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2015

Preliminary Results



John Hutson – CEO

Ben Whitley – FD

The Windmill, Airside, Stansted Airport, Stansted, Essex



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The Old Borough, Swords, Co Dublin

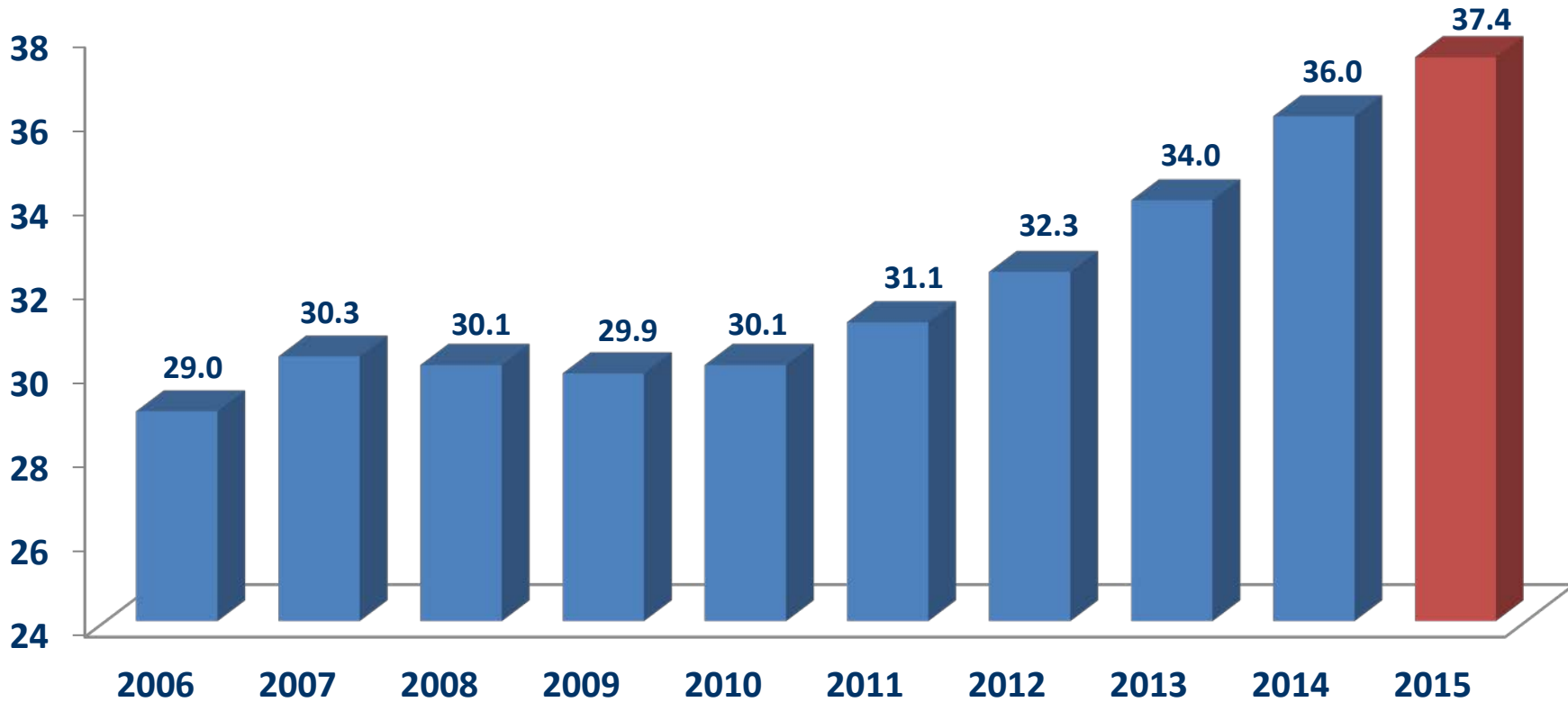
Ben Whitley
Finance Director
11 September 2015

Financial Summary

	2015	2014	
Revenue	£1,513.9m	£1,409.3m	7.4%
Like-for-like sales	+3.3%	+5.5%	
Profit before tax	£77.8m	£79.4m	-2.0%
Earnings per share (including shares held in trust)	47.0p	47.0p	Maintained
Free cash flow per share	89.8p	74.1p	21.2%
Dividend	12.0p	12.0p	Maintained
After Exceptional Items:			
Profit before tax	£58.7m	£78.4m	-25.1%
Earnings per share (including shares held in trust)	36.7p	32.8p	11.9%

