

**24 August 2020**

**J D WETHERSPOON PLC**

### **UPDATE ANNOUNCEMENT**

J D Wetherspoon plc (the "Company") today publishes an update announcement. The preliminary results are due to be released on 9 October 2020.

#### **Current trading**

Apart from a small number of development sites, and pubs in airports and stations, Wetherspoon reopened all its pubs in England, Scotland and Wales as soon as permitted.

Some airport and station pubs have now reopened, but some remain closed. 844 pubs are now open, out of a total of 873.

LFL bar and food sales are -16.9% for the 44 days to 16 August 2020.

Sales have gradually improved, with a rapid acceleration recently, largely due to subsidised food, coffee and soft drinks in the early part of the week.

Sales have also been helped by the addition of extra outside seating.

Landlords, landowners and local and licensing authorities have been extremely flexible in accommodating extra outside space - which has helped Wetherspoon and the licensed trade generally.

The company nonetheless expects a period of more subdued sales once the scheme for subsidised early-week meals and drinks ends.

#### **VAT**

The 'on-trade' (mainly pubs and restaurants) has been the subject of a much more onerous tax regime in recent decades than the 'off-trade' (mainly supermarkets). Pubs and restaurants have been paying VAT on food sales of 20% and supermarkets zero.

In addition, pubs have been paying about 20p per pint of business rates versus about 2p for supermarkets.

This tax differential has created an increasing gap between on-trade and off-trade pricing, as VAT rates increased from 8% 40 years ago to 20% today.

Supermarkets appear to have used their VAT advantage in respect of food to subsidise lower beer prices, in particular, and have taken approximately half of pub beer sales in that period.

Pubs, restaurants, cafes and coffee shops are integral to the success of high streets.

As well as benefitting high streets and the public, tax equality would make general economic sense – it is an important principle of taxation that taxes should be fair and equitable.

It makes no sense for supermarkets, often operating outside town centres, to have a tax advantage. The Chancellor, Rishi Sunak, has recently closed the VAT gap between the on and off-trade, by temporarily reducing VAT on food sales in the on-trade to 5%.

If this major step towards tax equality is maintained in the long term, it will result in a significant increase in investment and employment in the on-trade.

## **Property**

Since the beginning of July the Company has opened two new pubs, in Crossgates, a suburb of Leeds and in Kingswinford in the West Midlands.

## **Financial position**

The Company remains in a sound financial position. Net debt at the end of the last financial year is estimated to have been about £825m.

Since the closure of pubs in March 2020, the Company has received a waiver of bank covenants for April and July 2020.

In addition, a share placing raised £141 million and a £48.3 million loan was agreed under the government loan (“CLBILS”) scheme.

The Company proposes to enter discussions with its lenders regarding waivers for the current financial year, in due course.

## **Misrepresentations**

The Company was the subject of a large number of harmful media misrepresentations in the aftermath of lockdown.

The issue was taken up with various media organisations, and corrections and apologies were forthcoming from, among others, The Times, The Daily Mail, The Independent, The Mirror, The Sun, Forbes, the BBC, Huffington Post, Sky News and local newspapers.

The corrections, available at the time it went to press, were published in the last edition of Wetherspoon News, which has been available in all Wetherspoon pubs.

The Company is particularly concerned about Twitter comments made by Jo Stevens (MP for Cardiff Central) and Rachel Reeves (MP for Leeds West) – neither of which has been deleted.

Jo Stevens said (25 March, 2020) that “after a session in front of Rachel Reeves and BEIS Wetherspoons have u-turned on decision not to pay 43,000 staff”.

As both Jo Stevens and Rachel Reeves know, Mr Martin never appeared in front of the BEIS (Business, Energy and Industrial Strategy) committee, chaired by Rachel Reeves, and never ‘u-turned’, since no decision was ever made not to pay staff.

In a separate Twitter comment, (24 March, 2020) Rachel Reeves said Wetherspoon “refused to pay its 40,000 employees” and “refused to lockdown altogether”. Both these statements by Reeves are completely untrue.

More recently, the Guardian (Philip Inman, 17 August, 2020) ran a headline, apparently based on allegations regarding one pub (The Fox on the Hill, London SE5) that “overcrowding in Wetherspoon pubs may lead to [a] Covid spike”, and said that that “pubs will become a breeding ground for the next surge in the virus”.

The Guardian quoted Helen Hayes (MP for Dulwich and West Norwood) who said that Wetherspoon is “putting lives at risk” and is “allowing overcrowding”.

These statements are irresponsible and untrue.

Wetherspoon has made strenuous efforts to adhere to government regulations and guidance.

