

# wetherspoon



## Interim Results 2013

The White House, Leicester



# wetherspoon



The Six Bells, Lymington

**Kirk Davis**  
**FD**

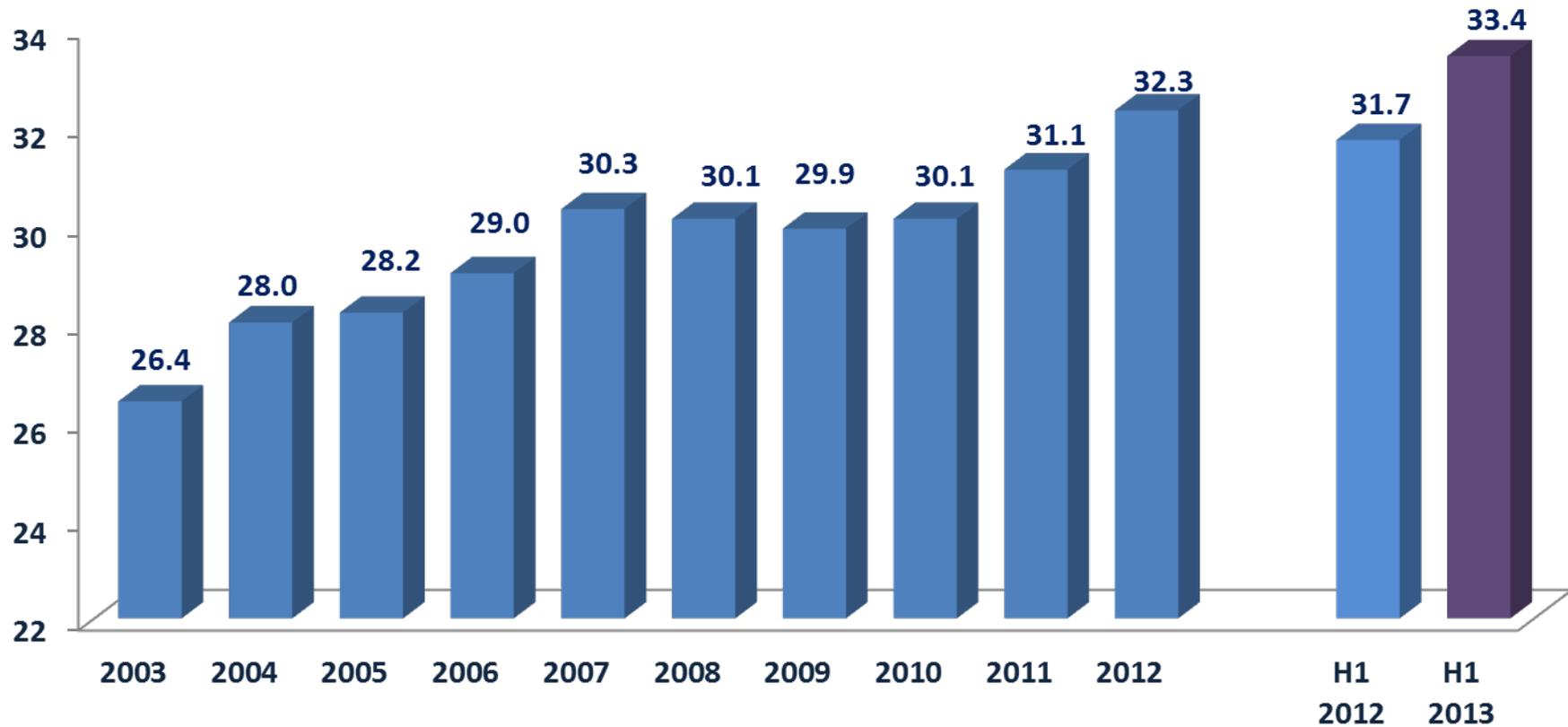
**15 March 2013**

# Financial Summary

26 weeks to 27/01	H1 2013	H1 2012	Change
Revenue	<b>£626.4m</b>	£569.4m	+10.0%
Like-for-like sales	<b>+6.9%</b>	+2.1%	
Operating profit	<b>£52.1m</b>	£53.1m	-2.0%
Operating margin	<b>8.3%</b>	9.3%	-1.0%
Profit before tax	<b>£34.8m</b>	£35.8m	-2.7%
Earnings per share	<b>20.8p</b>	20.2p	+3.0%
Free cash flow per share	<b>18.7p</b>	27.5p	-32.0%
Interim dividend	<b>4.0p</b>	4.0p	maintained

