

# JD WETHERSPOON PLC

## Preliminary Results 2010



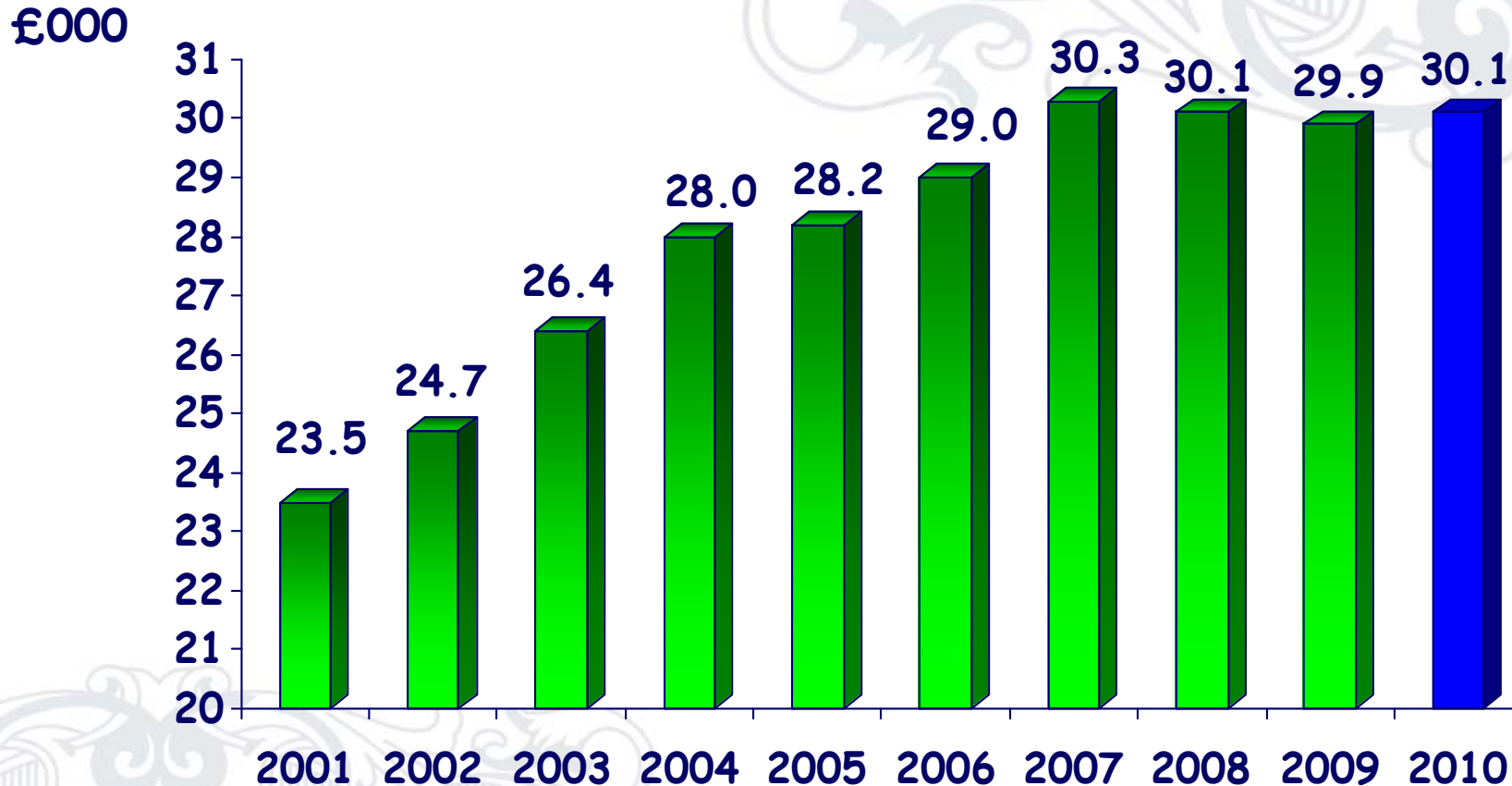
10 September 2010

# Highlights - Year to 25 July 2010



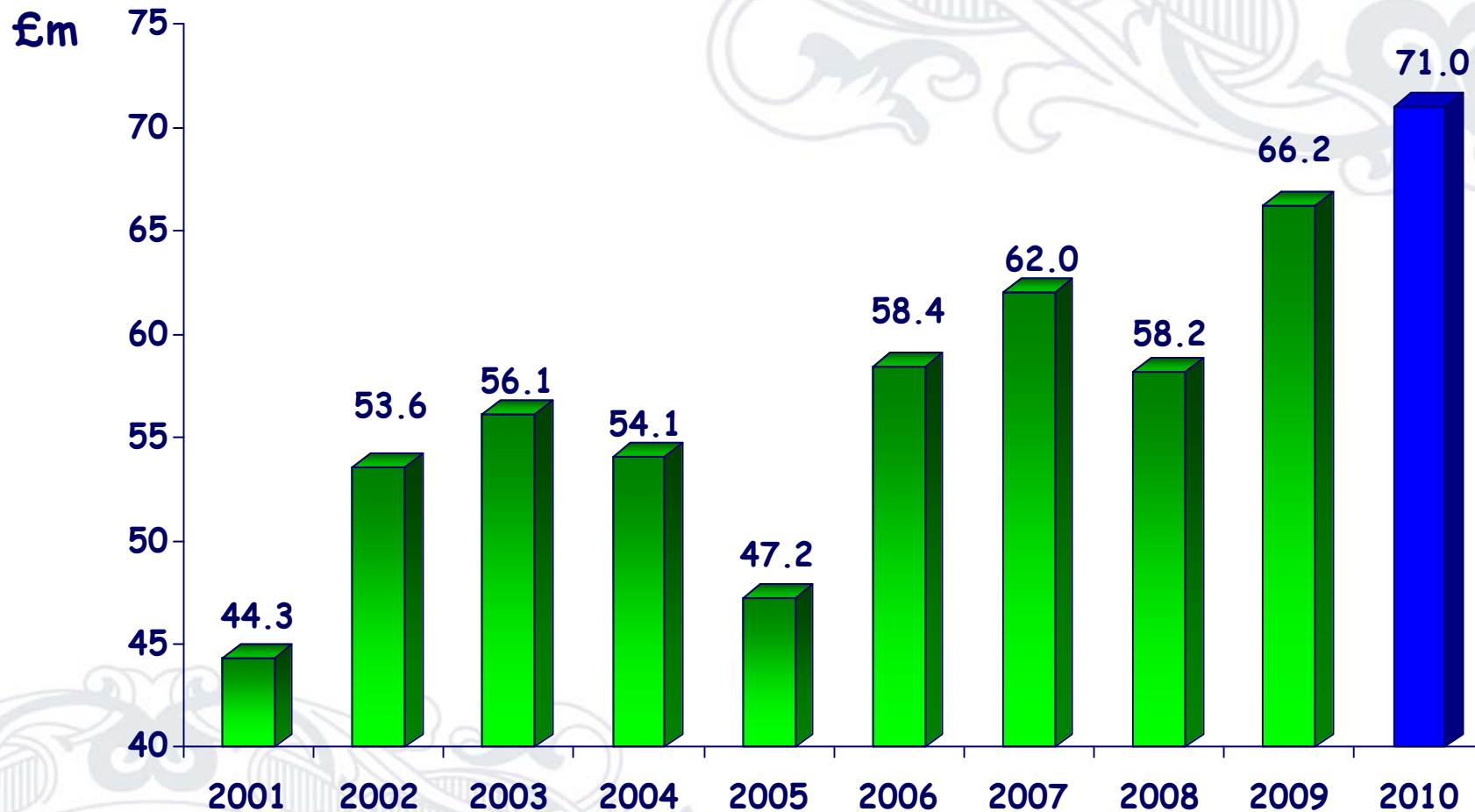
• Revenue £996.3m (2009: £955.1m)	+4.3%
• Like-for-like sales	+0.1 %
Before exceptional items:	
• Operating profit £100m (2009: £97.0m)	+3.1%
• Profit before tax £71.0m (2009: £66.2m)	+7.3%
• Earnings per share 34.9p (2009: 32.6p)	+7.1%
After exceptional items:	
• Operating profit £89.5m (2009: £75.1m)	+19.2%
• Profit before tax £60.5m (2009: £45.0m)	+34.4%
• Earnings per share 29.3p (2009: 18.2p)	+61.0%
• Free cash flow per share 51.3p (2009: 71.7p)	-28.5%
• Free cash flow £71.3m (2009: £99.5m)	-28.3%

