

10 May 2023

J D WETHERSPOON PLC

Q3 Trading Update

J D Wetherspoon plc ('J D Wetherspoon' or 'the Company'), announces its Q3 trading update for the 13-week period up to 30 April 2023.

Current Trading

Like-for-like sales increased by 9.1% in the 13 weeks to 30 April 2023, 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 6.4% compared to the same year.

Sales in Easter week were the highest-ever for the company - and sales in the current financial year are likely to be a record.

Compared to FY22, like-for-like sales increased by 12.2% in the third quarter and by 12.7% YTD.

The last two weeks have included bank holiday weekends. The first weekend, a May bank holiday, was exceptionally strong, including our busiest-ever Saturday.

The second weekend, relating to the Coronation, was slightly less strong, with a noticeably quiet Saturday, possibly benefitting sales in the off-trade (mainly supermarkets) more than the on-trade (mainly pubs, clubs and restaurants).

Employment and Taxes

The company employed 42,839 people as at the end of the third quarter, an increase of 940 compared to the year-end FY19.

Wetherspoon, its customers and employees generated £764 million of taxes in FY19, approximately one pound in every thousand collected by the government in that year. For details, please see appendix 1 below.

Since sales in the current year are likely to be at record levels, taxes are also likely to be at a record high.

The employment and tax contribution of the hospitality industry to the UK economy is often underestimated, or ill-understood, by the political powers-that-be. In fact, the industry contributes far more in both areas than other, perhaps more glamorous, businesses.

Staff Retention

In order to encourage staff retention, especially important in the hospitality industry, the company has, for many years, offered free shares, subject to a qualifying period, and monthly financial bonuses, to all employees. Information in this area is provided in an extract from our interim results, in appendix 2 below.

Food Hygiene Ratings

As we also reported in our interim results, we now have 769 pubs rated on the Food Standards Agency's website. The average score is 4.98, with 98% of the pubs achieving a top rating of five stars. We believe this to be the highest average rating for any substantial pub company. In the separate Scottish scheme, which records either a 'pass' or a 'fail', all of our 59 pubs have passed. Please see appendix 3, below.

Free Enterprise

In the 1970s, usually regarded as a period of British economic underperformance, the need to encourage free enterprise was eventually acknowledged by all political parties and the recognition continued, to one degree or another, for several decades.

However, in recent years, the benefits of free enterprise have often been taken for granted by politicians.

For example, in the 1970s, problems relating to "mobility of labour", which disincentivized people from moving around the country for employment, and difficulties in obtaining planning permission for new businesses, were two of the main factors which were identified by the London Business School, and others, as impediments to UK economic growth.

The subsequent easing of planning restrictions enabled companies like Wetherspoon to convert redundant buildings into pubs - and the creation of a larger residential rental sector made it easier for people to move towns, if needed.

Political parties, apparently unaware of the likely economic consequences, are now considering a reversion towards 1970s-style rental restrictions.

Property

In the last quarter, the company opened one pub (YTD 3 pubs) and sold, closed or surrendered to the landlord 10 pubs (YTD 21 pubs). Most of the pubs were smaller and older, or where the company has a second pub in reasonably close proximity. There was a net cash inflow of £4.7 million from the 21 disposals.

30 trading pubs remain on the market, or are under offer. The company currently has a trading estate of 834 pubs.

Financial Position

As at 30 April 2023, net debt was £738 million, approximately £67 million lower than we reported in our interim results for FY20, immediately before the pandemic - since then, the company has invested £185 million in new pubs and freehold reversions and has raised equity of approximately £240 million.

The company had financial headroom of £241 million at the end of the quarter.

Outlook

The chairman of JD Wetherspoon, Tim Martin, said:

“Lockdowns and associated restrictions have had more profound and longer-lasting consequences than most economists, politicians and commentators predicted.

“Sales in the last quarter have continued their positive momentum, although inflation, especially in labour, energy and food costs, remains a more intractable issue.

“In order to bear down on inflation, political parties should encourage free enterprise, rather than a reliance on additional regulations. A lack of understanding, among some senior politicians, about the need to encourage a successful free market economy, presents a real threat to the future prosperity of the country.

“The company expects profits in the current financial year to be towards the top of market expectations.”

Appendix 1 – Extract from Wetherspoon’s Interim Report, 24 March 2023

How pubs contribute to the economy

Wetherspoon and other pub and restaurant companies have always generated far more in taxes than are earned in profits. Wetherspoon, its customers and staff, generated total taxes in FY19, before the pandemic, of £763.6 million. This equated to one pound in every thousand of UK government revenue.

In the financial year ended 31 July 2022, the company generated taxes of £662.7 million.

The table below shows the £5.6 billion of tax revenue generated by the company, its staff and customers in the last 9.5 years. Each pub, on average, generated £6.3 million in tax during that period. The tax generated by the company, during this 9.5-year period, equates to approximately 27 times the company’s profits after tax.

