

City Pub Group Plc

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Sales are booming in Britain's pubs, but soaring costs are drinking up profits

Clouds of uncertainty may be hanging ominously above, but Brits aren't letting that stop them from enjoying a pint or six with friends.

A raft of consumer sentiment measures has warned that people in the UK are cutting back on spending as they await some sort of outcome over Brexit.

READ: City Pub Group reports 35% jump in sales so far in 2019 But the issues seem to be affecting big-ticket items in the main - things such as cars, furniture and houses. By contrast, Britain's pubs are proving resilient.

City broker finnCap agrees, telling its clients that pubs are enjoying "relatively robust trading" despite the concerns.

City Pub Group PLC (LON:CPC) was the latest to tell the market about booming sales Monday morning.

In a statement ahead of its annual general meeting, boss Clive Watson - of Made in Chelsea fame - said sales were up by more than a third so far in 2019.

Little detail was given, but much of that growth is likely to have come from new openings, with City Pub trading from five more sites compared to this time last year.

As a sign of the firm's belief in the pub market, another five are due to open shortly, including the flagship Aragon House in London. Within two years, the target is for that figure to have reached between 65 and 70.

Sales on the up

City Pub isn't the only pub company enjoying soaring sales.

No-frills chain JD Wetherspoon PLC (LON:JDW) recently said its like-for-like sales are up 6.8% so far in its financial year, while rival Greene King PLC (LON:GNK) said its like-for-likes were up 2.9% last year. Another pub group, Marston's plc (LON:MARS) reported a 5% rise in half-year sales earlier this month.

Although last year's 'Beast from the East' might have inflated this year's result a little, it seems UK pubs aren't struggling to get punters through their doors.

But costs soaring too...

Making more money out of them is proving a little harder though.

The whole sector has had to deal with soaring costs in recent years: wages have jumped, as have business rates, food and drink costs and other bills.

Price: 195

Market Cap: £116.41 m

1 Year Share Price Graph



Share Information

Code: CPC

Listing: AIM

52 week	High	Low
	240	180

Sector: Food & drink

Website: www.citypubcompany.com

Company Synopsis:

The City Pub Group owns and operates an estate of premium pubs across southern England. The Group's pub estate comprises 34 free houses located largely in London, cathedral cities and market towns, each of which is focused on appealing specifically to its local market.

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That has squeezed margins, with most companies reluctant to pass all of their costs on at a time when consumer confidence is, if not broken, a little unsteady.

'Spoons warned a few months ago that its profits would be lower than expected this year after it was forced to up its staff's wages, while Greene King is guiding for a £20m surge in its expenses, despite finding ways to cut its costs elsewhere.

Still, it expects profits will rise slightly this year, as does Marston's after its pre-tax profits edged 2% higher in its opening six months.

Even Wetherspoon, with its surging like-for-likes, has the potential to spring a surprise and revise its guidance, and the market was a tad disappointed when it opted not to recently.

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