# Average Sales Per Pub Week (including VAT)



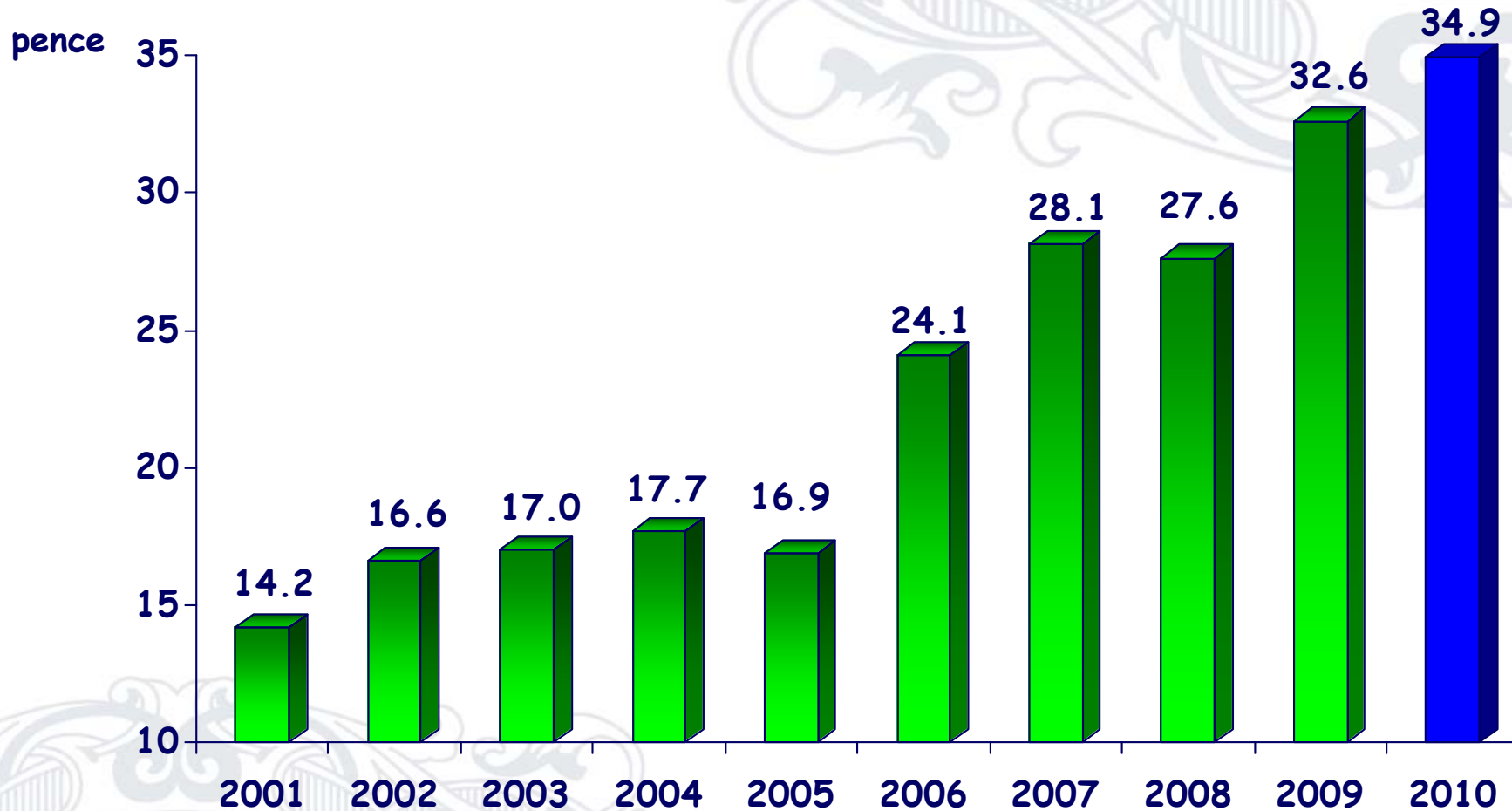
Sales remain resilient

# Profit before Tax & Exceptional Items



Long term profit growth

# Earnings per Share



Improving earnings per share

# Like-for-Like Sales/Profits



%	2010	2009	2008	2007	2006
Bar	-0.8	+2.5	-4.3	+3.3	+2.2
Food	+0.1	-0.4	+7.9	+12.6	+3.6
Machines	+12.1	-7.5	-5.8	+2.7	-1.4
<b>Total LFL sales</b>	<b>+0.1</b>	<b>+1.2</b>	<b>-1.1</b>	<b>+5.6</b>	<b>+2.0</b>
<b>LFL profits</b>	<b>-2.0</b>	<b>-1.7</b>	<b>-6.6</b>	<b>+7.0</b>	<b>+5.9</b>