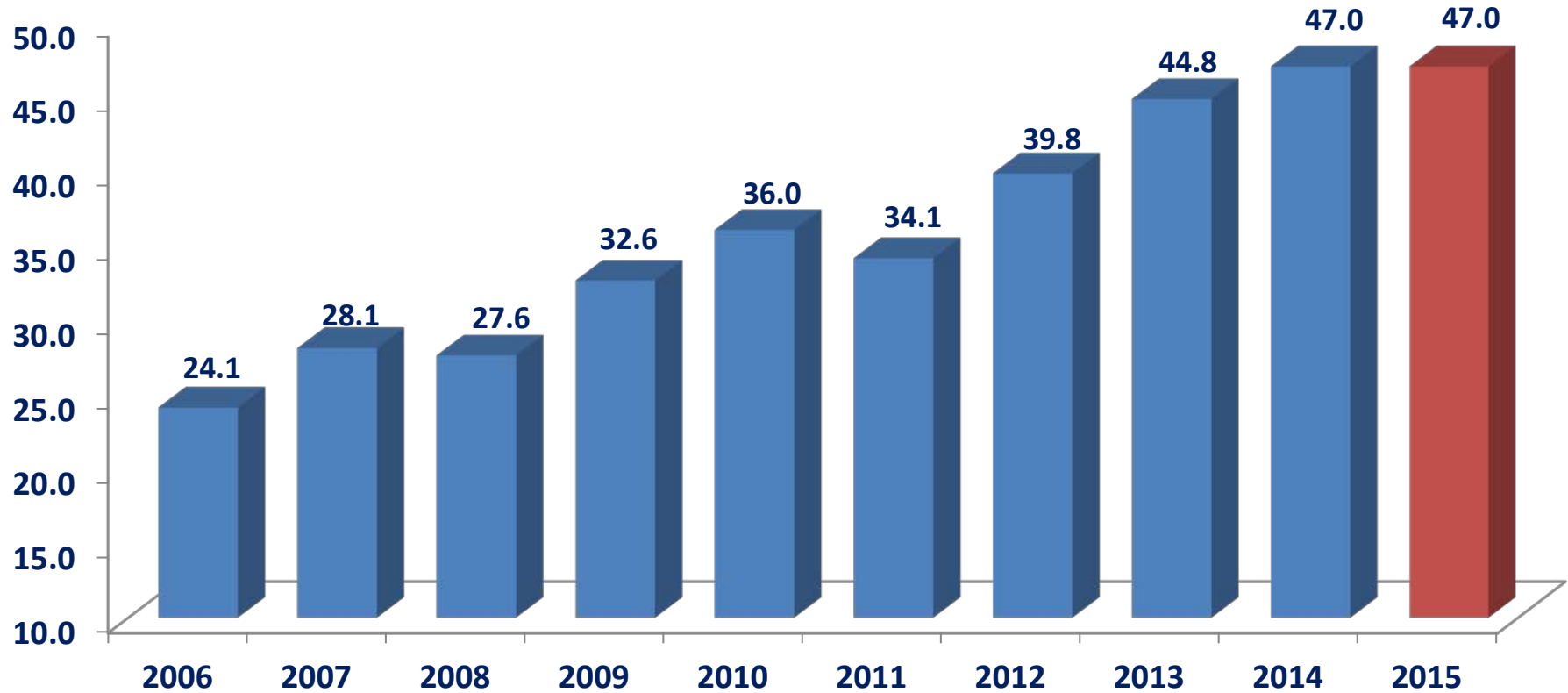
Average Weekly Sales Per Pub (including VAT)

£000



Earnings Per Share before exceptional items (pence)*

pence



*Including shares held in trust

Like-for-like Performance

%	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Bar	+1.2	+2.7	+3.8	+2.8	+1.7	-0.8	+2.5	-4.3	+3.3	+2.2
Food	+7.3	+12.0	+10.9	+4.8	+4.2	+0.1	-0.4	+7.9	+12.6	+3.6
Machines	-2.8	-3.1	+0.4	-2.8	-3.9	+12.1	-7.5	-5.8	+2.7	-1.4
LFL sales	+3.3	+5.5	+5.8	+3.2	+2.1	+0.1	+1.2	-1.1	+5.6	+2.0
LFL Pub Profit*	-1.1	+2.0	+4.4	-2.2	-1.2	-2.0	-1.7	-6.6	+7.0	+5.9

