

# wetherspoon



## INTERIM PRESENTATION 11TH MARCH 2016

John Hutson – CEO  
Ben Whitley – FD

# Financial Summary

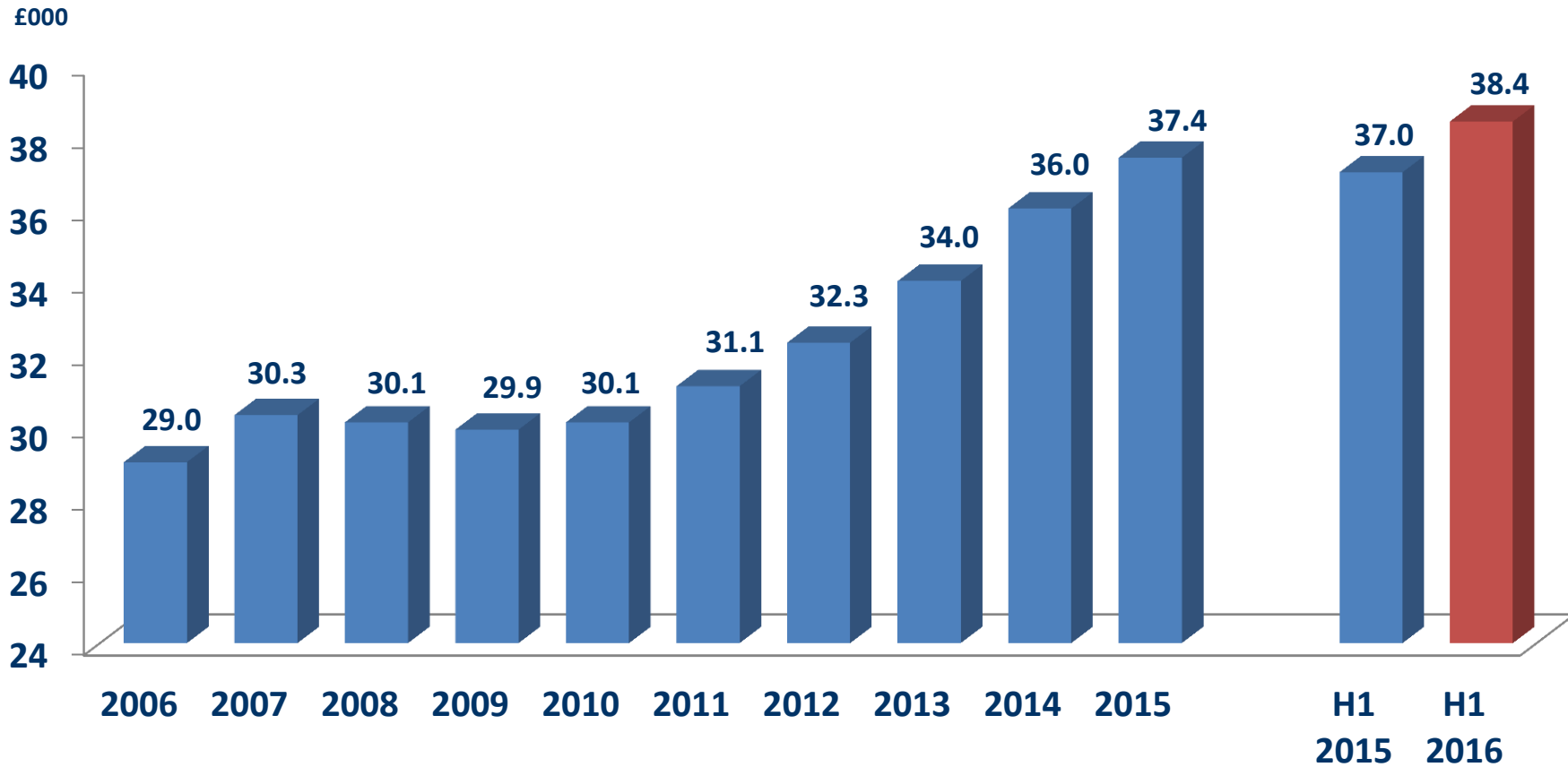
	H1 2016	H1 2015	Var%		2015	2014	2013 <sup>2</sup>	2012	2011	2010	2009	2008	2007	2006 <sup>2</sup>
Revenue (£m)	<b>790.3</b>	744.4	+6.2%		1,513.9	1,409.3	1,280.9	1,197.1	1,072.0	996.3	955.1	907.5	888.5	847.5
Like-for-like sales	<b>+2.9%</b>	+4.5%			+3.3%	+5.5%	+5.8%	+3.2%	+2.1%	+0.1%	+1.2%	-1.1%	+5.6%	+2.0%
Profit before tax (£m)	<b>36.0<sup>3</sup></b>	37.5	-3.9%		77.8	79.4	76.9	72.4	66.8	71.0	66.2	58.2	62.0	58.4
Underlying Earnings per share <sup>1</sup> (p)	<b>19.1</b>	22.9	-16.6%		47.5	48.0	44.7	41.3	35.3	34.9	32.6	27.6	27.1	24.0
Free cash flow per share <sup>1</sup> (p)	<b>46.8</b>	36.5	+28.2%		89.8	74.1	51.8	70.4	57.7	52.9	71.7	50.6	35.6	42.1
Dividend per share (p)	<b>4.0</b>	4.0			12.0	12.0	12.0	12.0	12.0	19.0	0.0	12.0	12.0	4.7
<b>After exceptional items:</b>														
Profit before tax (£m)	<b>36.6</b>	37.5	-2.2%		58.7	78.4	57.1	58.9	61.4	60.5	45.0	54.2	62.0	58.4

<sup>1</sup> Including shares held in trust. Underlying earnings per share are before exceptional items and exclude gains/losses on property and deferred tax credits.