Investment in repairs impacts LFL profits

# Operating Margin - Summary



	2010 £000	2010 % of Sales	2009 £000	2009 % of Sales
Turnover	996,327	-	955,119	-
Pub profit (pre repairs)	217,549	21.8	207,520	21.7
Repairs	(34,425)	(3.5)	(28,717)	(3.0)
Head office costs	(35,908)	(3.6)	(34,137)	(3.6)
Share Incentive Plan	(3,504)	(0.4)	(2,569)	(0.3)
Depreciation	(43,699)	(4.4)	(45,096)	(4.7)
Exceptional items	(10,557)	(1.1)	(21,920)	(2.3)
<b>Operating Profit</b>	<b>89,456</b>	<b>9.0</b>	<b>75,081</b>	<b>7.9</b>

# Operating Margin Excluding Exceptionals



- Gross margin broadly maintained
  - Tax increases absorbed
- Staff costs higher
  - Investment in 7 am opening
  - Higher bonus payments
- Operating costs
  - Lower utility rate in the first half
  - Higher repairs
- Depreciation lower as % of sales

Net decrease in underlying operating margin of 12 basis points



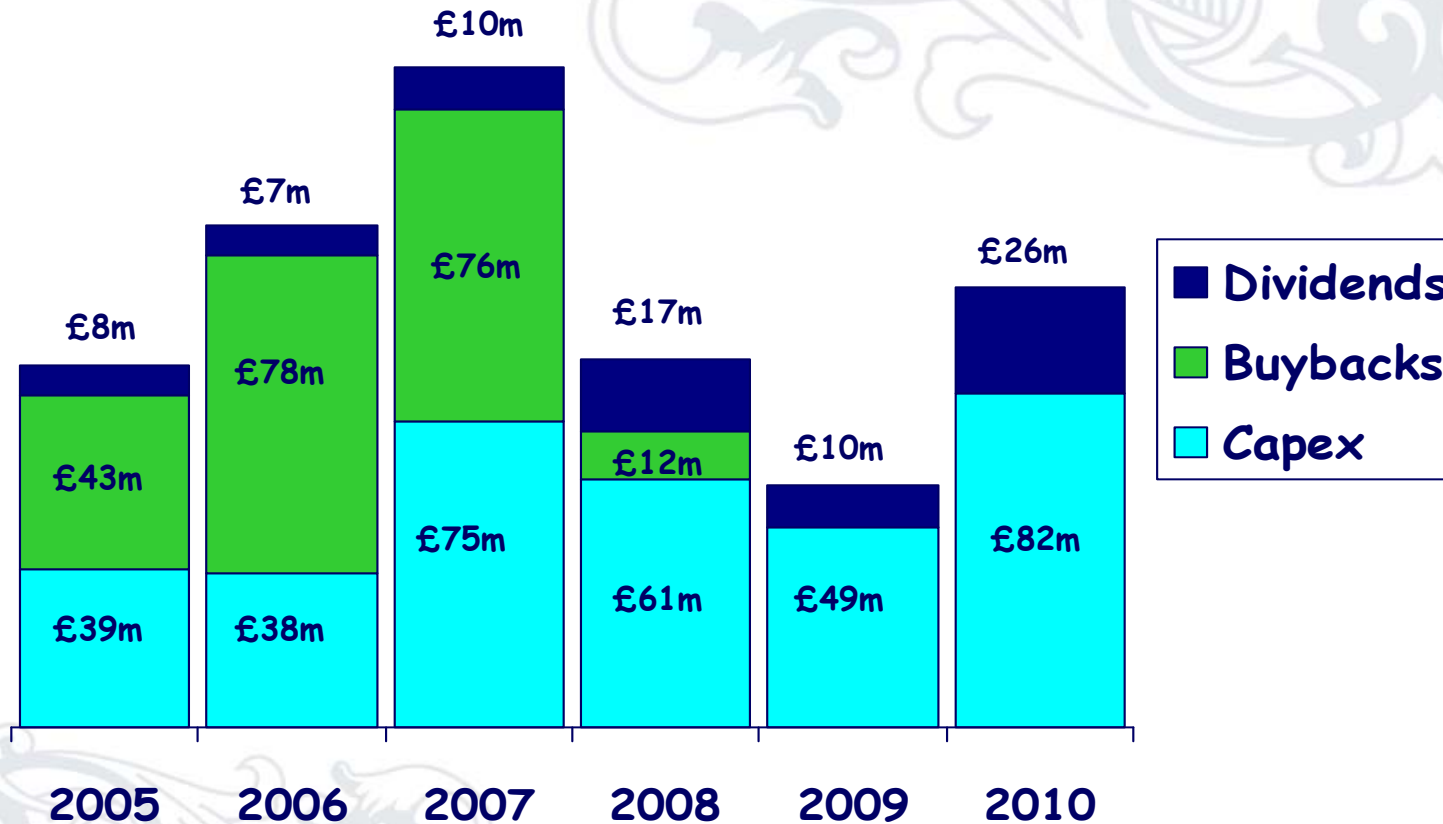
# Exceptional Items - Summary



	2010 £000	2009 £000
Litigation	-	1,565
Impairment	10,557	6,527
Aborted properties	-	1,954
Loss on asset disposal	-	2,450
Depreciation	-	9,424
<b>Total</b>	<b>10,557</b>	<b>21,920</b>

Impairment of 18 sites. Total provision £18.1m across 32 sites on £1.3 billion asset base

# Allocation of Resources



Reinstatement of dividend, increased new openings and higher reinvestment



# Capital Expenditure

	FY10	FY09
	£m	£m
Acquisition and developments costs		
Current year	45.2	32.0
Future year	12.5	5.8
New openings	57.7	37.8
Fixtures and fittings	12.8	7.2
Refurbishments	7.2	2.4
IT & related projects	4.1	1.4
Reinvestment	24.1	11.0
<b>Total</b>	<b>81.8</b>	<b>48.8</b>

Investment in new till system and increased refurbishment



# Movement in Net Debt inc. Finance leases

	<u>£m</u>
FY09 Net debt	390.0
Free cash flow	-71.3
HMRC claim	-14.9
New pub capex	57.7
Dividends paid	26.2
Loan fees	7.6
Finance leases	-6.4
Other	0.5
FY10 Net debt	<u>388.4</u>

- Free cash flow decreased to £71.3m (2009: £99.5m).
