22 January 2025

J D WETHERSPOON PLC

Trading Update Announcement

J D Wetherspoon plc (‘Wetherspoon’ or ‘the company’) announces an update on current trading, before entering its close period for its interim results, for the six months ending 26 January 2025, which are expected to be announced on 21 March 2025.

Current trading

In the 25 weeks to 19 January 2025, like-for-like (LFL) sales were +5.1% higher than the same period a year ago. Bar sales increased by +4.5%, food by +5.6% and slot/fruit machines by +11.7%. Hotel room sales decreased by -6.5%.

LFL sales for the last 12 weeks of the 25-week period (the second quarter of the financial year) were +4.6% higher than the same period a year ago.

Total sales have grown by +4.0% in the year to date – slightly less than LFL sales, due to a small number of disposals (please see ‘Property’, below).

LFL sales for the main Christmas period, the three weeks from 16th December 2024 to 5th January 2025, were +6.1%.

Financing

Interest costs for FY25, excluding IFRS 16 notional interest, are expected to be around £47 million (2024: £53 million).

Debt levels at the end of FY25 are currently expected to be between £680 million and £700 million (FY24: £660 million).

Property

In the year-to-date, the company has opened two pubs - in Marlow, Buckinghamshire and at London Waterloo station.

The company plans to open a total of nine pubs in the year, including sites at London Bridge station, Fulham Broadway underground station, Manchester Airport, Beaconsfield, Wetherby and Bath.

In addition, a further 4 franchised pubs will open at Haven Holiday Parks, bringing the total number of franchises to 7.

The four new pubs will be located at Cleethorpes Beach in Lincolnshire; Devon Cliffs in Devon; Kent Coast in Kent and Haggerston Castle in Northumberland.

Six pubs have been sold in the year, giving to rise to a cash inflow of £4.1 million. The company currently has a trading estate of 796 pubs.

Outlook

Wetherspoon chairman Tim Martin said:

“From 1 April 2025 labour-related costs at Wetherspoon will increase by around £60 million per annum.

“Government-mandated wage increases have a significantly bigger impact on pub and restaurant companies than supermarkets. Please see an article on this subject in a recent edition of pub-trade publication, Propel (appendix 1).

“As previously highlighted, supermarkets pay no VAT in respect of food sales, whereas pubs pay 20%. This tax advantage allows supermarkets to subsidise the price of beer they sell.

“A direct consequence, as Morgan Stanley have recently calculated (please see appendix 2), is that beer volumes in the on-trade (mainly pubs, clubs and restaurants) have decreased by an incredible 52% between 2000 and 2023.

“It is a clear principle of taxation that taxes should be fair and equitable, as between different types of companies. The VAT distortions that exist today will inevitably create more supermarkets and less pubs.

“Given the public’s love of pubs, the only possible explanation for this tax discrepancy is that prime ministers and other legislators, in the 45 years since Wetherspoon started trading, have been dinner party goers, rather than pub goers.

“Food at dinner parties is VAT-free, subsidised by the legendary “man on the Clapham omnibus”, who has fish and chips at his local pub.

“Wetherspoon therefore calls upon Sir Kier Starmer to redress this imbalance, thereby striking a blow for tax equality and ending discrimination in favour of dull (yawn, yawn) dinner parties.

“The company is confident of a reasonable outcome for the year, although forecasting is more difficult, given the extent of the increased costs.”

Appendix 1 - The strange death of UK pubs by Sir Tim Martin (Propel Opinion, 14 November 2024)

About a dozen years ago, an intrepid Frenchman called Jacques Borel arrived in the UK, offering his services to redress the tax inequality between pubs and restaurants on the one hand, and supermarkets on the other.

He had previously campaigned, with great success, in numerous countries, obtaining large tax reductions for the hospitality industry. Pubs, Jacques said, paid 20% VAT on food sales, whereas supermarkets paid nothing, enabling supermarkets to subsidise the selling price of beer, wine and spirits. The result: an ever-widening price disparity.