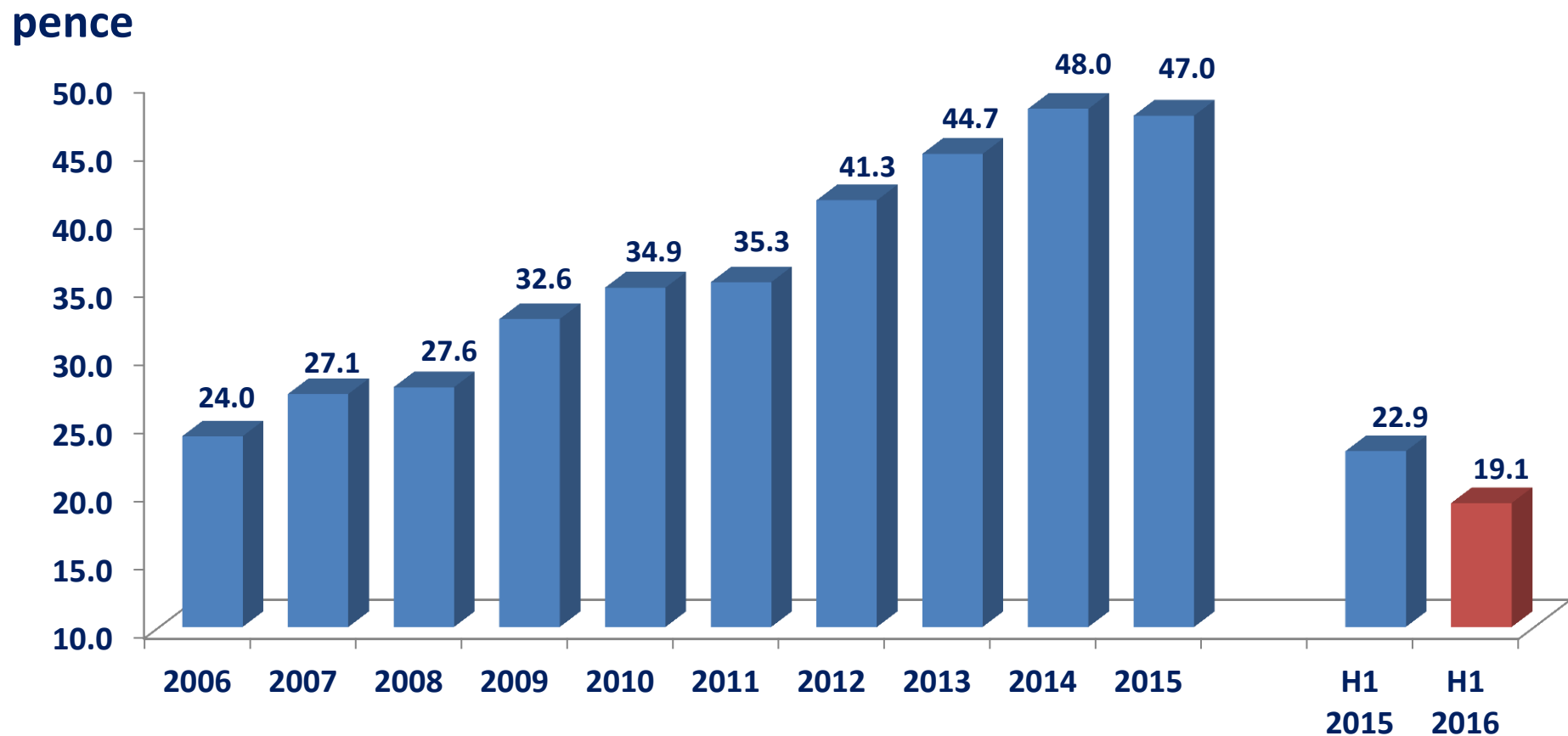
<sup>2</sup> Financial year contains 53 weeks

<sup>3</sup> Includes a property gain of £3.8m

# Average Weekly Sales Per Pub (including VAT)



# Underlying Earnings Per Share (pence)\*



\*Underlying earnings per share are before exceptional items and exclude gains/losses on property and one-off deferred tax benefits relating to changes in corporation tax rates. We include all shares held in trust.

# Like-for-like Performance

%	H1 2016	H1 2015		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Bar	+2.9	+1.5		+1.2	+2.7	+3.8	+2.8	+1.7	-0.8	+2.5	-4.3	+3.3	+2.2
Food	+2.9	+10.5		+7.3	+12.0	+10.9	+4.8	+4.2	+0.1	-0.4	+7.9	+12.6	+3.6
Machines	-2.9	+1.1		-2.8	-3.1	+0.4	-2.8	-3.9	+12.1	-7.5	-5.8	+2.7	-1.4
Hotels	+7.5	+11.8		+24.2	+6.3	-	-	-	-	-	-	-	-
LFL sales	+2.9	+4.5		+3.3	+5.5	+5.8	+3.2	+2.1	+0.1	+1.2	-1.1	+5.6	+2.0
LFL Pub profit*	-6.8	+0.9		-1.1	+2.0	+4.4	-2.2	-1.2	-2.0	-1.7	-6.6	+7.0	+5.9

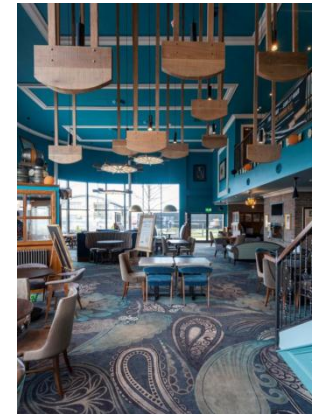
\*Excludes head office, depreciation, share incentive plan and interest costs