  - Decline in cash from operations due to exceptional working capital benefits last year
  - Increased investment in existing pubs
- Total net bank borrowing (excluding finance leases) of £379.5m, a decrease of £8.7m in the last 12 months (2009: £388.2m)

Decline in net debt inc. finance leases despite pub openings and dividend payment

# Debt Position



	<u>2010</u>	<u>2009</u>
• Net debt/ EBITDA*	2.7	2.7
• Interest cover (times)	3.1	2.4
• Interest cover pre-exceptional (times)*	3.4	3.1
• Fixed charge cover (times)		
- statutory	1.7	1.5
- excluding depreciation	2.1	2.0
- statutory excluding exceptionals	1.8	1.7
- excluding depreciation and exceptionals	2.3	2.3

\* Excludes exceptional items and fair value movement on financial derivatives.

Further improvement

# Banking Facilities



- 4 year non-amortising £530m facility from the end of March 2010. Total facilities £550m (including overdraft)
- £400m swaps to 2014
  - £250m swap expiring in 2014
  - £150m swap expire in 2016
  - Average interest cost of swaps 5.5%
- Unutilised banking facilities and cash balances of £170.5m as at 25<sup>th</sup> July 2010 (2009: £154.0m)

Significant cash headroom until 2014

# Dividends



- 19p total dividend (2009: 0p)
  - 12p full year dividend paid
  - 7p special dividend to partly compensate for no dividend last year
  - Dividend cover excluding special dividend and exceptional items is 2.9 times
- Paid on 1<sup>st</sup> April 2010

Dividends reinstated

# JD WETHERSPOON PLC

## Preliminary Results 2010



**John Hutson - CEO**





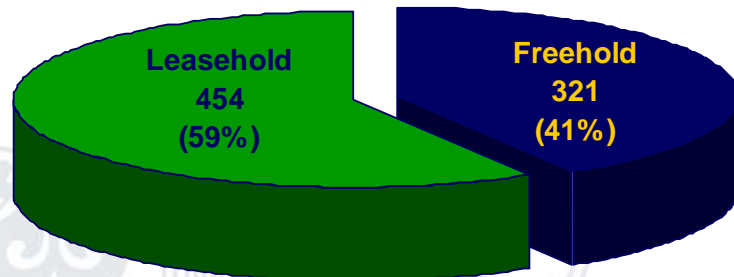
# Business Update

- Property update
- Reinvestment strategy
- New openings
- 7 am update
- People and training
- Awards and recognition
- Current trading and outlook

# Property Update

	FY10	FY09
Trading pubs at start of FY	731	694
Freehold pubs opened	15	13
Leasehold pubs opened	32	26
Closures/Disposals	-3	-2
<b>Total trading pubs</b>	<b>775</b>	<b>731</b>

