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Whitbread PLC
29 November 2016

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Whitbread PLC Capital Market Day 2016

Whitbread PLC is hosting an investor day today at Nomura, 1 Angel Lane, London EC4R 3AB. The event will commence at 12.00 hours UK time and include presentations from senior executives across the Group.

Today, we will address the longer term outlook for our business. We will detail how Premier Inn and Costa will build on the structural growth opportunities, develop their market leading brands to grow and innovate in the UK, and how they will focus on their strengths to grow internationally. We will provide more detail around our property strategy and the competitive advantage it creates, as it directly supports our operating model, growth ambitions and Whitbread's strong covenant.

In line with our initiatives to build capabilities and infrastructure to support long-term growth, we will outline our investment in the business and provide examples of our cost efficiency programme. This efficiency programme, along with our organic growth, will help mitigate ongoing known sector headwinds, including the National Living Wage, business rates and foreign exchange, and enable us to achieve our existing margin guidance of c.20-30 bps of investment for Premier Inn in 2017/18 and for c.100 bps of investment for Costa in both 2016/17 and 2017/18. With the support of our efficiency programme and organic growth we expect margins to stabilise through to 2019/20 and increase thereafter.

Highlights of the day include:

Premier Inn and Restaurants

- Building on our market leading position as the UK's number one brand for both quality and value, strengthening our network coverage, value for money offering, digital capabilities and consistency of product and service
- Secure 2020 milestone of 85,000 rooms, with only c.2,000 rooms still to find
- Extending the growth potential beyond 100,000 UK rooms
- Creating an investible platform in Germany with a growing pipeline

Costa

- Clear line of sight to our 2020 milestone of 2,500 UK stores and systems sales of £2.5 billion
- Strengthening our position as the UK's number one coffee shop brand with potential for over 3,000 stores
- Improving and innovating our customer offering to retain our market leading brand position
- Doubling the size of Costa Express through expansion both in the UK and internationally and continuing to invest in differentiating our technology
- Focusing on building profitable scale in quality international markets with a focus to deliver c£25 - 30 million of profits in the fifth year of the plan
- Unlocking the huge potential in China with a clear plan to establish the number two position

Property Strategy

- Maintaining a balance of freehold and leasehold property, with an objective for the Premier Inn and Restaurants estate to remain majority freehold, to support the strong covenant and operating model giving Whitbread a competitive advantage
- Freehold property also provides Whitbread with market access, proven value creation and financial flexibility
- The market value of our freehold property is estimated at £4.2bn to £5.1bn. This estimate has been based on a 2.25x rent cover, suitable in a cyclical sector, a net yield of 4.5% to 5.5% and has been supported by a 3rd party assessment on a sample basis. These good yields reflect Whitbread's strong covenant and the limited new supply of Premier Inn leaseholds coming to the market.
- Continuing to manage the property portfolio actively to create value, including building extensions and re-cycling capital through sale and leaseback transactions into new freehold opportunities at good returns

Whitbread efficiency programme

- We expect to deliver around £150m cumulative cost efficiencies over the next five years. This will encompass a wide range of areas including procurement, supply chain, labour management and process improvements
- These efficiencies will help to offset, over time, the considered investments we are making in our infrastructure, products and brands and in the known sector cost headwinds including the National Living Wage, business rates and FX inflation
- Our margin guidance remains unchanged

The combination of our strategic focus, market leading brands and a loyal, broad customer base will create long-term sustainable growth for our shareholders, underpinned by:

- Two structural growth opportunities in strong markets with market leading brands
- Robust network plans
- Investment in IT infrastructure, digital capability and productivity as a platform for future growth
- A focus on strong returns and disciplined capital management to maintain a strong balance sheet and freehold asset base

Alison Brittain, Chief Executive, commented:

"Whitbread PLC is a great company with a strong pipeline of new growth opportunities in both of its core businesses. We have business models and expertise that differentiate us, market leading brands that are loved by our loyal customers, a disciplined approach to financial management and a property strategy which provides real competitive advantage. As a result of these strong fundamentals, we expect to be able to deliver continued organic growth, maintain good return on capital and create long-term value for our shareholders.

In order to deliver the next phase of growth and maintain our brand leadership positions we will invest in our people and their skills, in innovation in our customer propositions and in improving our IT systems and digital capabilities to develop an efficient platform that will support our growth for many years to come."

The Investor Day presentation will commence at 12.00 hours (UK) and will close at 17.15 hours (UK). The agenda for the day will be as follows:

CEO Introduction and Property 12.00 - 13.00 hours (UK)

Premier Inn and Restaurants and Germany 13.45 - 15.15 hours (UK)

Costa 15.40 - 17.15 hours (UK)

A live webcast will be available on https://3xscreen.videosync.fi/2016-11-29-whitbread-cmd-2016 together with the presentation.

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