Covid-19 operating plans have been developed for all countries in the United Kingdom, as well as Ireland.

Each pub has a specific Covid-19 risk assessment and an occupancy level based on the number of seats, so that all customers can be seated.

Tables have been spaced out to comply with social distancing requirements at all pubs.

The company has also installed floor screens between the tables and “till surround” screens at the bar.

There is an average of ten hand sanitiser stations around each bar area, as well as additional stations ‘back of house’ for staff.

Training has been provided for all staff on the safety procedures.

In the week ending 16 August nearly a million (912,688) customers across the company registered their “Test and Trace” details using either the paper or digital (QR) systems in place in all pubs. Bearing in mind that only one customer from each group needs to register, these numbers indicate that the systems are effective.

As a result of the Guardian article, the Fox on the Hill received separate visits from the Police, the licensing authorities and public health officials.

Following these investigations, the company received the following email on 21 August 2020 from an official at the London Coronavirus Response Cell:

“I am writing to confirm that we are satisfied following our risk assessment of the infection control measures you have in place at Fox on the Hill, and recommend no further action be taken with regard to the recent anonymous tips you received of there being COVID-19 positive people in the pub.”

During the Leveson Inquiry, MPs made it abundantly clear that journalists have a duty to correct misleading statements. MPs clearly have a duty to uphold the same principles themselves.

## **Outlook**

The chairman of Wetherspoon, Tim Martin, said:

“There is a debate in the scientific community, and among observers and commentators, as to whether lockdowns are beneficial in battling Covid-19.

“Many academics, including Nobel Prize winner Michael Levitt of Stanford University and Swedish government adviser Johan Giesecke, believe that they are not - and that social distancing, combined with rigorous handwashing are the practises for which there is genuine scientific evidence.

“Johan Giesecke explained his arguments in a short interview on Sky News Australia on 29 April 2020 (see transcript below, appendix 1), which can be viewed on YouTube. He correctly anticipated the problems of renewed outbreaks in countries placing excessive reliance on lockdowns.

“The debate is riven with rancour and political factionalism, but I believe, on the balance of the arguments, that avoiding full lockdowns and adopting the Swedish approach, is the better solution. I have written an article on this subject, which has appeared in the pub trade press (Appendix 2, below).

“Wetherspoon had 5 positive tests for Covid-19 among its 43,000 staff before lockdown and has had 24 positive tests since pubs reopened on 4 July – since reopening, the amount of testing has substantially increased.

“Other environments seem to have higher levels of infection. For example, one sandwich-making facility in Northampton had 287 positive tests among its workforce, and one farm in Hereford had 77 cases.

“Some experts, such as Professor Hugh Pennington of Aberdeen University, believe that pubs are major centres of infection, but they have provided no evidence - in fact, our experience suggests otherwise.

“If Professor Pennington has evidence he should publish it, so that it can be peer-reviewed, as is standard practise among scientists.

“Risk cannot be eliminated completely in pubs, but sensible social distancing and hygiene policies, combined with continued assistance and cooperation from the authorities, should minimise it”.

“The Company expects to make a loss for the year ending 26 July 2020, both before and after exceptional items. Some of these exceptional items will be related to the Covid pandemic.”

#### **Appendix 1 – Transcript of interview, former Swedish chief epidemiologist Johan Giesecke, SKY NEWS AUSTRALIA – 29th April 2020**

**Question:** You’ve been a strong critic of the idea of lockdowns, Sweden has avoided these sort of lockdowns that we’re seeing here in Australia. Tell us your thoughts - are lockdowns the correct way to go?

**Johan:** You introduced me by saying that I would say that you got it all wrong. I don’t think you go it all wrong but you painted yourself into a corner and I’m watching with interest how you and 100 other countries will climb out of the lockdown, because I don’t think any government that I know gave a minute’s thought about how they would get out of the different lockdowns that are installed. Take the school closure for example, if you close the schools, when are you going to open them,

what's the criteria? I don't think anyone thought about that when the closure was decided on. Anyway, so Sweden doesn't have such a strict lockdown, there are a few things that are forbidden – the crowd can't be more than 50 people, at restaurants that are mostly open, there should be 5ft or 1.5 meters between the tables, you have to sit down to eat, there are a few things like that but rather mild things... there are very few laws and ordinances passed, you can go out without being stopped by the police and fined or threatened with prison and mostly we talk about trust... we trust the people - people are not stupid. That's... the basic line [in Sweden]. If you tell people what's good for them and what's good for their neighbours and other people, they do that. You take a restriction that's sensible and understandable, people will follow it.