* Excludes head office, depreciation, share incentive plan and interest costs

10 Year Operating Profit

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Turnover	1,513.9	1,409.3	1,280.9	1,197.1	1,072.0	996.3	955.1	907.5	888.5	847.5
Pub profit (pre repairs)	285.4	284.4	259.0	245.4	226.8	218.5	208.4	199.5	203.2	195.3
Repairs	(54.3)	(59.4)	(48.0)	(46.6)	(38.4)	(35.4)	(29.8)	(30.6)	(34.1)	(34.5)
Head office costs	(44.7)	(42.7)	(40.3)	(33.9)	(35.7)	(35.9)	(34.0)	(33.1)	(32.2)	(31.4)
Share Incentive Plan	(7.2)	(7.2)	(6.2)	(5.7)	(5.1)	(3.5)	(2.6)	(2.3)	(3.1)	(2.5)
Depreciation and impairment	(66.7)	(58.1)	(53.1)	(49.2)	(44.4)	(43.7)	(45.1)	(45.1)	(43.9)	(43.4)
Operating profit	112.5	117.0	111.3	110.1	103.3	100.0	97.0	88.5	89.8	83.6
Operating margin	7.4%	8.3%	8.7%	9.2%	9.6%	10.0%	10.2%	9.7%	10.1%	9.9%
Gains and losses on property*	(0.7)	(1.4)	-	(2.8)	(1.0)	-	-	(1.3)	1.3	-
EBIT before exceptionals	111.8	115.6	111.3	107.3	102.3	100.0	97.0	87.2	91.1	83.6
Exceptional items	(19.1)	-	(19.8)	(13.5)	(5.4)	(10.6)	(21.9)	-	-	-
EBIT after exceptionals	92.7	115.6	91.5	93.8	96.9	89.4	75.1	87.2	91.1	83.6

* Gains and losses on property were previously included in the operating profit

Cost Increases

- Bar and food (modest)
- Utility costs: +10% (price, consumption and carbon tax)
- Hourly paid staff rates: +5%
- Depreciation costs: +13%