# 10 Year Operating Profit

£m	H1 2016	H1 2015		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Turnover	790.3	744.4		1,513.9	1,409.3	1,280.9	1,197.1	1,072.0	996.3	955.1	907.5	888.5	847.5
Pub profit (pre repairs)	134.8	140.2		285.4	284.4	259.0	245.4	226.8	218.5	208.4	199.5	203.2	195.3
Repairs	(26.1)	(26.3)		(53.4)	(59.4)	(48.0)	(46.6)	(38.4)	(35.4)	(29.8)	(30.6)	(34.1)	(34.5)
Head office costs	(20.4)	(22.4)		(43.9)	(42.7)	(40.4)	(36.6)	(36.7)	(35.9)	(33.9)	(31.0)	(32.3)	(31.3)
Share Incentive Plan	(3.9)	(3.9)		(8.9)	(7.2)	(6.2)	(5.7)	(5.1)	(3.5)	(2.6)	(2.3)	(3.1)	(2.5)
Depreciation and impairment	(35.0)	(32.2)		(66.7)	(58.1)	(53.1)	(49.2)	(44.4)	(43.7)	(45.1)	(45.1)	(43.9)	(43.4)
<b>Operating profit</b>	<b>49.4</b>	55.4		112.5	117.0	111.3	107.3	102.2	100.0	97.0	90.5	89.8	83.6
Operating margin	6.3%	7.4%		7.4%	8.3%	8.7%	9.0%	9.5%	10.0%	10.2%	9.7%	10.1%	9.9%
Gains and losses on property	3.8	(0.3)		(0.7)	(1.4)	-	-	-	-	-	-	1.3	-
<b>EBIT before exceptionals</b>	<b>53.2</b>	55.1		111.8	115.6	111.3	107.3	102.2	100.0	97.0	90.5	91.1	83.6
Exceptional items	0.6	-		(19.1)	-	(19.8)	(13.5)	(5.4)	(10.6)	(21.9)	(3.3)	-	-
<b>EBIT after exceptionals</b>	<b>53.8</b>	55.1		92.7	115.6	91.5	93.8	96.8	89.4	75.1	87.2	91.1	83.6

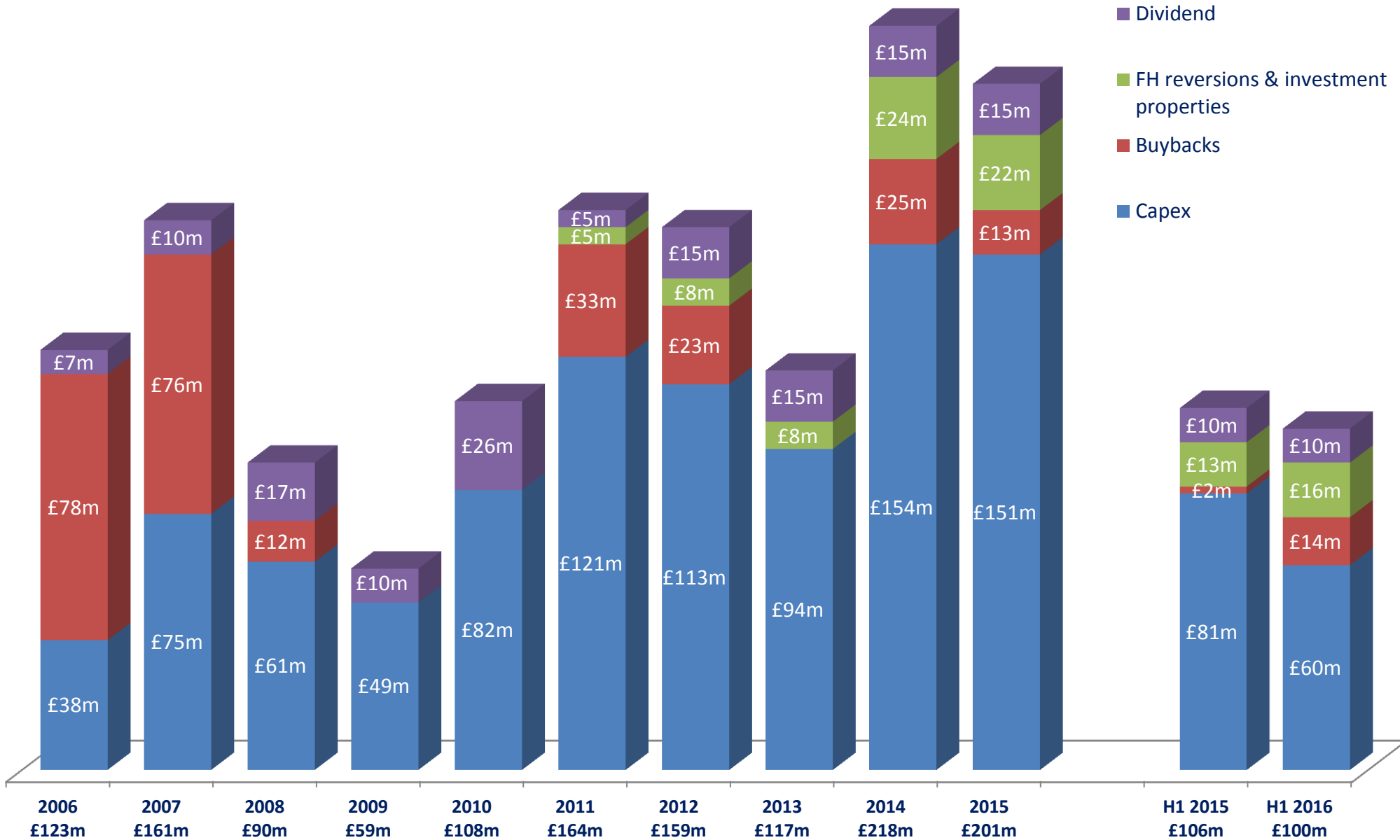
# Cost Increases

- Bar and food (modest)
- Hourly paid staff rates: +5% (October 2014)
- Hourly paid staff rates: +8% (August 2015)
- Depreciation: +9%
- Utilities (modest)



