24 January 2018

J D WETHERSPOON PLC

Q2 Trading Update

J D Wetherspoon plc ('J D Wetherspoon' or 'the Company') announces an update on current trading, before entering its close period for its interim results, for the six months ending 28 January 2018, which are expected to be announced on 16 March 2018.

Current trading

For the first 12 weeks of the second quarter (to 21 January 2018), like-for-like sales increased by 6.0% and total sales by 4.3%. In the year to date (25 weeks to 21 January 2018), like-for-like sales increased by 6.0% and total sales by 4.3%.

As a result of better-than-expected sales, year-to-date underlying profit before tax is slightly ahead of our expectations. Similar outperformance in the second half will be more difficult to achieve.

Property

Since the start of the financial year, the Company has opened three new pubs and sold 10. We intend to open approximately 10 pubs in the current financial year.

The Company has spent £15m on buying the freeholds of pubs of which we were previously tenants and has bought back £51m of shares in the financial year.

Financial position

The Company remains in a sound financial position. Net debt, at the end of this financial year, is currently expected to be around £30m higher than the level at the last financial year end.

Outlook

The chairman of J D Wetherspoon, Tim Martin, said:

"Most economists, business organisations and universities made extremely pessimistic forecasts about the immediate aftermath of a leave vote in the referendum, which have proven to be highly inaccurate. The Treasury, the IMF and the OECD were also key participants in this chorus. Their erroneous views lend weight to Warren Buffett's aphorism that most forecasts tell you a lot about the forecaster, but nothing about the future.

"In Wetherspoon's last update, I said that the CBI, the British Retail Consortium (BRC) and the chairmen of Whitbread and Sainsbury's had issued 'factually incorrect and highly misleading' information about food price rises, post Brexit, which had been reported as if they were true in publications such as the Financial Times, The Sunday Times and The Guardian. None of these individuals or organisations has contested the truth of the criticisms. If this misleading information were true, it could have a damaging effect on Wetherspoon, similar businesses and the public – but it is not.

"By refusing to acknowledge the fact that food prices will be reduced, post Brexit, if the UK leaves the EU without a deal and parliament votes to eliminate taxes which are currently imposed on non-EU food imports, the CBI and the BRC are trying to fool the public and MPs and bringing business into disrepute.

"These factually incorrect scare stories seem to be designed to convince the public that a deal is necessary to avoid a 'cliff edge'. In fact, the cliff edge is a myth. There is almost no action needed, for most companies, if the UK leaves the EU without a deal. Provided that parliament takes sensible steps, such as the elimination of food taxes, the public will benefit from lower food prices, from regained fishing rights and from savings of about £200m per week of EU contributions.

“Many people, including journalists and MPs, trust information from established organisations such as the CBI and the BRC – and many have been persuaded that food prices will rise if we leave the EU and the Customs Union. It should be emphasised that it is untrue and that the Customs Union, like the Corn Laws abolished nearly 200 years ago, keeps food prices at artificially high levels.

“I have written an article with more detail on this subject in appendix 1 below and attach a misleading and untruthful Boxing Day press release from the BRC which, again, states that, without a deal, consumers would ‘inevitably’ face higher prices ‘for products such as fruit, vegetables, fish and clothing’ (appendix 2).

“As regards Wetherspoon’s performance, sales in the second quarter to date matched the strong growth of the first quarter. In the second half of the year, sales comparatives will be more difficult.

“We face significant costs in the second half in areas which include labour, business rates and the sugar tax. There will also be some uncertainty as to the effects on our business of the FIFA World Cup.

“Nevertheless, given better-than-expected year-to-date sales, we currently anticipate a slightly improved trading outcome for this financial year.”

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Notes to editors

1. J D Wetherspoon owns and operates pubs throughout the UK. The Company aims to provide customers with good-quality food and drink, served by well-trained and friendly staff, at reasonable prices. The pubs are individually designed, and the Company aims to maintain them in excellent condition.

2. Visit our website: www.jdwetherspoon.com

3. This announcement has been prepared solely to provide additional information to the shareholders of J D Wetherspoon, to meet the requirements of the FCA's Disclosure and Transparency Rules. It should not be relied on by any other party, for any other purposes. Forward-looking statements have been made by the directors in good faith, using information available up until the date on which they approved this statement. Forward-looking statements should be regarded with caution, because of the inherent uncertainties in economic trends and business risks.

