

12 July 2023

J D WETHERSPOON PLC

Pre-close trading update

J D Wetherspoon plc (the “company”) today publishes a pre-close trading update. The preliminary results are due to be released on 6 October 2023.

Current Trading

Like-for-like sales for the first 10 weeks of the final quarter of our financial year increased by 11.0%, compared to the same period in the last full financial year before the pandemic, which ended on 28 July 2019 (FY19). Year-to-date (YTD) sales increased by 7.4% compared to the same year.

Compared to FY22, like-for-like sales increased by 11.5% in the fourth quarter to date and by 12.9% YTD.

Property

In the financial year-to-date, the company has opened three pubs and sold, closed or surrendered to the landlord 28 pubs.

15 of these pubs were leasehold, where the lease had expired, or where the company had exercised a ‘break clause’ in the lease.

In respect of 12 of these 15 leasehold pubs, the company had another pub nearby - within a radius of about one mile.

As regards the remaining 13 pubs, 11 of these also had another Wetherspoon pub nearby.

There was a net cash inflow of £6.5 million from the 28 disposals.

The disposals outlined above have been characterised in a small number of newspaper articles as a “money-raising” exercise, provoked by the difficult trading circumstances for the hospitality industry in recent years. This is a misinterpretation.

In fact, the disposals have raised relatively modest amounts (although every little helps) and almost all are related to circumstances, as outlined above, where there is another Wetherspoon pub nearby.

22 pubs remain on the market, or are under offer. The company currently has a trading estate of 827 pubs.

Financial Position

As at 9 July 2023, net debt was £688 million, approximately £114 million lower than we reported in our interim results for FY20, immediately before the pandemic - since then, the company has invested £116 million in new pubs, £82 million in freehold reversions and has raised equity of approximately £240 million.

As previously reported, the company sold a number of interest rate swaps in the first quarter of this financial year, raising £169 million before tax. In addition, as in the last financial year, the company’s free cash flow this financial year is anticipated to be substantially in excess of its profit before tax.

The company currently has financial headroom of £289 million.

For the period of the pandemic, the company received waivers in respect of its banking covenants from its banking syndicate and in respect of a US Private Placement.

The company anticipates that the waivers will no longer be required as at the end of the current quarter.

The company is grateful for the cooperation and flexibility of the lending institutions, and of our financial advisers, during the pandemic, especially in respect of the waivers.

Covid-19

The UK economy is at a crossroads now, following the various lockdowns and restrictions.

Some witnesses to the government's official UK Covid-19 Inquiry, including the former health minister Matt Hancock, appear to believe that tougher lockdowns and restrictions might have produced better results.

In our view, this is contrary to the evidence. Peru, for example, which had the longest and harshest lockdown, appears to have had by far the worst outcome.

In contrast, Sweden, which did not lockdown, had superior results to the UK and to many, if not most, countries.

These issues were discussed by Professor Francois Balloux in The Guardian and Professor Robert Dingwall in The Telegraph, following the publication of a World Health Organisation report in 2022 (see link: <https://www.jdwetherspoon.com/~media/files/pdf-documents/events-2023/wetherspoon-news-summer-articles-trading-statement.pdf>).

There is a legitimate question as to whether the Covid Inquiry, through its terms of reference, and through the amassing of a colossal amount of evidence, taking years to assimilate, will result in the obfuscation of the essential question as to whether the lockdowns and restrictions produced beneficial outcomes, and whether they had positive effects on health, even disregarding wider economic factors.

Price, Quality and Myths

Since Wetherspoon prices are lower than average, some commentators assume that quality or service standards will also be lower than average.

However, in the crucial area of beer quality, for example, Wetherspoon has more pubs (200) listed in CAMRA's Good Beer Guide 2023 than any other company.

This is also reflected in inspections carried out by Cask Marque, an organisation run by small and regional brewers, which aims to promote high real ale standards in pubs. We receive approximately 1,800 visits a year from Cask Marque experts, with over 99% of our pubs gaining the Cask Marque accreditation, the highest, we believe, of any pub company.

Wetherspoon also has the best results of any substantial hospitality company in respect of local authorities' "scores on the doors" schemes, run by environmental health officers - which are designed to reflect adherence to cleanliness and health legislation.

In this respect, Wetherspoon has 762 pubs listed on the government's Food Standards Agency website and our average score is 4.99 out of a maximum 5. 99.1% of our pubs have achieved the maximum score.

Another urban myth, occasionally reflected in social media comments, is that Wetherspoon has below-average employment standards.

In fact, Wetherspoon has recently been recognised as a Top Employer United Kingdom 2023 by the independent Top Employers Institute, for the 18th time.

In this area, for example, Wetherspoon, awards free shares to all participating employees, subject to a qualifying period.

Since the free-share scheme was introduced in 2006, 23.4 million shares have been awarded, which equates to 18.2% of all the shares in existence today. 14,000 employees were awarded free shares in March 2023.

Another related urban myth, sometimes repeated by City analysts, is that Wetherspoon does not attract customers in higher income groups.

In fact, a recent survey by market researchers CGA indicates that the average income of Wetherspoon customers is 7% above that of the average 'high street pub consumer'.

As regards misinformation generally, Wetherspoon took issue with a number of false reports which appeared in the mainstream media, during the pandemic, and received corrections or apologies from a wide range of publications. These have been collated and can be read in "Does Truth Matter?", a Wetherspoon publication which is available online (see link: https://www.jdwetherspoon.com/~media/files/pdf-documents/wetherspoon-news/does-truth-matter_.pdf)

Tax

The company estimates that it, its customers and employees will generate total taxes for the Treasury of approximately £775 million in FY23, compared to £663 million in FY22.

Outlook

The chairman of JD Wetherspoon, Tim Martin, said:

"The company expects profits in the current financial year to be in line with market expectations.

"As a result of a continued improvement in sales and a slightly reduced expectation for cost increases, for example energy costs, the company anticipates an improved outcome for the next financial year, and anticipates an outcome for the first half of FY24 approximately in line with the second half of FY23."

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Notes to editors

1. J D Wetherspoon owns and operates pubs throughout the UK and Ireland. 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. The person responsible for arranging release of the announcement on behalf of the Company is Ben Whitley, Finance Director.
5. The current financial year comprises 52 trading weeks to 30 July 2023.
6. The next trading update is expected to be the Company's final results announcement on 6 October 2023.