Indeed, in the previous 40 years, before Jacques' campaign, pubs' and clubs' share of beer volumes, for example, had declined from about 90% to about 50% in the UK. In fact, that decline in market share has continued, as Jacques foresaw, and market share is now about 40%.

JD Wetherspoon was right behind Jacques' campaign, and so were the family brewers. However, revealing a strange and perverse aspect of human nature, most boardrooms of big pubcos remained neutral – and some were actively hostile to the tax equality campaign.

For example, I wrote to Rooney Anand, chief executive of Greene King at the time, asking him to support Jacques, but didn't even receive a reply – even though Wetherspoon was probably Greene King's biggest customer, as a result of our long-term stocking of Ruddles bitter and Abbot Ale.

Ted Tuppen, of Enterprise Inns, possibly the UK's biggest pub company at the time, was even more hostile – he appeared reluctant to join any club of which Wetherspoon was a member. Even the esteemed then editor of the Morning Advertiser (not the sainted owner of Propel) refused support, stating mysteriously that Jacques was "having a bad game".

Wetherspoon further incurred the wrath of Anand and Tuppen by commissioning formal market research among Greene King and Enterprise tenants – unsurprisingly, more than 90% supported Jacques' campaign. However, without the vociferous support of the major pubcos, the campaign was doomed to failure, and it duly petered out after a few years.

In the absence of tax equality, supermarkets' share of beer, wine and spirit sales will inevitably continue to increase at the expense of pubs, as Jacques said at the time. However, a second Sword of Damocles, in the guise of far higher labour costs, has further eroded the competitiveness of pubs in the last decade or so.

Today, the average price of a pub pint is £4.98. If we take off VAT and use the labour percentage of Mitchells & Butlers, the biggest managed pub company (35%, I calculate, from its latest annual report), the labour cost per pint for pubs is about £1.45.

Therefore, a 10% increase in the labour cost pushes up the price of a pint by about 14.5 pence in a pub. However, labour increases cause far less customer price inflation for the supermarket pint.

On the basis of the average pint price being about £1.20 at supermarkets (Carling is £1.08 a pint at Tesco and Abbot Ale is £1.55, according to my arithmetic) and, using Tesco's much lower labour cost of 11% of sales (the ex-VAT supermarket pint costs £1: labour at 11% = 11p), a 10% increase in labour costs results in a modest 1.1 pence increase for the customer.

And that's not all – pubs pay far higher business rates, at about 25 pence per pint versus about two pence for supermarkets. This combination of tax inequality and entrenched labour cost increases is an increasingly heavy burden, as the years go by, on pubs, restaurants and the on-trade generally.

The conclusion must be that Jacques Borel was right all along. Unless tax inequality is eliminated, pubs and the on-trade will continue to lose market share, as customers react to the widening price gap.

Unfortunately, it seems clear that most pubco directors do not understand the basic economics of tax inequality, or, if they do, they simply cannot be bothered to try and redress the balance.

In "The Strange Death of the Liberal Party", George Dangerfield, writing in 1935, reflected on the reasons behind that party's precipitous decline. Unless pubcos and trade organisations campaign for, and achieve, tax equality, it is likely that a similar book will be written about pubs a century later.

Appendix 2 – Extract from Morgan Stanley research – Economies of Ale: Best Pubs In a Tough Neighbourhood, 4 December 2024

"Beer remains the largest individual product for most pub operators at ~40% of industry sales. On-trade beer volumes have been in consistent decline for decades, shrinking 52% 2000-2023 (-36% per pub), a -3% CAGR (-2% per pub), with consumers increasingly preferring to buy beer from the supermarket where prices are much cheaper."

Ends.

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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 on J D Wetherspoon plc.

5. The current financial year comprises 52 trading weeks to 27 July 2025.

6. The next trading update is expected to be the Company's interim results statement on 21 March 2025.