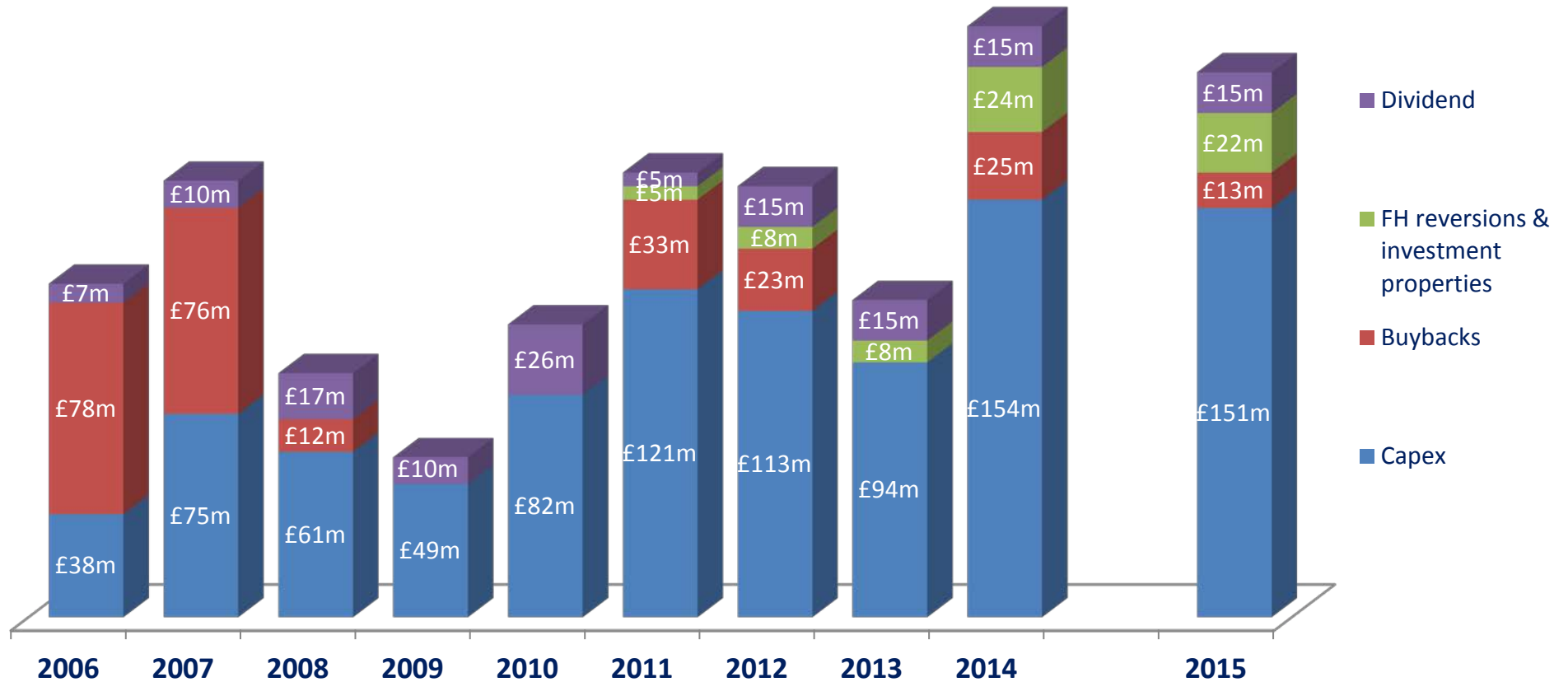


The Angel Vaults, Hitchin, Hertfordshire

Summary of exceptional items

	2015 £000	2014 £000
Operating exceptional items		
Inventory valuation	5,231	–
Restructuring costs	782	–
	6,013	–
Exceptional property losses		
Onerous lease provision	1,858	–
Property impairment	11,195	–
	13,053	–
Other exceptional items		
Interest payable on gaming machine VAT repayment	–	997
Income tax expense – current tax	–	(4,375)
Exceptional tax items – deferred tax	(4,809)	21,119
Tax effect on operating exceptional items	(1,626)	–
	(6,435)	17,741
Total exceptional items	12,631	17,741

Allocation of Resources



Capital Expenditure

		2015 £m	2014 £m
New Openings:			
Acquisition and development costs	Current year	76.5	64.5
	Future year	30.5	33.2
Freehold reversions and investment properties		21.6	23.6
		128.6	121.3
Reinvestment in existing pubs:			
Kitchen and bar equipment / furniture etc.		18.4	22.6
Refurbishments		19.2	22.0
Business and IT projects		7.1	11.6
		44.7	56.2
Total		173.3	177.5

Movement in Net Borrowings

	£m
FY14 Net borrowings	556.6
Free cash flow	(109.8)
Disposal of fixed assets	(0.7)
New pubs and extensions	107.0
Freehold reversions and investment properties	21.6
Share buy-backs	12.7
Dividends	14.6
Other	(0.9)
FY15 Net borrowings	601.1

- Free cash flow increased to £109.8m (2014: £92.9m) mainly due to lower interest costs, corporation tax paid and expenditure on existing pubs
- Unutilised bank facilities and cash balances of £240.9m as at 26 July 2015 (2014: £138.1m)
- During the year the company concluded an amendment and extension of its existing banking facility to £820m (previously £670m), expiring in February 2020

10 Year Debt Overview

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net debt/EBITDA	3.37	3.21	2.88	2.96	2.98	2.70	2.74	3.24	3.21	2.80
Interest cover (times)	2.73	3.11	2.66	2.68	2.73	3.08	2.43	2.71	3.13	3.31
Interest cover pre exceptional (times)	3.29	3.19	3.24	3.07	2.88	3.45	3.14	2.81	3.13	3.31
Fixed charge cover (times)										
statutory	1.39	1.75	1.56	1.57	1.62	1.67	1.50	1.63	1.77	1.76
excluding depreciation	2.04	2.31	2.08	2.05	2.06	2.14	2.01	2.15	2.32	2.32
excluding depreciation and exceptionals	2.22	2.33	2.27	2.18	2.12	2.26	2.26	2.19	2.32	2.32