**Question:** You said that you think the results are going to be similar across most countries regardless of the approach they've taken, can you take us through that?

**Johan:** There is a tsunami of a rather mild infection spreading around the globe and I think that's there's very little chance to stop it by any measure we take. Most people will become infected by this and most people won't even notice. We have data now from Sweden that shows between 98 and 99 percent of the cases have had a very mild infection or didn't even realise they were infected. So we have this spread of this mild disease around the globe and most of it is happening where we don't see it. It's among people that don't get very sick, spread it to someone else that doesn't get very sick and what we're looking at is a thin layer at the top of people who do develop the disease and even thinner layer of people that go into intensive care and then even thinner layer of people who die. But the real outbreak is happening where we don't see it.

**Question:** So.....you're saying that at some point pretty much everybody is going to get this disease to some degree or another. Here in Australia we've done an incredibly good job suppressing it. I'm wondering do you think we've done too good a job, is it possible to do too good a job suppressing it in the early stages such that you won't ever be able to take the foot off the break on your restrictions to get the disease just to a manageable flow of cases that the health system, which we were told this was all about preparing for that, be allowed to handle the cases as they come through.

**Johan:** Yes... one point is to flatten the curve a bit so that the health care isn't overused. You may succeed, and New Zealand may also succeed, but I've been asking myself when New Zealand or Australia has stamped out every case in the country, what do you do for the next 30 years. Will you close your borders completely? Quarantine everyone who is going to Australia or New Zealand? Because the disease will be out there. I don't know how you are going to handle that. That's your problem.

**Question:** You've said you think in most countries regardless of the measures we take, eg. Taiwan has been very successful and other countries like Italy have been disaster cases, but you think at the end of the day they're all pretty much going to end up with the same fatalities, the same results, the same deaths regardless of what measures they took. Explain that.

**Johan:** Yes. Basically I think it will be the same because, like I said, the real epidemic is invisible and it's going on all the time around us. The other thing with a lockdown is when you open it, you will have more cases, so the countries who pride themselves in having a few deaths now, will get these deaths when they start lifting the lockdown.

**Question:** Tell us briefly about the Imperial College results that sparked this worldwide panic. You believe they were flawed, these were the initial results that were coming out and the modelling that was saying millions are gonna die. You thought that was flawed, tell us why.

**Johan:** Yes, there are a few procedural things... One is that the paper was never published which is normal scientific behaviour. The second thing it wasn't peer-reviewed, which means it wasn't looked upon by other people, which is also normal scientific procedure. So it was more like an internal departmental communication, a memo. And then the big mistake of the Imperial group was under-estimating the proportion of the very mild cases that would never be detected, that's the main thing with that prediction. And it's fascinating how it changed the policy of the world. The UK made a u-turn overnight [upon] the publication of the paper which is fascinating. So, yes, there were several other mistakes with the paper but it gets very technical to get into that.

**Question:** You mention that the overwhelming majority of people that get this disease have no symptoms or very minimal symptoms. Do we even know the real fatality rate of the coronavirus?

**Johan:** No. Well it's around 0.1%.

**Question:** We were told it was 3% initially, initially 2%, are you saying now that it's 0.1%, that's pretty much the same fatality rate as the regular flu isn't it?

**Johan:** I think it's a bit higher actually. I said before in Sweden that this is like a severe influenza. I don't think that's completely true – it will be a bit more severe than the influenza, maybe double but not tenfold.

**Question:** With all of the health care systems focusing on flattening the curve and being prepared for these waves of infection, which aren't necessarily coming because of the very restrictive measures, overall are we gonna see more people dying, we talked a little bit about this before on the show, of cancers, heart attacks, things like that, simply because they're too scared to go to the hospital because they think they won't get treated. Is there going to be other deaths that are going to be caused by our overweighting focus just on this one particular disease?

**Johan:** Could well be. The emergency rooms here in Stockholm have about 50% of the usual number of patients coming in, and one reason is probably that people are scared of contracting the disease when they go into hospitals, and another is that, I think, they say they can wait a bit until the thing is over.

**Question:** You've said the best policy, the correct policy, would be to simply protect the old and the frail. Is that correct?

**Johan:** Yes, and that's the Swedish model. It has... two pillars. One is only use measures that are evidence-based. And there are two that are evidence-based... one is washing hands... we've known that for 150 years since Semmelweis in Austria a long time ago. The other is social distancing. If you don't get too close to other people, they won't infect you. And the third may be trust people. People are not stupid, if you tell them what's good for them they will do what you say. You don't need soldiers on the street - and police. It's unnecessary.