# Average Sales Per Pub Week (including VAT)

£000



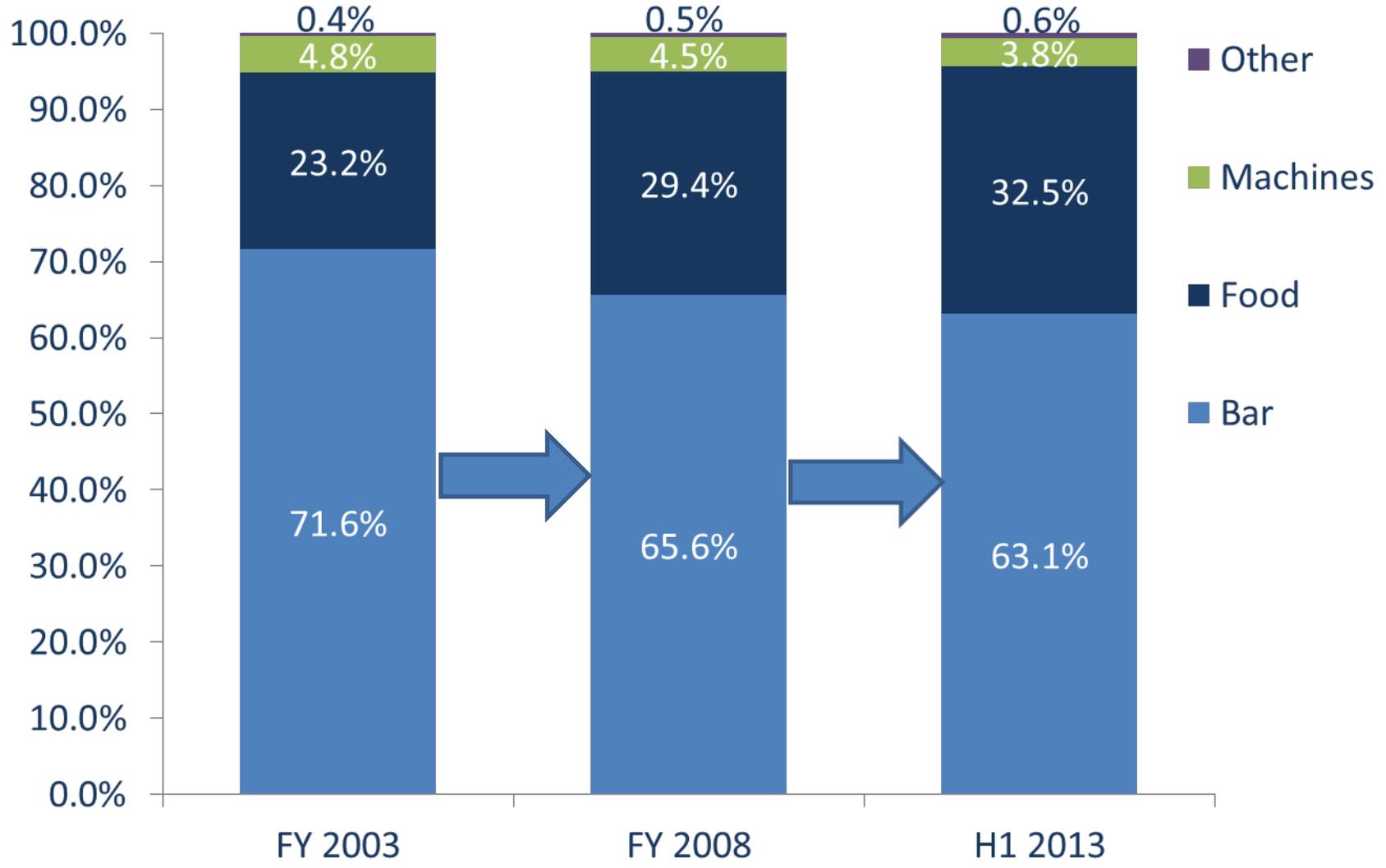
**Record Average Sales Per Pub Week**

# Like-for-like Performance

%	H1 2013	H1 2012	H2 2012		2012	2011	2010	2009	2008
• Bar	<b>+4.1</b>	+3.4	+2.3		+2.8	+1.7	-0.8	+2.5	-4.3
• Food	<b>+13.4</b>	+0.1	+9.2		+4.8	+4.2	+0.1	-0.4	+7.9
• Machines	<b>+4.4</b>	-3.8	-1.9		-2.8	-3.9	+12.1	-7.5	-5.8
• Total LFL sales	<b>+6.9</b>	+2.1	+4.2		+3.2	+2.1	+0.1	+1.2	-1.1
• LFL Profit	<b>+0.0</b>	+1.2	-5.9		-2.2	-1.2	-2.0	-1.7	-6.6

