next year.

Appendix I | Sales information for 39-week period ended 30 November 2017

Premier Inn

Year-to-date	**Like-for-like Sales Growth**	**Total Revenue Growth**
Hotels	2.4%	*7.3%*
Restaurants	1.3%	2.7%
Total Premier Inn UK[4]	**2.1%**	**6.0%**
International (inc. disposals)[5]	n.a.	(4.3)%

Total Premier Inn	**n.a.**	**5.9%**

Premier Inn UK metrics	*Actual*	*Growth*	*Like-for-like Growth*
Occupancy	82.3%	(90)bps	-
Average room rate	£64.92	1.7%	-
Revenue per available room	£53.41	0.6%	0.7%
Number of hotel rooms	71,282	-	-

Costa

Year-to-date	**Like-for-like Sales growth**	**System Sales Growth**	**Total Revenue Growth**
UK equity stores	(0.1)%	5.9%	5.9%
UK Express locations	6.4%	18.7%	18.7%
UK Franchise & Other	n.a.	7.0%	5.6%
Total Costa UK	**1.0%**	**7.9%**	**7.9%**
International	n.a.	9.2%	11.0%
Total Costa	**n.a.**	**8.2%**	**8.3%**

Like-for-like sales growth definition

Like-for-like sales are stated Pre IFRIC 13 for UK hotels and restaurants, UK Costa equity stores and UK Express machines. Post-IFRIC for the 39 weeks to 30 November 2017 Hotels like-for-like and total sales would be the same; Restaurants like-for like and total sales growth would be 20 basis points lower; Costa like-for-like sales growth would be the same; Costa growth in total sales would be 20 basis points higher; and growth in total system sales would be 10 basis points higher.

Like-for-likes sales growth for UK hotels and restaurants, UK Costa equity stores and UK Costa Express machines measures the period-on-period change of sales of hotels, restaurants, stores and machines locations that have been open for more than one full financial year.

Appendix II | Premier Inn UK hotels performance comparison

Q3

	Premier Inn UK hotels				**Midscale & economy market**[7]
Year-on-year change	*Like-for-like Sales*	*Total Sales*	*Like-for-like RevPAR*	*Total RevPAR*	
London	(5.6)%	6.2%	(5.8)%	(7.0)%	(3.2)%
Regional	1.4%	5.4%	(0.3)%	(0.8)%	1.6%
Total UK	**0.0%**	**5.5%**	**(1.5)%**	**(1.6)%**	**0.6%**

YTD

	Premier Inn UK hotels				**Midscale & economy market**[7]
Year-on-year change	*Like-for-like Sales*	*Total Sales*	*Like-for-like RevPAR*	*Total RevPAR*	
London	(0.9)%	8.6%	(0.7)%	(2.0)%	2.0%
Regional	3.2%	6.9%	1.1%	0.9%	2.6%
Total UK	**2.4%**	**7.3%**	**0.7%**	**0.6%**	**2.5%**

[7] *STR Global*

This information is provided by RNS
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