END.

**Appendix 2 – Article by Tim Martin, MCA, 17 August 2020**

**THE ICE-COOL SWEDES ARE RIGHT**

The debate about Covid-19 has created fireworks and polemics between stay-insiders who, as commentator Christopher Snowden has said, “consider any relaxation of lockdown as tantamount to genocide”, and lets-go-outers, who laud Bjorn Borg, Volvo, ABBA and the more relaxed Swedish approach to the virus.

The public is intelligent and understands, to paraphrase Leonard Cohen, that both sides cannot be wrong.

The truth is out there somewhere, but is hidden in a fog by a lack of reliable information - and by political and tribal conflict in which heavily doctored evidence has become the norm.

A volte face by the advisory committee Sage, and the government, has added to the confusion. Sage said in March that it “was unanimous that measures seeking to completely suppress the spread of Covid-19 will cause a second peak”.

The committee and the government nevertheless u-turned and sought to suppress the virus, following the publication of disputed research by Imperial College which, according to the Swedish epidemiologist Johan Giesecke, was deeply flawed and “changed the policy of the world”, leaving the Swedes in isolation.

Professor Giesecke highlights three fault lines with Imperial’s research: it wasn’t published “which is normal scientific behaviour”, it wasn’t peer-reviewed “which is also normal behaviour”, and, most importantly, it greatly overestimated the severity of the infection by “underestimating the proportion of very mild cases.”

The UK public’s perplexity was further exacerbated by exhortations to “follow the science” - falsely implying that disputatious scientists had sunk their differences on the subject and were all promoting the same path.

As anyone running a business knows, experts and scientists promote all sorts of conflicting opinions and the true gift of leadership is to use common sense and debate to sift the wheat from the chaff. The same applies to politics: to govern is to choose, according to the political adage.

Thus many of us, supported by most world governments, followed the science and bought diesel cars - only to discover, after a few decades, that the science was cobblers.

Indeed, “following the science” has been particularly hazardous in the pseudo-medical area of dietary advice, for the last half century at least.

The main advice since the 1970s, swallowed whole by most commentators, academics and the medical profession, has been to avoid or minimise consumption of butter, cheese, eggs and full fat milk - unfortunately, it would seem, that advice has turned out to be utter cobblers too, as most people now know.

There has also been a consensus of medical advice that heavy exercise, let’s say a daily five mile run, is healthy, but that also turns out to be untrue for many people - a daily stroll may well be healthier, after all, it seems.

Risking opprobrium from what comedian Ricky Gervais calls the “outrage mobs”, many observers believe that the Swedes and let’s-go-outers are now building a winning position in this fractious debate - not through debating prowess or slogans, but because they’re right.

Sweden itself, having avoided a lockdown, is doing well, perhaps better than the UK, Spain and France - and the serious repercussions of the virus there appear to be on the wane.

Stay-insiders counter that Sweden's relative success is due to a less dense population. However, the US and France both locked down and both are far less densely populated than the UK, yet the severity of their experience with Covid-19 has been similar to ours.

Conversely, Singapore is far more densely populated, yet has had lower fatality rates. So an explanation based on population density makes no sense.

Swedish epidemiologists, like Johan Giesecke and Anders Tegnell, supported by an impressive cast of academics in the UK, the US and elsewhere, have argued that following the science means protecting the old and vulnerable, washing hands and social distancing - measures for which there is clear scientific evidence.

There is no evidence, they say, that lockdowns work - when you lift the lockdowns, the virus resumes its course, which is mild or asymptomatic in most cases. Indeed this prediction may explain a resurgence of cases in Australia and New Zealand, once restrictions were lifted.

However, lockdowns invariably cause massive collateral damage, devastating economies, inducing mental illness, reducing treatments for serious conditions and interrupting education.

In addition, if you suppress the virus in one country, as New Zealand has, the Swedes say, you must keep your borders closed indefinitely, which is not a practical proposition for a successful economy.

So for many of us, it seems likely that the ice-cool Swedes, who kept their heads while others were losing theirs, are right. However, as pragmatists, we don't blame the government for getting it wrong in backing the Imperial College horse, under the most excruciating pressure.

Ironically, since lockdown has ended, we've broadly followed a course the Swedes have advocated all along. As in medicine, business, sport, war or any other field of human endeavour, it's easy to make the wrong move and it's essential to zig zag to the right conclusion.

Most let's-go-outers believe that the government zigged in the wrong direction during lockdown - so now it's time to zag. Eventually, the fog will lift and we'll know for sure who's right.

END.

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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](http://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 25 July 2021.