Pressure on LFL pub profit due to taxation, cost inflation and investment in the business

# Changing Sales Mix Over Last 10 Years



Long-term growth in food mix

# Operating Margin - Summary

	H1 2013 £000	H1 2013 % of Sales	H1 2012 £000	H1 2012 % of Sales
• Turnover	626,397		569,375	
• Pub profit (pre repairs)	123,242	19.6	117,623	20.6
• Repairs	(22,794)	(3.6)	(20,073)	(3.5)
• Head office costs	(19,631)	(3.1)	(18,245)	(3.2)
• Share Incentive Plan	(3,068)	(0.5)	(2,400)	(0.4)
• Depreciation	(25,673)	(4.1)	(23,789)	(4.2)
• Operating profit (before exceptionals)	52,076	8.3	53,116	9.3
• Exceptional items	-		(2,599)	(0.4)
• Operating profit	52,076	8.3	50,517	8.9

# Cost Increases

- Tax increases: excise duty, business rates and machine duty
- Bar and food supplies increased in the range of 3% to 4%
- Staff costs increased due to our investment in labour and bonuses
- Utility costs have increased by 14%, due to price increases of 6% (predominantly in gas) and a consumption increase of 8% including new pubs



Brioche French Toast

# Allocation of Resources



Reduction in capital expenditure due to fewer new openings

# Capital Expenditure

		<b>HY13</b> <b>£m</b>	<b>HY12</b> <b>£m</b>
Acquisition and development costs	Current year	<b>15.0</b>	39.1
	Future year	<b>4.1</b>	2.6
	New openings	<b>19.1</b>	41.7
Fixtures and fittings		<b>6.7</b>	8.1
Refurbishments		<b>6.3</b>	5.7
Business and IT projects		<b>4.2</b>	5.0
	Reinvestment	<b>17.2</b>	18.8
<b>Total</b>		<b>36.3</b>	60.5

**Continued investment in the core estate and new openings**

# Movement in Net Debt inc. Finance leases

	£m
FY12 Net debt	462.6
Free cash flow	(22.6)
New pub capex	19.1
Dividends	10.0
Other	0.8
<b>HY13 Net debt</b>	<b>469.9</b>

- Free cash flow decreased to £22.6m (2012: £34.9m). The decrease in free cash flow was driven by the one-off year end working capital benefit of £15.0m that was expected to, and has, reversed.
- Total net bank borrowing (including finance leases) of £469.9m, an increase of £7.3m in the last 6 months (July 2012: £462.6m)

# Debt Position

	H1 2013	H1 2012	FY 2012
Net debt/EBITDA	<b>2.99</b>	2.99	2.96
Interest cover (times)	<b>3.02</b>	2.92	2.68
Interest cover pre exceptional (times)	<b>3.02</b>	3.07	3.07
Fixed charge cover (times)			
statutory	<b>1.68</b>	1.67	1.57
excluding depreciation	<b>2.18</b>	2.15	2.05
excluding depreciation and exceptionals	<b>2.18</b>	2.20	2.18
Average interest rate	<b>6.85%</b>	6.92%	6.71%

# Financial Summary

- Robust financial performance
- Operating margin decline reflects increasing tax and cost pressures on pub profit conversion
- Continued strong cash generation
- Unutilised banking facilities and cash balances of £118.2m as at 27 January 2013 (July 2012: £128.4m)



# wetherspoon



## John Hutson CEO



# Business Update

- Property
- People
- Market update
- Continued improvement
- Cost outlook
- Taxation
- Current trading and outlook



# Property Update

	HY 13	FY 12
Trading pubs at start of FY	860	823
Freehold pubs opened	1	18
Leasehold pubs opened	4	22
Closures	0	-3
Total trading pubs	865	860



- Average cost of development £1.4m, in line with last year
- 871 pubs opened as of 15 March 2013
- 10 pubs on site as of 15 March 2013
- We now anticipate opening approximately 30 pubs this financial year