	2023 H1	2022	2021	2020	2019	2018	2017	2016	2015	2014	TOTAL 2014 to 2023 H1
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
VAT	177.1	287.7	93.8	244.3	357.9	332.8	323.4	311.7	294.4	275.1	2,698.2
Alcohol duty	81.3	156.6	70.6	124.2	174.4	175.9	167.2	164.4	161.4	157	1,433.0
PAYE and NIC	58.7	141.9	101.5	106.6	121.4	109.2	96.2	95.1	84.8	78.4	993.8
Business rates	26.4	50.3	1.5	39.5	57.3	55.6	53	50.2	48.7	44.9	427.4
Corporation tax	8.7	1.5	-	21.5	19.9	26.1	20.7	19.9	15.3	18.4	152.0
Corporation tax credit (historic capital allowances)	-	-	-	-	-	-	-	-	(2)	-	(2.0)
Fruit/slot Machine duty	7.6	12.8	4.3	9	11.6	10.5	10.5	11	11.2	11.3	99.8
Climate change levies	8.1	9.7	7.9	10	9.6	9.2	9.7	8.7	6.4	6.3	85.6
Stamp duty	0.7	2.7	1.8	4.9	3.7	1.2	5.1	2.6	1.8	2.1	26.6
Sugar tax	1.4	2.9	1.3	2	2.9	0.8	-	-	-	-	11.3
Fuel duty	0.9	1.9	1.1	1.7	2.2	2.1	2.1	2.1	2.9	2.1	19.1
Carbon tax	-	-	-	-	1.9	3	3.4	3.6	3.7	2.7	18.3
Premise licence and TV licences	0.3	0.5	0.5	1.1	0.8	0.7	0.8	0.8	1.6	0.7	7.8
Landfill tax	-	-	-	-	-	1.7	2.5	2.2	2.2	1.5	10.1
Employee support grants	-	(4.4)	(213)	(124.1)	-	-	-	-	-	-	(341.5)
Eat out to help out	-	-	(23.2)	-	-	-	-	-	-	-	(23.2)
Local Government Grants	-	(1.4)	(11.1)	-	-	-	-	-	-	-	(12.5)
TOTAL TAX	371.1	662.7	37	440.7	763.6	728.8	694.6	672.3	632.4	600.5	5,522.5
TAX PER PUB	0.44	0.78	0.04	0.53	0.87	0.83	0.77	0.71	0.67	0.66	6.30
TAX AS % OF NET SALES	40.52%	38.10%	4.80%	34.90%	42.00%	43.00%	41.80%	42.10%	41.80%	42.60%	37.16%
PROFIT/(LOSS) AFTER TAX	1.3	-24.9	-146.5	-38.5	79.6	83.6	76.9	56.9	57.5	58.9	204.8

Note – this table is prepared on a cash basis

IFRS 16 was implemented in the year ending 26 July 2020 (FY20). From this period all profit numbers in the above table are on a Post-IFRS 16 basis. Prior to this date all profit numbers are on a Pre-IFRS 16 basis

Appendix 2 – Extract from Wetherspoon’s Interim Report, 24 March 2023

Bonuses and Free Shares

As indicated above, Wetherspoon has, for many years (see table below), operated a bonus and share scheme for all employees.

Financial year	Bonus and free shares	Profit after tax ¹	Bonus and free shares as % of profits
	£m	£m	
2007	19	47	41%
2008	16	36	45%
2009	21	45	45%
2010	23	51	44%
2011	23	52	43%
2012	24	57	42%
2013	29	65	44%
2014	29	59	50%
2015	31	57	53%
2016	33	57	58%
2017	44	77	57%
2018	43	84	51%
2019	46	80	58%
2020	33	-39	-
2021	23	-146	-
2022	27	-25	-
2023 H1	15	1	1500%
Total	479	558	51.6%²

¹IFRS 16 was implemented in the year ended 26 July 2020 (FY20). From this period all profit numbers in the above table are on a Post-IFRS 16 basis. Prior to this date all profit numbers are on a Pre-IFRS 16 basis.

² Excludes 2020, 2021 and 2022.

Length of Service

The attraction and retention of talented pub and kitchen managers is important for any hospitality business. As the table below demonstrates, the retention of managers has improved, even during the pandemic.

Financial year	Average pub manager length of service (Years)	Average kitchen manager length of service (Years)
2013	9.1	6.0
2014	10.0	6.1
2015	10.1	6.1
2016	11.0	7.1
2017	11.1	8.0
2018	12.0	8.1
2019	12.2	8.1
2020	12.9	9.1
2021	13.6	9.6
2022	13.9	10.4
2023 H1	14.1	10.6

Appendix 3 – Extract from Wetherspoon’s Interim Report, 24 March 2023

Food Hygiene Ratings

Financial Year	Total Pubs Scored	Average Rating	Pubs with highest Rating %
2013	771	4.85	87.0
2014	824	4.91	92.0
2015	858	4.93	94.1
2016	836	4.89	91.7
2017	818	4.89	91.8
2018	807	4.97	97.3
2019	799	4.97	97.4
2020	781	4.96	97.0
2021	787	4.97	98.4
2022	775	4.98	98.6
2023 H1	769	4.98	98.0

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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 statement on 12 July 2023.