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John Hutson CEO

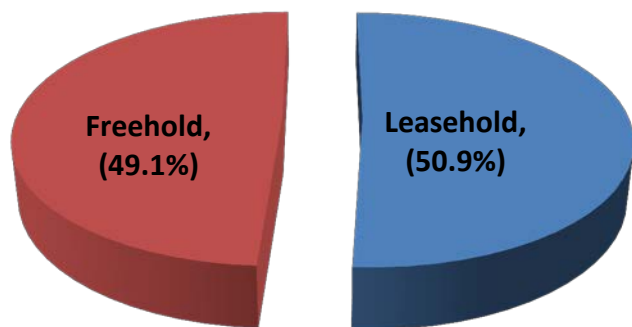


The Saltoun Inn, Fraserburgh, Aberdeenshire



Property Update

	2015	2014
Trading pubs at start of FY	927	886
Freehold pubs opened	24	31
Leasehold pubs opened	6	15
Closures/disposals	(6)	(5)
Total trading pubs	951	927



- Average cost of development £2.07m, compared to £1.64m last year.
- Four of the new openings include hotel accommodation
- Average size of new pubs 20% larger than previous year
- In the current financial year, as at 11th September 2015 we have opened 2 pubs and have 3 pubs on site
- Four pubs trading in the Republic of Ireland
- We anticipate opening approximately 15-20 pubs in the new financial year

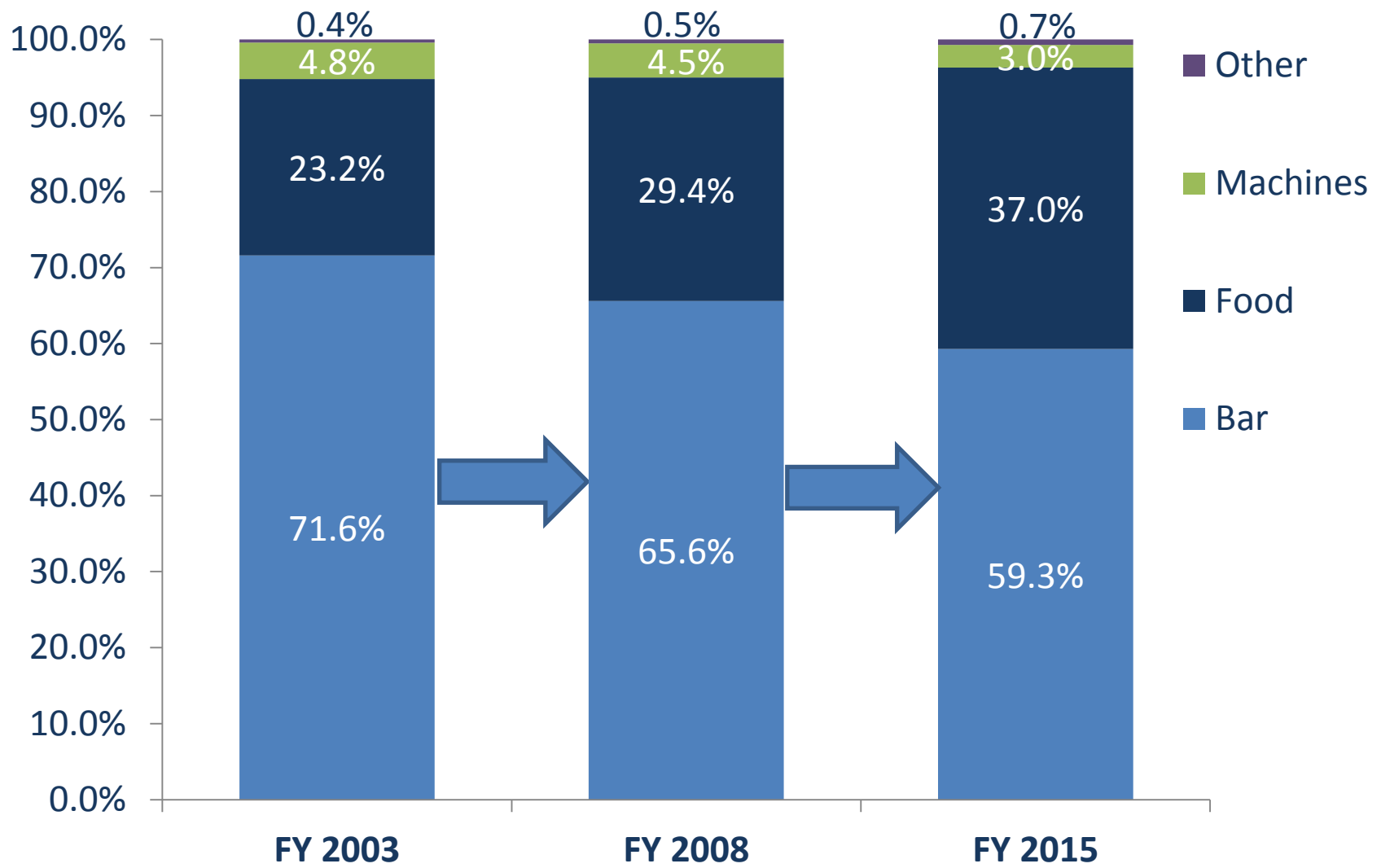
“It’s a People Thing”