- Average cost of development £0.86m, currently lower than historical average
- Closures as result of Terminal 2 and Stansted Express Bar



Opportunities remain for profitable investment

# Development Pipeline



Stage Description	No. of Projects
Properties under consideration	238
Offers subject to negotiation, planning and licensing	54
Contracts exchanged	33
Ready for development	14
Total	339

- Strong pipeline
- Opportunity to procure quality sites at a good price
- Site selection remains organic with ultimate flexibility

Strong pipeline

# Re-Investment Strategy



2009/ 10

- Reinvestment spend more than doubled year on year
- Increase in refurbishment of toilets, carpets and furniture
- Rollout of EPOS till system accelerated

2010/ 11

- Continue to upgrade our pubs
- EPOS rollout to be extended further and fully rolled out by July 2011

Reinvestment anticipated to increase next year to c.£30m

# The Alexander Graham Bell, Edinburgh

Open Date: 4 June 2010



Acquired from: TCG

Customer Area: 3,380 sq.ft

Development Costs: £585k



# The Black Horse, Northfield

Open Date: 23 July 2010



Acquired from: Punch Taverns

Customer Area: 5,992 sq.ft

Development Costs: £1,766k



# The White Hart, Aylesbury

Open Date: 2 July 2010



Acquired from: Chicago Rock

Customer Area: 4,099 sq.ft

Development Costs: £830k



# The Broken Bridge, Pontefract

Opened: 18 June 2010



Acquired from: Independent landlords  
Customer Area: 5,123 sq.ft  
Development Costs: £1,178k







## 7 am Update

- Open at 7 am for breakfast from the 28th of April
- Over 1 million breakfasts and coffees served a week
- A 40% increase in breakfasts and coffees year on year, of which, over 30% has come since launch
- Hours investment has increased staff costs
- Broadly neutral on operating profit but has slight impact on operating margin

# Improvements In The Business



West Gate Inn,  
Canterbury



Palladium,  
Llandudno



Benjamin Satchwell,  
Leamington Spa



Lord Wimborne,  
Poole



# People & Training



- Company employs over 22,000 people in full and part-time positions. An increase of over 2,400 jobs in the last 12 months
- A further 250 new pub openings planned in the next 5 years creating more jobs
- Comprehensive award winning employee training system. Over 15,000 training delegate days completed last year
- Staff retention at its highest ever level with the average length of service of pub managers over 8 years
- All employees are eligible for free shares after an 18 month qualifying period
- £22.5m paid in the year on employee bonuses and free shares

# Awards and Recognition



- 'Pub Company of the Year' from the Publican
- Winner of 2010 'Best Town and Local Pub Menu' at the Menu Innovation and Development Awards
- 144 pubs recognised in the Loo of the Year awards
- 193 pubs recommended in CAMRA Good Beer Guide 2010
- We were given an award for 'Leading Our Sector' in terms of Age Discrimination by the Employers Forum on Age
- We are recognised as one of 'Britain's Top Employers' in a Guardian publication for 7 consecutive years

Recognition for continual improvement and high standards

# Current Trading and Outlook



- Record sales in 6 weeks to 5th September 2010:
  - Total sales + 7.6%
  - LFL sales + 1.5%
- Opportunities remain for profitable investment
- Increased reinvestment and continuing maintenance
- Increased investment in pubs staffing and support
- Impact of future tax increases and legislation are uncertain

Confident of future prospects



# Appendices

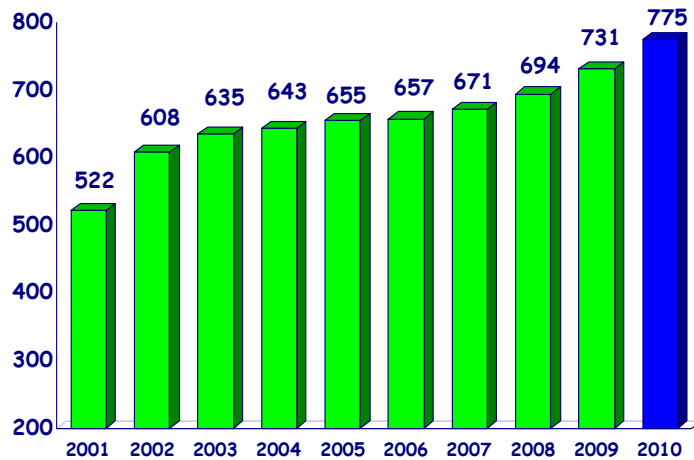
- A - 10-year financial graphs
- B - 10-year trends
- C - Capital trends
- D - ROC/CROCCE/ROE calculations
- E - Cash flow