The Posset Cup, Portishead, Somerset

# Allocation of Resources





# Capital Expenditure

£m	H1 2016	H1 2015		2015	2014	2013	2012	2011	2010	2009	2008
<b>New Openings:</b>											
Acquisition and development costs:											
Current year	25.8	46.1		76.5	64.5	40.4	57.2	74.0	45.2	32.0	31.0
Future year	16.9	13.5		30.5	33.2	12.8	10.4	9.0	12.5	5.8	17.6
Freehold reversions and investment properties	15.5	12.8		21.6	23.6	7.7	7.8	4.6	-	-	-
	58.2	72.4		128.6	121.3	60.9	75.4	87.6	57.7	37.8	48.6
<b>Reinvestment in existing pubs:</b>											
Kitchen and bar equipment / furniture etc.	8.2	8.0		18.4	22.6	16.7	22.5	13.4	12.8	7.2	4.6
Refurbishments	5.9	10.5		19.2	22.0	12.8	11.6	9.8	7.2	2.4	4.1
Business and IT projects	3.3	2.9		7.1	11.6	11.4	11.1	15.2	4.1	1.4	3.6
	17.4	21.4		44.7	56.2	40.9	45.2	38.4	24.1	11.0	12.3
<b>Total</b>	<b>75.6</b>	<b>93.8</b>		<b>173.3</b>	<b>177.5</b>	<b>101.8</b>	<b>120.6</b>	<b>126.0</b>	<b>81.8</b>	<b>48.8</b>	<b>60.9</b>

# Movement in Net Borrowings

£m	H1 2016	H1 2015	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Opening Net borrowings</b>	<b>601.1</b>	556.6	556.6	474.2	462.6	437.7	388.4	390.0	442.3	436.8	355.6	334.1
Free cash flow	(55.7)	(44.9)	(109.8)	(92.9)	(65.3)	(91.5)	(78.8)	(71.3)	(99.5)	(71.4)	(52.4)	(69.7)
Disposal of fixed assets	(3.0)	-	(0.7)	(0.5)	(0.6)	(0.9)	(1.1)	(0.2)	(0.5)	(0.8)	(4.8)	(4.6)
New pubs and extensions	42.7	59.7	107.0	97.7	53.2	67.6	83.0	57.7	37.8	48.6	52.0	16.7
Freehold reversions and investment properties	15.5	12.8	21.6	23.6	7.7	7.8	4.6	-	-	-	-	-
Share buy-backs	14.2	2.4	12.7	24.6	-	22.7	32.8	-	-	12.0	77.0	78.7
Dividends paid	9.5	9.8	14.6	14.9	15.1	15.5	5.2	26.2	10.4	17.4	10.3	7.4
Gaming machine settlement	-	-	-	16.7	-	-	-	(14.9)	-	-	-	-
Share Issues	-	-	-	-	-	-	-	(0.5)	(0.6)	(0.5)	(5.9)	(7.0)
Other	1.8	0.8	(0.9)	(1.7)	1.5	3.7	3.6	1.4	0.1	0.2	5.0	-
<b>Closing Net borrowings</b>	<b>626.1</b>	597.2	601.1	556.6	474.2	462.6	437.7	388.4	390.0	442.3	436.8	355.6
Available facility	<b>840.0</b>	740.0	840.0	690.0	575.0	575.0	550.0	550.0	542.0	522.2	522.2	472.2
Finance leases	<b>0.7</b>	3.4	2.0	4.7	10.2	16.1	7.9	8.9	2.0	2.7	3.0	-
Less net borrowings	(626.1)	(597.2)	(601.1)	(556.6)	(474.2)	(462.6)	(437.7)	(388.4)	(390.0)	(442.3)	(436.8)	(355.6)
Unutilised facility	<b>214.6</b>	146.2	240.9	138.1	111.0	128.5	120.2	170.5	154.0	82.6	88.4	116.6

# 10 Year Debt Overview

	H1 2016	H1 2015		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net debt/EBITDA	<b>3.49</b>	3.38		3.37	3.21	2.88	2.96	2.98	2.70	2.74	3.24	3.21	2.80
Interest cover (times)	<b>3.12</b>	3.13		2.73	3.11	2.66	2.68	2.73	3.08	2.43	2.71	3.13	3.31
Interest cover pre exceptional (times)	<b>3.09</b>	3.13		3.29	3.19	3.24	3.07	2.88	3.45	3.14	2.81	3.13	3.31
Fixed charge cover (times)													
statutory	<b>1.72</b>	1.72		1.39	1.75	1.56	1.57	1.62	1.67	1.50	1.63	1.77	1.76
excluding depreciation	<b>2.40</b>	2.33		2.04	2.31	2.08	2.05	2.06	2.14	2.01	2.15	2.32	2.32
excluding depreciation and exceptionals	<b>2.38</b>	2.33		2.22	2.33	2.27	2.18	2.12	2.26	2.26	2.19	2.32	2.32