**Michelle Newton and Steve Thurlow,  
The Swan Hotel, Leighton Buzzard**

# “It’s a People Thing”

- Increased investment in our circa 29,000 employees
  - Dedicated employee website & e-learning suite
  - Catering Academy
- Apprenticeship Programme
  - Over 800 employees on an apprenticeship programme
  - 6 programmes at Level 2 & Level 3
  - Success rate in line with national average (76.4%)
- Diploma & Degree programme (Leeds Metropolitan University)
  - 256 employees completed Professional Diploma in Leisure Retail Management
  - 57 Managers completed Degree
  - Clear hospitality career path
- Staff retention at its highest ever level. Average length of service of pub managers now over 9 years
- We have been recognised as one of ‘Britain’s Top Employers’ in a Guardian publication for 10 consecutive years



Graduates from Leeds University

# Market Update

## Where we sit down and eat - BRITAIN'S MOST VISITED PUB & CASUAL DINING BRANDS

Claimed usage in last 6 months	Nov 11	May 12	Oct 12
	<b>Wetherspoons</b>	41%	44%
Pizza Hut	31%	41%	<b>30%</b>
Harvester	27%	29%	<b>28%</b>
Pizza Express	23%	26%	<b>22%</b>
Nandos	20%	26%	<b>20%</b>
Frankie & Benny's	19%	25%	<b>19%</b>
Toby	15%	16%	<b>14%</b>
Brewer's Fayre	15%	15%	<b>14%</b>
Beefeater	15%	16%	<b>13%</b>
Hungry Horse	9%	11%	<b>10%</b>
Cafe Rouge	11%	10%	<b>9%</b>
TGI Fridays	11%	13%	<b>9%</b>

# Britain's favourite big brand

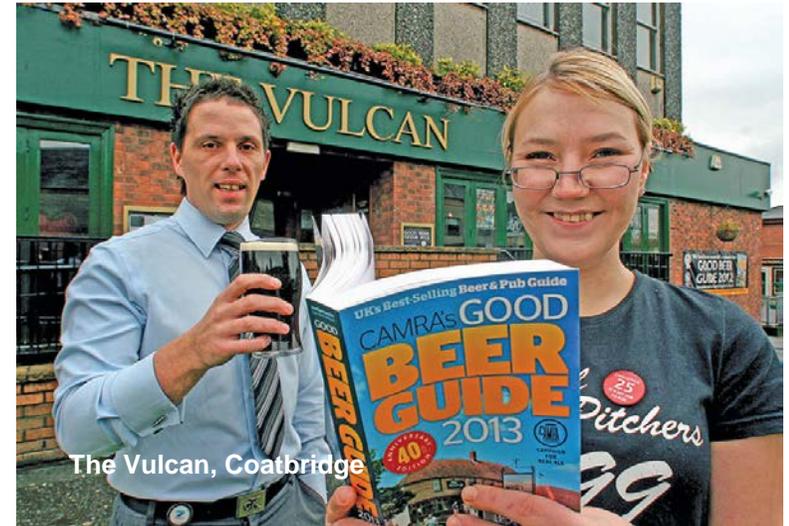
If the following brands were available in the same location, which would be your first choice to eat at? (ranked by % of adults choosing each brand)

(out of a list of 16 – the top 6 )	May 2012	October 2012
<b>Wetherspoons</b>	<b>10%</b>	<b>11%</b>
Nandos	11%	9%
Harvester	8%	8%
Pizza Express	7%	7%
Pizza Hut	8%	7%
Frankie & Benny's	8%	7%



# Continued Improvement

- 256 pubs are in the 2013 CAMRA Good Beer Guide
- Raised over £6.8 m for CLIC Sargent (for children with cancer)
- Loo Awards
  - UK Winner (Individual Category entries)
  - National Winner for Scotland (Individual Category entries)
  - National Winner for Wales for the Accessible Toilet entries
  - Champions League Standards of Excellence Award
- Continued reinvestment – toilets, carpets and redecoration
- Bonus - £ 13.0m paid in H1, 99% of bonus awards made to employees below board level



# Cost Outlook

- Tax increases: excise duty, business rates and machine duty
- Higher utilities pricing and consumption
- Increased investment in staffing to support catering and higher staff bonuses
- Continue to focus on maintaining well-invested estate for the long-term benefit of the company



The Clydesdale Inn, Lanark

	2013 First Half £m	2012 First Half £m
VAT	126.1	115.6
Alcohol duty	74.6	65.6
PAYE and NIC	34.7	32.8
Business rates	23.4	21.0
Corporation tax	8.6	9.0
Machine duty	1.8	1.6
Fuel duty	1.0	1.3
Carbon tax	1.3	1.2
Climate change levy	0.8	0.6
Stamp duty	0.3	0.6
Landfill tax	0.6	0.6
Premise licence and TV licences	0.3	0.2
<b>TOTAL TAX</b>	<b>273.5</b>	<b>250.1</b>
<b>TAX AS % of SALES</b>	<b>43.7%</b>	<b>43.9%</b>
<b>NET PROFIT AFTER TAX (PAT)</b>	<b>25.2</b>	<b>23.3</b>
<b>NET PAT as % of SALES</b>	<b>4.0%</b>	<b>4.1%</b>