- More than 36,000 employees at the end of financial year (2007: 20,588)
 - Created over 15,500 jobs since the start of the credit crunch and over 2,000 jobs in the last year
 - Dedicated employee website & e-learning suite
 - Catering Academy – 618 employees have graduated with 352 employees currently going through the programme.
- Staff retention at its highest ever level. Average length of service for:
 - pub managers now over 10 years and 8 months,
 - kitchen managers 6 years and 10 months.
- We have been recognised as one of ‘Britain’s Top Employers’ in a Guardian publication for 13 consecutive years.
- We have signed up to the Government ‘Think, Act, Report’ campaign aiming to improve gender equality in the workplace.
- Around 10,000 employees are shareholders in the Company.
- £30.7m paid in bonuses and free shares, of which 81.5% was paid to staff working in our pubs



The North Western, Liverpool, Merseyside

Changing Sales Mix over Last 13 Years



Peach BrandTrack: Britain's favourite big brand

If the following brands were available in the same location, which would be your first choice to eat at? (ranked by % of adults choosing each brand)

(out of a list of 17 – the top 6)	Apr-15	Oct-14	Apr-14	Oct-13	Apr-13	Oct-12	May-12
Wetherspoon	12%	13%	13%	12%	11%	11%	10%
Nandos	7%	7%	8%	8%	9%	9%	11%
Toby Carvery	7%	6%	7%	5%	5%	5%	5%
Pizza Express	6%	6%	7%	7%	7%	7%	7%
Wagamama	6%	6%	7%	5%	6%	-	-
Harvester	6%	6%	6%	8%	8%	8%	8%

Respondents first choice of brand from following list: Beefeater, Bella Italia, Brewer's Fayre, Café Rouge, Fayre & Square, Frankie & Benny's, Harvester, Hungry Horse, Nando's, Pizza Express, Pizza Hut, Sizzling Pubs, Slug & Lettuce, T.G.I Friday's, Toby Carvery, Wagamama, JD Wetherspoon

Successes and achievements

- 296 pubs are in the 2016 CAMRA Good Beer Guide
- Raised over £1.7m in the last 12 months and over £11.0m during the 13 year partnership with CLIC Sargent, a charity caring for children with cancer providing support for families at home and in hospital from the day of diagnosis
- As at 26 July 2015, average food hygiene rating score of 4.93 out of a maximum of 5. A total of 94.1% of pubs achieving the maximum score of 5
- Winners in six categories in 'The Loo of the Year' awards



The Sawyer's Arms, Maesteg, Mid Glamorgan

Cost Outlook

- Wages
- Utilities
- Repairs
- Bar and food supplies



The North Western, Liverpool, Merseyside

Taxation

	2015 £m	2014 £m
VAT	294.4	275.1
Alcohol duty*	161.4	157.0
PAYE and NIC	84.8	78.4
Business rates	48.7	44.9
Corporation tax	13.3	18.1
Machine duty	11.2	11.3
Climate change levies	6.4	6.3
Carbon tax	3.7	2.7
Fuel duty	2.9	2.1
Landfill tax	2.2	1.5
Stamp duty	1.8	2.1
Premise licence and TV licences	1.6	0.7
TOTAL TAX	632.4	600.2
TAX PER PUB (£000)	673	662
TAX AS % of SALES	41.8%	42.6%
PRE-EXCEPTIONAL PROFIT AFTER TAX (PAT)	57.5	58.9
PAT as % of SALES	3.8%	4.2%

* UK taxes only

Current Trading and Outlook

- LFL sales for the six weeks to 6th September increased by 1.4% with total sales increasing by 5.2%.
- Cost increases
- Competition from supermarkets and restaurant groups
- Future opportunities
- We continue to anticipate a trading performance similar to, or slightly above, that achieved in the last financial year