# Property Update

	H1 2016	H1 2015		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Trading pubs at start of FY	951	927		927	886	860	823	775	731	694	671	657	655
Freehold pubs opened	5	11		24	31	14	18	34	15	13	13	11	2
Leasehold pubs opened	-	1		6	15	15	22	16	32	26	10	7	7
Closures/disposals	(2)	(3)		(6)	(5)	(3)	(3)	(2)	(3)	(2)	-	(4)	(7)
Total trading pubs	954	936		951	927	886	860	823	775	731	694	671	657
New hotels in period	3	4		9	4	2	2	-	6	3	2	-	-
Total number of hotels	42	34		39	30	26	24	22	22	16	13	11	11
Pubs in Republic of Ireland	5	2		5	1	-	-	-	-	-	-	-	-
Average cost of development (£k)	2,576	1,948		2,070	1,643	1,552	1,420	1,207	857	851	1,498	1,520	1,301
Freehold average cost (£k)	994	811		843	559	589	639	825	857	765	958	750	625
Average Size (sq.ft.) – Openings	5,059	4,080		4,321	3,585	3,643	3,325	3,572	3,781	3,359	3,618	3,855	3,637
Freehold (%)	50.0	48.3		49.2	46.6	44.2	43.8	43.4	41.3	41.7	42.1	41.6	41.1
Leasehold (%)	50.0	51.7		50.8	53.4	55.8	56.2	56.6	58.7	58.3	57.9	58.4	58.9

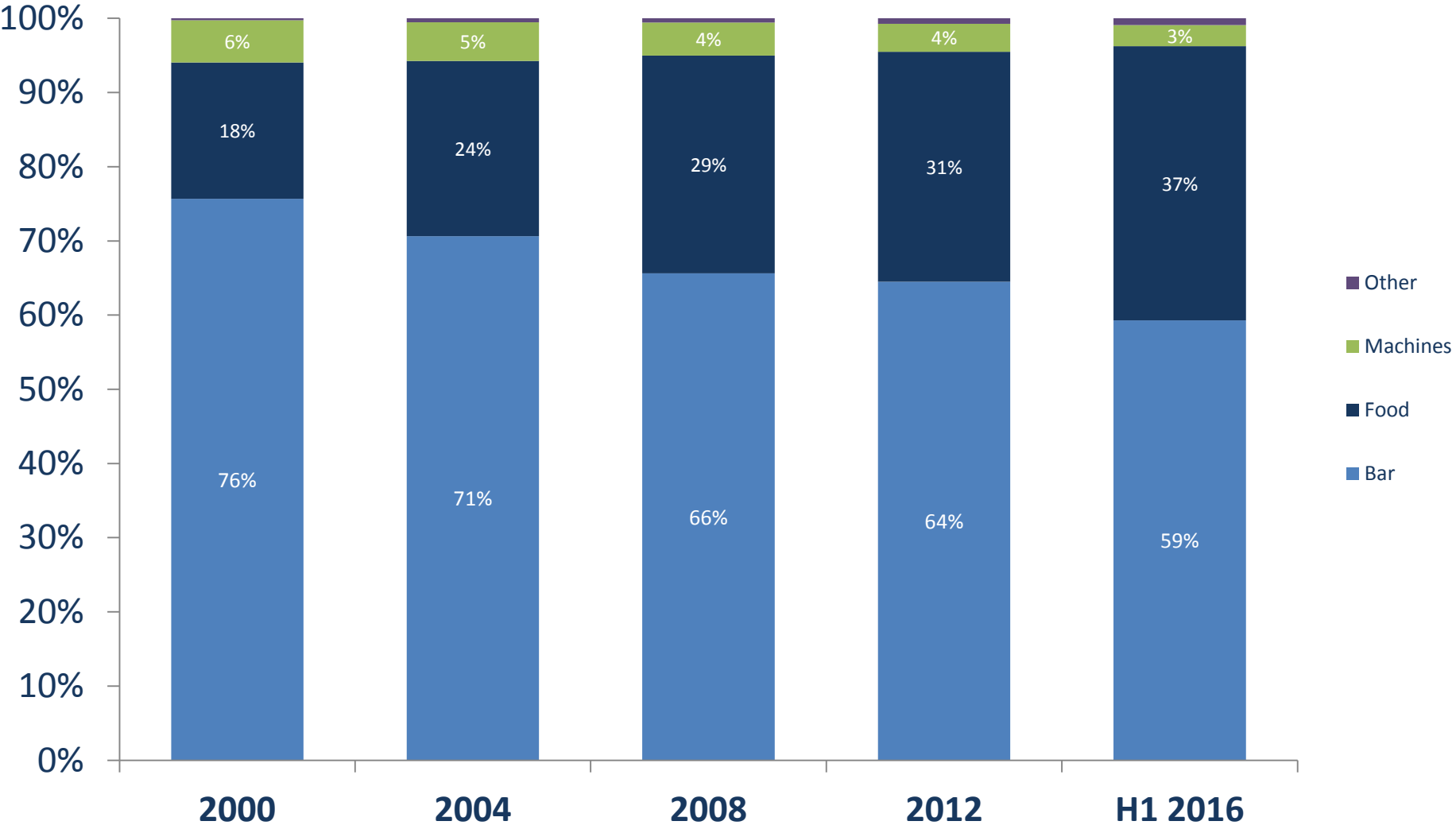
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# “It’s a People Thing”