# 10-Year Summary

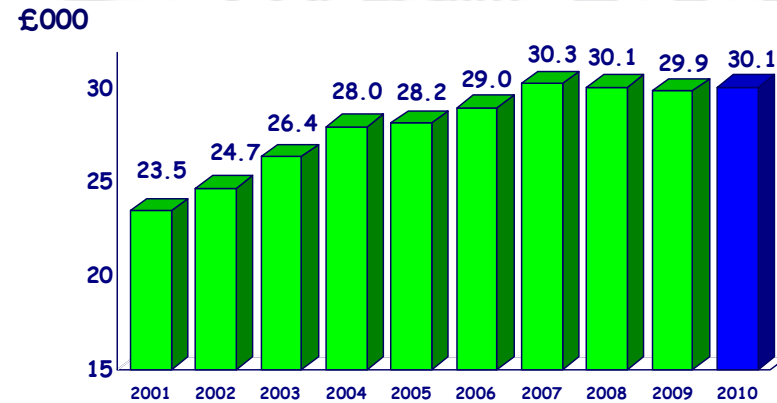
## Appendix A



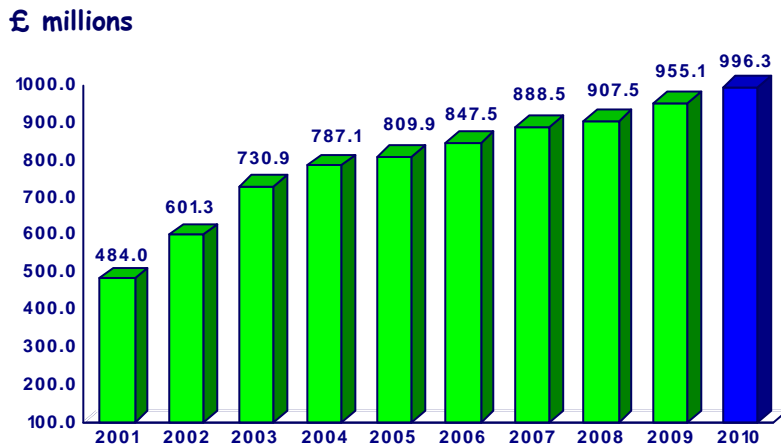
### Number of Pubs



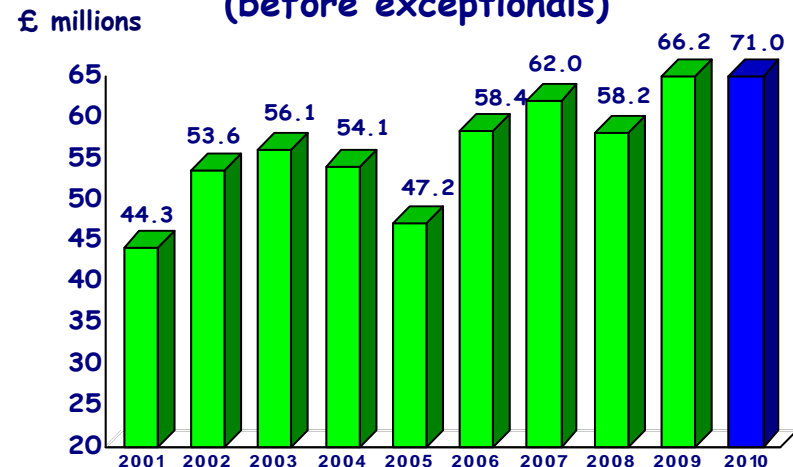
### Average Sales Per Pub Week (including VAT)



### Turnover



### Profit Before Tax (before exceptionals)





# JDW - Financial Trends

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Sales per pub (£000)	1,040	1,093	1,169	1,239	1,246	1,283	1,354	1,333	1,344	<b>1,335</b>
EBITDA per pub (£000) (1)	205.9	207.4	201.9	204.4	195.7	205.6	219.0	211.6	212.9	<b>205.8</b>
Number of pubs	522	608	635	643	655	657	671	694	731	<b>775</b>
% freeholds (%)	40	42	42	41	41	41	42	42	42	<b>41</b>
CROCCE (%) (2)	15.3	13.9	13.0	12.6	11.7	12.0	12.2	11.3	11.2	<b>10.8</b>
Cash return on equity (%) (2)	20.1	18.8	17.1	15.8	14.4	14.8	15.5	14.2	13.5	<b>12.6</b>
Free cash flow per share (pence)	29.1	33.5	38.8	36.7	37.1	42.1	35.6	50.6	71.7	<b>51.3</b>
Adjusted earnings per share (3)	14.2p	16.6p	17.0p	17.7p	16.9p	24.1p	28.1p	25.7p	32.6p	<b>34.9p</b>