4. This announcement contains inside information on J D Wetherspoon plc.

5. The current financial year comprises 52 trading weeks to 29 July 2018.

6. The next trading update is expected to be the Company's interim results statement on 16 March 2018.

<u>Appendix 1 – Tim’s Viewpoint, Wetherspoon News, Winter 2017/18</u>

“Parliament can REDUCE food prices by AVOIDING a deal with the EU and voting to end tariffs, says Tim Martin

Don’t believe the hype — more democracy, lower food prices and savings of £200 million per week just need MPs’ assent

Abraham Lincoln said that you cannot fool all the people all the time, but some cynics are determined to prove him wrong, at least where post-Brexit food prices are concerned.

The EU is mistakenly regarded as a free trade organisation, but most imports from the 93 per cent of the world which is not in the EU are heavily taxed – by imposing so-called ‘tariffs’.

The UK is due to leave the EU in March 2019.

Then, in the absence of a ‘deal’ with the EU, the government has the power to take the ‘free trade’ approach and abolish tariffs from non-EU countries.

The UK would not be the first to do so: the Aussies, Kiwis and Singaporeans, for example, have followed the low or no-tariff approach for years, and their economies have thrived.

According to World Trade Organisation (WTO) rules, which apply in the absence of a deal, abolishing tariffs for non-EU countries means that food imports from the EU, as now, must also be tariff-free, since the rules do not allow discrimination.

Some diehard Remainers are trying to delay our departure from the EU for as long as possible and advocate a ‘transitional deal’, which means, in effect, that we would stay subject to EU laws for at least a further two years, until 2021 – about five years after the referendum.

The fact which frightens the daylights out of the diehards is that food prices in shops and pubs will actually be lower on leaving the EU without a deal in March 2019, if we adopt free trade, since there will no longer be tariffs on food imports from non-EU countries – nor will there be tariffs from EU countries, in that case.

Wetherspoon has calculated that leaving without a deal would result in food prices in our pubs falling by an average of about 3.5 pence per meal and bar prices falling by about 0.5 pence per drink. Similar reductions are likely for supermarket purchases too. For example, the current EU tariffs on popular Aussie wines would come to an end.

As a result, in spite of what the cynics say, no deal, combined with free trade, would result in lower food prices, and we also save the £200 million a week in EU contributions, which government lawyers have repeatedly told us there is no obligation to pay.

Everyone knows that the realisation that food prices could be lower without a deal is the death knell for the image of the EU as an organisation which promotes itself as favouring free trade and prioritising the welfare of its citizens.

So, a breathtakingly dishonest campaign has been waged by an elite, mostly graduates of Oxford or Cambridge University – each of which receives over £60 million in annual EU funding.

An example (see opposite page) is the Sunday Times headline: ‘Sainsbury’s boss David Tyler warns a ‘no deal’ Brexit would raise the cost of shopping’.

According to Tyler, the UK could face an average tariff of 22% on foodstuffs we import from the EU.

I’m afraid, Mr Tyler, that that is an outright fib. Even if the government were to decide not to opt for free trade and to impose retaliatory tariffs on the EU, the average tariff would be far lower than you say.

Perhaps Tyler (Cambridge University) and the journalist (Oxford University) didn't understand WTO rules and forgot to mention that 'no deal' and the free trade option would result in lower food prices than we have today? You can decide, dear reader.

A Guardian editorial (Editor, Katharine Viner, Oxford University) of 7 July made the same misrepresentation:

"… no deal would mean a reversion to WTO rules… It would mean, as Monsieur Barnier points out … customs duties of 29% on drinks, and an average of 12% on meat and fish." Wrong, Ms Viner.

The Guardian must surely favour the lowest-possible food prices, and those are obtainable by a combo of no deal and the free trade option. Contrary to what you say, food prices would actually fall.

The same misinformation was peddled in a Financial Times interview in October 2016, in which Henry Mance (Oxford University) interviewed Nick Clegg (Cambridge University). The headline, 'Clegg warns 'hard Brexit' will lead to 22% EU food tariffs', says it all. How could you mislead the public so, gentlemen?