- More than 35,000 employees at the end of period
  - Created over 14,500 jobs since the start of the credit crunch
  - Dedicated employee website & e-learning suite
  - Catering Academy – 772 employees have graduated with 349 employees currently going through the programme
- Staff retention at its highest ever level. Average length of service for:
  - Pub managers now over 10 years and 10 months
  - Kitchen managers 7 years and 1 months
- We have been recognised as one of ‘Britain’s Top Employers’ in a Guardian publication for 14 consecutive years
- We have signed up to the Government ‘Think, Act, Report’ campaign aiming to improve gender equality in the workplace
- Around 10,000 employees are shareholders in the Company
- £14.4m paid in bonuses and free shares, of which 90% was paid to staff working in our pubs

# Changing Sales Mix over Last 16 Years



# Peach BrandTrack: Britain's favourite big brand

If the following brands were available in the same location, which would be your first choice to eat at? (ranked by % of adults choosing each brand)

(out of a list of 18 – the top 6 )	Oct-15	Apr-15	Oct-14	Apr-14	Oct-13	Apr-13	Oct-12	May-12
<b>JD Wetherspoon</b>	<b>12%</b>	<b>12%</b>	<b>13%</b>	<b>13%</b>	<b>12%</b>	<b>11%</b>	<b>11%</b>	<b>10%</b>
Pizza Express	8%	6%	6%	7%	7%	7%	7%	7%
Nando's	7%	7%	7%	8%	8%	9%	9%	11%
Toby Carvery	6%	7%	6%	7%	5%	5%	5%	5%
Wagamama	6%	6%	6%	7%	5%	6%	-	-
Harvester	6%	6%	6%	6%	8%	8%	8%	8%

Respondents first choice of brand from following list: Beefeater Grill, Bella Italia, Brewers Fayre, Café Rouge, Fayre & Square, Frankie & Benny's, Harvester, Hungry Horse, Nando's, Pizza Express, Pizza Hut, Sizzling Pubs, Slug & Lettuce, TGI Fridays, Toby Carvery, Wagamama, JD Wetherspoon.



# Successes and achievements

- 296 pubs are in the 2016 CAMRA Good Beer Guide
- Raised £0.9m in the last 6 months and over £11.9m during the 14-year partnership with CLIC Sargent, a charity caring for children with cancer providing support for families at home and in hospital from the day of diagnosis
- As at 24 January 2016, average food hygiene rating score of 4.9 out of a maximum of 5. A total of 93% of pubs have achieved the maximum score of 5
- Over 1.2m zero/low sugar drinks served per week (59% of our soft/hot drink sales)
- Winners in eleven categories in 'The Loo of the Year' awards

# Taxation

	H1 2016 £m	H1 2015 £m	FY 2015 £m
VAT	153.1	144.8	294.4
Alcohol duty*	83.3	75.2	161.4
PAYE and NIC	46.9	40.7	84.8
Business rates	24.7	24.0	48.7
Corporation tax	10.6	7.8	15.3
Corporation tax credit (historic capital allowances)	-	(2.0)	(2.0)
Machine duty	5.6	5.7	11.2
Climate change levies	3.1	3.0	6.4
Carbon tax	1.8	1.8	3.7
Landfill tax	1.3	0.8	2.2
Fuel duty	1.1	1.1	2.1
Stamp duty	1.1	1.2	1.8
Premise licence and TV licences	0.4	0.4	1.5
<b>TOTAL TAX</b>	<b>333.0</b>	<b>304.5</b>	<b>631.5</b>
<b>TAX PER PUB (£000)</b>	<b>350</b>	<b>327</b>	<b>673</b>
<b>TAX AS % of SALES</b>	<b>42.1%</b>	<b>40.9%</b>	<b>41.7%</b>
<b>PRE-EXCEPTIONAL PROFIT AFTER TAX (PAT)</b>	<b>30.3</b>	<b>27.8</b>	<b>57.5</b>
<b>PAT as % of SALES</b>	<b>3.8%</b>	<b>3.7%</b>	<b>3.8%</b>

\*UK taxes only

# Current Trading and Outlook

- LFL sales for the six weeks to 6<sup>th</sup> March +3.7%
- H2 sales comparisons slightly easier
- Wage increases in April
- Aiming for a reasonable outcome for the year