- (1) Excluding sale & leaseback  
 (2) See appendix D for calculation  
 (3) Excluding exceptional items



# Capital Trends

## Appendix C



	2002	2003	2004	2005	2006	2007	2008	2009	2010
Average size (sq.ft.) - openings	3,808	3,721	4,317	4,176	3,928	3,855	3,618	3,359	<b>3,781</b>
Number of openings	87	45	28	13	9	18	23	39	<b>47</b>
% which are freehold	53	56	43	54	22	61	57	33	<b>32</b>
Freehold average cost (£k)	597	511	640	873	625	750	958	765	<b>857</b>
Average development cost (£k)	1,262	1,317	1,431	1,401	1,301	1,520	1,498	851	<b>857</b>
Average cost per sq. ft.	331	354	331	335	331	394	414	253	<b>226</b>
Increase in average cost per sq foot (%)	-1	7	-6	1	-1	19	5	-39	<b>-11</b>
Population within 2 miles	70,000	73,000	51,000	64,000	59,000	45,000	50,000	38,000	<b>67,000</b>



# ROC/CROCCE/ROE

	2010	2009
• P&L return on capital	12.4%*	12.0%*
• Crocce	10.8%*	11.2%*
• P&L return on equity	20.0%*	20.6%*
• Cash return on equity	12.6%*	13.5%*

\* Excludes exceptional items and fair value movement on financial derivatives

Detailed calculations in appendix D

Returns broadly unchanged



# ROC/CROCCE/ROE

		2010	2009
		£000	£000
Profit after tax		<u>40,778</u>	<u>25,299</u>
Add: exceptional items		<u>10,557</u>	<u>19,902</u>
Underlying PAT	(e)	51,335	45,201
Add: interest	(f)	<u>28,998</u>	<u>30,846</u>
Profit pre-interest	(g)	80,333	76,047
Deferred tax (credit) / charge		(2,029)	(484)
Depreciation		<u>43,699</u>	<u>45,096</u>
Cash return	(h)	<u>122,003</u>	<u>120,659</u>

• P&L return on capital [(g)/average (c)]	<u>12.4%</u>	12.0%
• CROCCE [(h)/average (d)]	<u>10.8%</u>	11.2%
• P&L return on equity [(e)/average (a)]	<u>20.0%</u>	20.6%
• Cash return on equity [(h)-(f)/average (d)-(b)]	<u>12.6%</u>	13.5%

Includes exceptional fair value loss on financial derivatives



# ROC/CROCCE/ROE

	2010 £000	2009 £000
Shareholders' funds per balance sheet	<b>162,142</b>	167,693
Add: exceptional items	<b>47,817</b>	37,260
: hedging provision	<b>61,391</b>	35,996
	<b>(a) 271,350</b>	240,949
Add: net debt	<b>(b) 388,391</b>	390,024
Capital employed	<b>(c) 659,741</b>	630,973
Add: deferred tax provision	<b>75,579</b>	77,633
Less: deferred tax asset	<b>(17,597)</b>	(10,766)
Cumulative depreciation	<b>455,224</b>	411,525
Less: revaluation reserve	<b>(11,052)</b>	(11,780)
Cash capital employed	<b>(d) 1,161,895</b>	1,097,585



# Cash Flow

	2010 £'000	2009 £'000
Cash from operations	153,405	171,850
Interest and tax	(51,860)	(55,354)
Investment in existing pubs	(24,072)	(10,999)
Investment in own shares (SIP)	(6,129)	(6,003)
<b>Free cash flow</b>	<b>71,344</b>	<b>99,494</b>
HMRC Gaming Claim Settlement	14,941	
Dividends	(26,174)	(10,439)
Disposal proceeds	170	495
Investments in new pubs	(57,739)	(37,830)
Cash flow before share capital changes	2,542	51,720
Loan Fees	(7,626)	-
Issue of new shares	523	580
Finance lease principal receipts & payments	6,194	(889)
Movement in net borrowings	1,633	51,411
<b>Free cash flow per share</b>	<b>51.3p</b>	<b>71.7p</b>