Questions



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The Saxon Crown, Corby, Northamptonshire

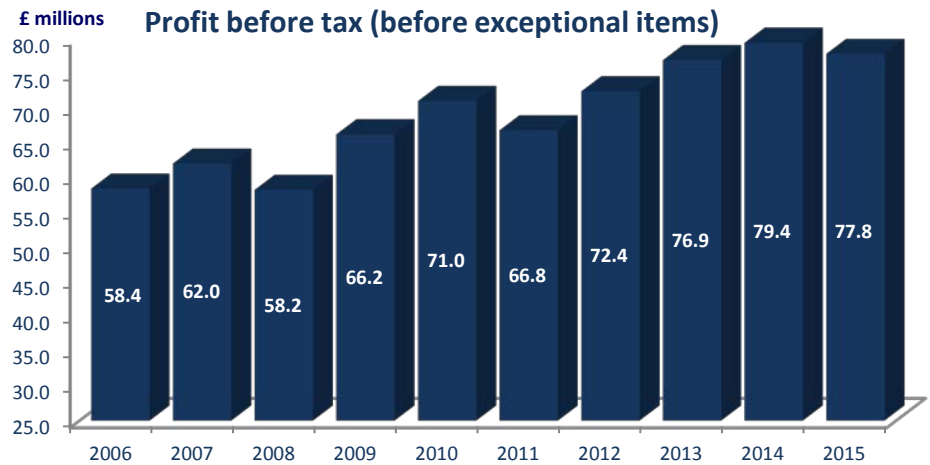
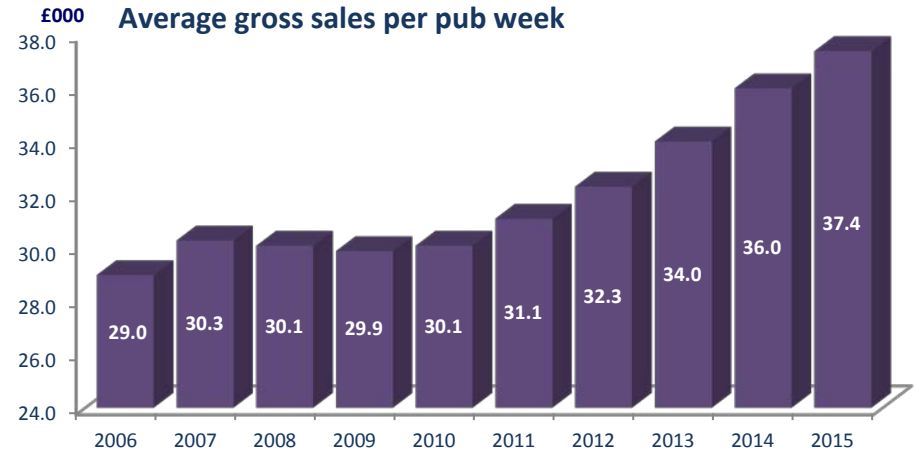
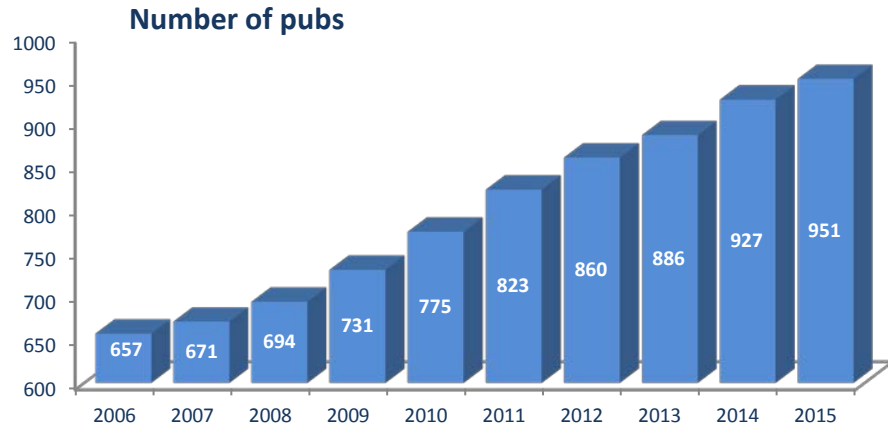
Appendix