# Questions



The Mossy Well, Muswell Hill, London

# wetherspoon



Harpsfield Hall, Hatfield, Hertfordshire



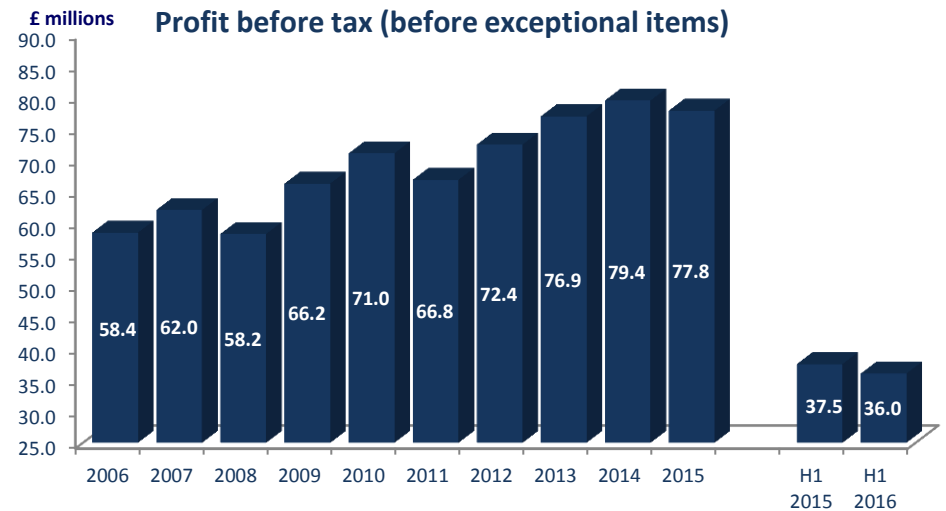
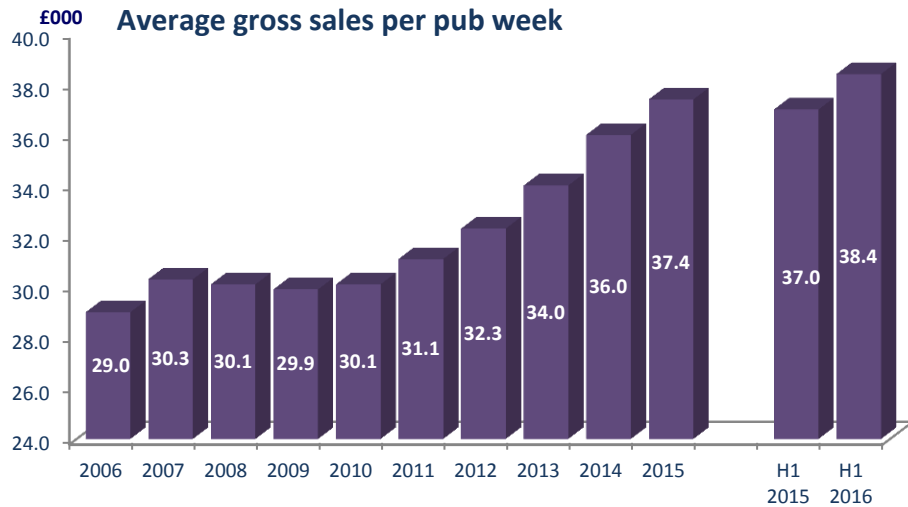
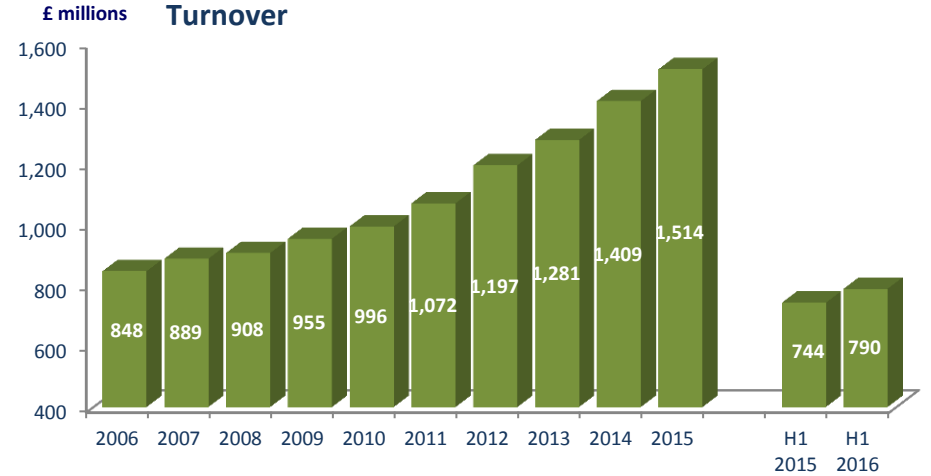
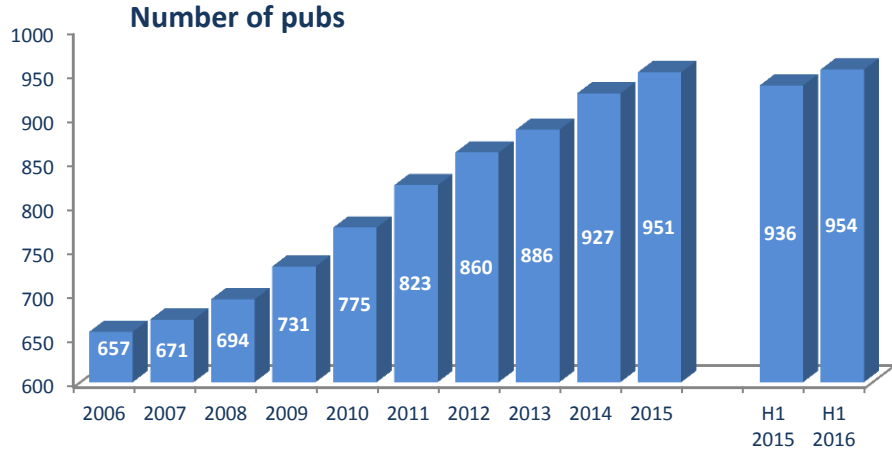
## Appendix

# Appendices

- A 10 year overview
- B 10 year capital trends
- C 10 year financial trends
- D1 ROC/CROCCE/ROE calculations
- D2 ROC/CROCCE/ROE calculations
- E Cash flow
- F Summary of exceptional items
- G Swap maturity profile

Appendix A

# 10 Year Overview



## Appendix B

# 10 Year Capital Trends

	H1 2016	H1 2015		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Average Size (sq.ft.) – Openings	<b>5,059</b>	4,080		4,321	3,585	3,643	3,325	3,572	3,781	3,359	3,618	3,855	3,637
Number of openings	<b>5</b>	12		30	46	29	40	50	47	39	23	18	9
% which are freehold	<b>100</b>	92		80	67	48	45	68	32	33	57	61	22
Freehold average cost (£k)	<b>994</b>	811		843	559	589	639	825	857	765	958	750	625
Average development cost (£k, excluding FH)	<b>2,576</b>	1,948		2,070	1,643	1,552	1,420	1,207	857	851	1,498	1,520	1,301
Average development cost per sq.ft.	<b>509</b>	478		479	458	426	427	338	226	253	414	394	331
Population within 2 miles	<b>65,000</b>	46,000		58,000	27,000	30,000	39,000	54,000	67,000	38,000	50,000	45,000	59,000