Another scare story in the Evening Standard quoted the British Retail Consortium and its chairman, Richard Baker (Cambridge University): "… failure to reach a trade deal … would see tariffs of 12% slapped on clothes … and up to 27% on meat … Chilean wine would be hit by a 14% levy … meaning higher prices for consumers." Do you believe in free trade, Richard, or are you really a closet protectionist?

A final example involves a spate of articles in various newspapers, quoting an organisation called the Resolution Foundation.

Its appallingly biased 'Key Findings', widely reported, are that "in a no-deal scenario … tariffs on footwear, beverages and tobacco will rise by 10 per cent … tariffs on dairy products by 45 per cent and by 37 per cent for meat products."

The director of Resolution Foundation is Torsten Bell (Oxford University), formerly an adviser to arch Remainer Ed Miliband (Oxford University).

Project Fear failed in the referendum, and Project Food Price Spiral is also destined to fail.

The associated attempt to persuade the public to stay in the undemocratic EU and accept a transitional deal is a scam – around 90 per cent of companies in the UK do no trade with the EU anyway.

Even those, like Wetherspoon, which do so, don't need two extra years.

We're ready to leave tomorrow, in reality, and little or no preparation is needed.

The groupthink and bias of the elite minority are stunning.

More democracy, lower food prices and savings of £200 million per week are the attainable realities.

We'll all drink to that, surely…"

Examples of misleading media stories promoting the food price-rise myth:

1: The Sunday Times, Sunday 15 October 2017

"Sainsbury's boss David Tyler warns a 'no deal' Brexit would raise the cost of shopping

Families will have to pay more for their weekly shop if Britain leaves the EU without a trade deal, the chairman of Sainsbury's has warned.

David Tyler said customs delays and tariffs would add to the costs facing shoppers. His warning comes after Theresa May said she was making plans for a "no deal" Brexit, which would see Britain trading with the EU under World Trade Organisation rules.

"If we don't get a deal and we move to WTO rules, we could face an average tariff of 22% on foodstuffs we import from Europe," Tyler said.

Under current customs arrangements, a lorry leaving Italy early in the morning would be able to deliver to Sainsbury's in time for the food to be on shelves the following day.

"There is considerable worry about wastage," he said, warning that trucks could face delays leaving French ports and again on reaching Britain.

Hauliers have warned that delays in cross-Channel trade could place Britain's supply chain under pressure, potentially leaving supermarkets short of food and manufacturers without vital components.

"The resilience of the supply chain is about one week," said James Hookham of the Freight Transport Association."

2: The Guardian, Editorial, Friday 7 July 2017

"The Guardian view on Brexit and business: speaking for Britain

A deal is better than no deal. No deal would mean a reversion to WTO rules on trade between the EU and the UK. Among other things, it would mean, as Mr Barnier points out, that there would be customs duties of almost 10% on vehicle imports, of 19% on drinks, and an average of 12% on meat and fish. These would be hugely disruptive shocks with major economic and social repercussions. Those repercussions would likely be worse for Britain than the EU. Mrs May would be crazy to take the economic and political risks. But that is where she is still heading."

3: The Financial Times, Monday 17 October 2016

"Clegg warns 'hard Brexit' will lead to 22% EU food tariffs

Britain will face average tariffs of 22 per cent on its food imports from the EU, unless it remains within the single market or strikes a bilateral trade deal following Brexit, the former deputy prime minister Nick Clegg has warned.

The analysis counters calls from Conservative backbenchers that Britain should fall back on World Trade Organisation rules to strengthen its bargaining position with the EU. The chairman of the foreign affairs select committee, Crispin Blunt, has said WTO rules would provide a "perfectly sound bottom line for the UK in the negotiations".

Food prices hit the headlines last week, when Unilever products, including the spread Marmite, briefly disappeared from the website of retailer Tesco after a dispute over which company should bear the cost of the falling pound.

Mr Clegg is calling for Britain to remain within the EU single market and to seek an interim deal based on Norway's status. Theresa May has not ruled out a transitional arrangement with the EU, or contributing to the bloc's budget, as Norway does.

Without a trade deal or interim arrangement, the UK's exports to the EU would be subject to the latter's terms at the World Trade Organisation. Those specify average tariffs of 2 per cent on non-agricultural products, but 22.3 per cent on agricultural products, Mr Clegg said.

Applicable tariffs would include 40 per cent on cheese.