Appendices

- A 10 year overview
- B 10 year capital trends
- C 10 year financial trends
- D1 ROC/CROCCE/ROE calculations
- D2 ROC/CROCCE/ROE calculations
- E Cash flow
- F Swap maturity profile

Appendix A

10 Year Overview



Appendix B

10 Year Capital Trends

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Average Size (sq.ft.) – Openings	4,321	3,585	3,643	3,325	3,572	3,781	3,359	3,618	3,855	3,928
Number of openings	30	46	29	40	50	47	39	23	18	9
% which are freehold	80	67	48	45	68	32	33	57	61	22
Freehold average cost (£k)	843	559	589	639	825	857	765	958	750	625
Average development cost (£k, excluding FH)	2,070	1,643	1,552	1,420	1,207	857	851	1,498	1,520	1,301
Average development cost per sq.ft.	479	458	426	427	338	226	253	414	394	331
Population within 2 miles	58,000	27,000	30,000	39,000	54,000	67,000	38,000	50,000	45,000	59,000

10 Year Financial Trends

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Sales per pub (£000)	1,620	1,562	1,476	1,401	1,360	1,335	1,344	1,333	1,354	1,283
EBITDA per pub (£000) (1)	200.9	204.5	200.9	194.9	198.7	205.8	212.9	211.6	219.0	205.6
Number of pubs	951	927	886	860	823	775	731	694	671	657
% freeholds (%)	49	47	44	44	44	41	42	42	42	41
CROCCE (%) (2)	9.6	10.5	10.6	10.8	10.7	11.0	11.3	11.4	12.3	12.1
Cash return on investment(%) (2)	11.7	12.3	12.4	12.6	11.8	12.9	13.6	14.0	15.4	14.8
Free cash flow per share (pence)	89.8	74.1	51.8	70.4	57.7	52.9	71.7	50.6	35.6	42.1
Diluted earnings per share (3) (pence)	47.0	47.0	44.8	39.8	34.1	36.0	32.6	27.6	28.1	24.1

- (1) Excluding sale & leaseback
 (2) See appendix D1 and D2 for calculation
 (3) Excluding exceptional items

ROC/CROCCE/ROE

		2015 £000	2014 £000
Shareholders equity per accounts		222,893	227,168
Deferred tax balances		69,776	77,651
Interest rate swaps valuations		39,973	30,166
Impairment balances		49,769	39,071
Net book value of revalued assets		(7,244)	(7,963)
Adjusted shareholders equity	(a)	375,167	366,093
Debt		601,108	556,551
Capital employed	(b)	976,275	922,644
Accumulated depreciation (excluding impairments)		712,065	652,898
Cash capital employed	(c)	1,688,340	1,575,542

ROC/CROCCE/ROE

		2015 £000	2014 £000
EBITDA (cash return)	(d)	178,482	173,650
Depreciation and amortisation	(e)	(66,668)	(58,075)
EBIT	(f)	111,814	115,575
Interest		(34,016)	(36,213)
Profit before tax		77,798	79,362
Current tax	(g)	(21,544)	(17,004)
Profit after cash tax	(h)	56,254	62,358
Deferred tax (charge)/credit (excluding exceptional items)		1,201	(3,495)
Profit after tax		57,455	58,863
Return on capital employed [(f+g)/average b]*		9.5%	11.3%
Cash return on cash capital employed [(d+g)/average c]*		9.6%	10.5%
P&L return on shareholders equity [h/average a]*		15.2%	17.6%

*All returns are calculated after tax.

Cash Flow

	2015 £000	2014 £000
Free Cash Flow	109,778	92,850
Proceeds on Disposal	723	505
Investment in new pubs	(106,974)	(97,704)
Freehold reversions & investment properties	(21,612)	(23,577)
HMRC – Rank Claim Repayment	-	(16,696)
Dividends	(14,591)	(14,949)
Share Buy Backs	(12,714)	(24,550)
Other	832	1,783
Movement in net borrowings	(44,558)	(82,338)

Swap Maturity Profile

Swap Value	From	To	Weighted Average %
£400m	12 Nov 2014	31 Jul 2016	3.5%
£400m	31 Jul 2016	31 Jul 2018	2.2%
£400m	31 July 2018	31 July 2021	3.7%
£150m	31 July 2021	31 July 2023	3.8%

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