## Appendix C

# 10 Year Financial Trends

	H1 2016	H1 2015	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Sales per pub (£000)	<b>832</b>	801	1,620	1,562	1,476	1,401	1,360	1,335	1,344	1,333	1,354	1,283
EBITDA per pub (£000) (1)	<b>92.8</b>	99.0	200.9	204.5	200.9	194.9	198.7	205.8	212.9	211.6	219.0	205.6
Number of pubs	<b>954</b>	936	951	927	886	860	823	775	731	694	671	657
% freeholds (%)	<b>50</b>	48	49	47	44	44	44	41	42	42	42	41
CROCCE (2) (%)	<b>9.2</b>	10.2	9.6	10.5	10.6	10.8	10.7	11.0	11.3	11.4	12.3	12.1
Cash return on investment (2) (%)	<b>11.3</b>	12.2	11.7	12.3	12.4	12.6	11.8	12.9	13.6	14.0	15.4	14.8

(1) Excluding sale & leaseback

(2) See appendix D1 and D2 for calculation

## Appendix D1

# ROC/CROCCE/ROE

		H1 2016 £000	H1 2015 £000	FY 2015 £000
Shareholders equity per accounts		236,850	219,622	222,893
Deferred tax balances		66,318	73,498	69,777
Interest rate swaps valuations		48,493	56,796	39,973
Impairment balances		49,858	39,071	49,769
Net book value of revalued assets		(6,897)	(7,603)	(7,244)
<b>Adjusted shareholders equity</b>	<b>(a)</b>	<b>394,622</b>	<b>381,384</b>	<b>375,168</b>
Debt		626,143	597,167	601,108
<b>Capital employed</b>	<b>(b)</b>	<b>1,020,765</b>	<b>978,551</b>	<b>976,276</b>
Accumulated depreciation (excluding impairments)	<b>(c)</b>	<b>741,150</b>	<b>682,871</b>	<b>712,065</b>
<b>Cash capital employed</b>	<b>(d)</b>	<b>1,761,915</b>	<b>1,661,422</b>	<b>1,688,341</b>

# ROC/CROCCE/ROE

		12 months to January 2016 £000	12 months to January 2015 £000	FY 2015 £000
EBITDA (cash return)	(e)	179,475	176,859	178,482
Depreciation and amortisation	(f)	(69,476)	(61,911)	(66,668)
<b>EBIT</b>	<b>(g)</b>	<b>109,999</b>	<b>114,948</b>	<b>111,814</b>
Interest		(33,644)	(35,917)	(34,016)
<b>Profit before tax</b>		<b>76,355</b>	<b>79,031</b>	<b>77,798</b>
Current tax	(h)	(21,992)	(16,440)	(21,544)
<b>Profit after cash tax</b>	<b>(i)</b>	<b>54,363</b>	<b>62,591</b>	<b>56,254</b>
Deferred tax credit/(charge) (excluding exceptional items)		5,577	(3,761)	1,201
<b>Profit after tax</b>		<b>59,940</b>	<b>58,830</b>	<b>57,455</b>
<b>Return on capital employed [(g+h)/average b]*</b>		<b>8.8%</b>	<b>10.8%</b>	<b>9.5%</b>
<b>Cash return on cash capital employed [(e+h)/average d]*</b>		<b>9.2%</b>	<b>10.2%</b>	<b>9.6%</b>
<b>P&amp;L return on shareholders equity [i/average a]*</b>		<b>14.0%</b>	<b>17.1%</b>	<b>15.2%</b>
<b>Cash Return on Investment [(i-f)/(average a+c)]</b>		<b>11.3%</b>	<b>12.2%</b>	<b>11.7%</b>

\*All returns are calculated after tax

## Appendix E

# Cash Flow

	H1 2016 £000	H1 2015 £000	FY 2015 £000
Free Cash Flow	55,700	44,877	109,778
Proceeds on Disposal	3,005	3	723
Investment in new pubs	(42,696)	(59,656)	(106,974)
Freehold reversions & investment properties	(15,518)	(12,763)	(21,612)
Dividends	(9,543)	(9,761)	(14,591)
Share Buy Backs	(14,186)	(2,413)	(12,714)
Other	(1,797)	(903)	833
<b>Movement in net borrowings</b>	<b>(25,035)</b>	<b>(40,616)</b>	<b>(44,557)</b>

# Summary of Exceptional Items

	H1 2016 £000	H1 2015 £000	FY 2015 £000
<b>Operating exceptional items</b>			
Inventory valuation	–	–	5,231
Restructuring costs	–	–	782
	–	–	6,013
<b>Exceptional property losses</b>			
Onerous lease provision	(847)	–	1,858
Property impairment	89	–	11,195
Disposal programme	124	–	–
	(634)	–	1,858
<b>Exceptional items before tax</b>	<b>(634)</b>	–	<b>7,871</b>
<b>Other exceptional items</b>			
Tax effect on operating exceptional items	145	–	(1,626)
Deferred tax	–	–	(4,809)
	145	–	(6,435)
<b>Total exceptional items</b>	<b>(489)</b>	–	<b>12,631</b>

# Swap Maturity Profile

Swap Value	From	To	Weighted Average %
£400m	12 Nov 2014	31 Jul 2016	3.5%
£400m	31 Jul 2016	31 Jul 2018	2.2%
£400m	31 July 2018	31 July 2021	3.7%
£150m	31 July 2021	31 July 2023	3.8%