The same levies would apply to UK imports from the EU, assuming, as Liam Fox said last month, that the UK would “continue to uphold” the EU’s most favoured nation tariffs. Applicable tariffs would include 13 per cent on salmon, 14 per cent on wine, 40 per cent on cheese and 59 per cent on beef. The rates must apply to all countries outside the customs union, unless a free-trade agreement is in place.”

4: Resolution Foundation, Director Torsten Bell, Tuesday 17 October 2017

“Changing Lanes: The impact of different post-Brexit trading policies on the cost of living

The issue of trade has returned to the frontline of British policy making and politics for the first time in 40 years, but little has been said about what the impact of changes in the UK’s trade regime could be on living standards. This paper aims to fill that gap by looking at what impact two “no deal” Brexit scenarios could have on prices and living standards.

If the UK reverts to most-favoured-nation (MFN) tariffs with the EU under a “no deal” Brexit scenario, then tariffs on clothing, footwear, beverages and tobacco will rise by 10 per cent. Tariffs on dairy products will rise by 45 per cent and by 37 per cent for meat products.

Tariff changes will feed through into consumer prices. As a result of reverting to MFN tariffs with the EU we estimate the price of clothing will rise by 2.4 per cent, and the price of transport vehicles will rise by 5.5 per cent. Prices will rise even more for food products. The prices of dairy goods will rise by an average of 8.1 per cent and by 5.8 per cent for meat products.

Overall such price rises will have a significant impact on consumer spending. Annual spending for the average family could rise by around £260. However this is just an average effect. Some households would experience more significant price rises; 3.2 million households would see price rises of £500 or more. There is also evidence that poorer households and less affluent parts of the country will be harder hit.

If we leave the EU without a free trade agreement some have argued that the UK should unilaterally reduce all tariffs to zero. Our analysis indicates that should the country do this the benefits to consumers would be low. Across those goods affected by the tariff cuts prices would fall by just 1 per cent. Aside from the fact that unilateral tariff elimination would give up the UK’s best leverage in future trade negotiations, it is also likely that some sectors and parts of the country would struggle to adjust to a sharp increase in competitive pressure.

While business and industries should not necessarily be shielded from such competition, it is important that the government is aware of where job losses may occur. The evidence suggests that 1.4 million people are employed across all the sectors that could be affected by trade liberalisation and that the majority of these are in rural areas and in the Midlands and the North.”

Appendix 2 – BRC Press Release

December 26, 2017

“SHOPPERS TO LOSE OUT IF UK DOESN’T ADOPT EU GLOBAL TRADE DEALS

New evidence from the BRC shows the importance to UK consumers of maintaining the benefits of trade deals the EU has negotiated with other countries.

As a member of the EU, the UK currently benefits from zero or low rate tariffs on various imports from trade deals that the EU has negotiated with third countries. From the day after the UK leaves the EU, on 30 March 2019, it will no longer be covered by these international agreements, so imported goods will be subject to higher tariffs and potential customs barriers. For consumers this means higher prices.

Using import data from UK retailers, the BRC has identified the countries where negotiating replica trade agreements will make the most difference to ensure prices don't rise immediately on exit. These deals are particularly important for the price of food and clothing for UK shoppers. For instance, in the event of a no deal, the tariff on clothing from Turkey, a major supplier to the UK, could rise from zero to 12 per cent, and fish from Iceland from 3.4 to 11 per cent.

Andrew Opie, Director of Food & Sustainability at the British Retail Consortium said:

“While securing a deal with the EU to enable tariff-free trade to continue remains the priority, the deals the EU has negotiated with countries around the world also contribute to the choice and affordability of goods that UK shoppers purchase every day. People need reassurance from Government that these deals will be transferred in time to ensure that UK consumers don't lose out.

“New or higher tariffs inevitably mean consumers would face higher prices in their everyday shop, as staple products such as fruit, vegetables, fish, and clothing would be hardest hit. Price increases of any scale would add to the burden of hard-pressed consumers whose finances are already being squeezed by inflationary pressures.

“Now that an agreement has been reached to move the negotiations on to trade, the focus must be on securing the continuity of free trade with Europe, alongside replicating these existing agreements with countries outside of the EU. These are the crucial next steps that Government needs to take to avoid a cliff-edge situation on Brexit day and to deliver a fair Brexit for consumers.”