# Current Trading and Outlook

- LFL sales for the six weeks to 10 March 2013 increased by 7.3% with total sales growth of 9.9%
- Largest ever ale festival expected this spring 3rd–21st April
- Continuing pressure from increased taxation and operating costs
- Continue to expect a reasonable outcome for the year



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## Appendix

The White House, Leicester

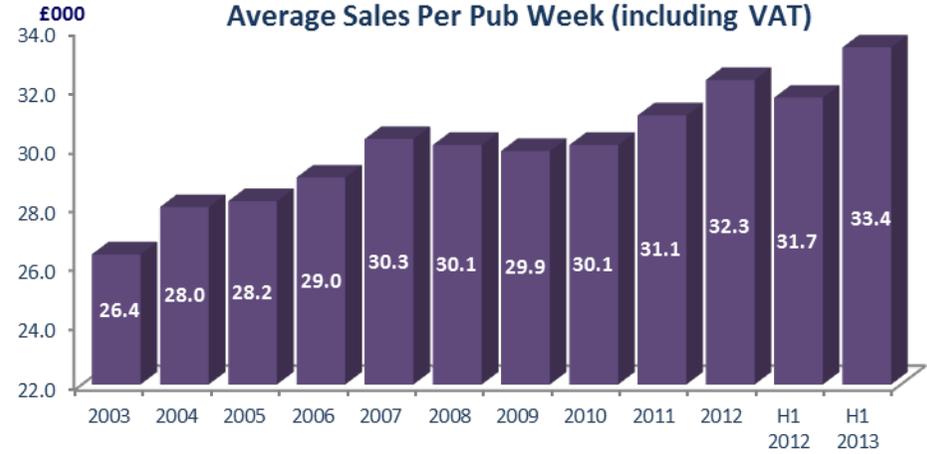
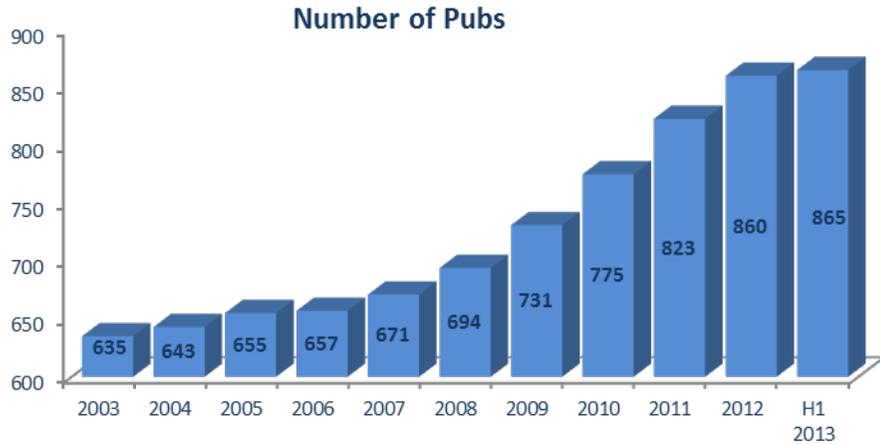
# Appendices

- A 10 year overview
- B 10 year financial trends
- C 10 year capital trends
- D1 ROC/CROCCE/ROE calculations
- D2 ROC/CROCCE/ROE calculations
- E Cash flow
- F SWAP maturity profile



Appendix A

# 10 Year Overview



## Appendix B

# 10 Year Financial Trends

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	H1 2012	H1 2013
Sales per pub (£000)	1,169	1,239	1,246	1,283	1,354	1,333	1,344	1,335	1,360	1,401	688	<b>726</b>
EBITDA per pub (£000) (1)	201.9	204.4	195.7	205.6	219.0	211.6	212.9	205.8	198.7	194.9	98.8	<b>95.9</b>
Number of pubs	635	643	655	657	671	694	731	775	823	860	841	<b>865</b>
% freeholds (%)	42	41	41	41	42	42	42	41	44	44	44	<b>44</b>
CROCCE (%) (2)	13.0	12.6	11.7	12.0	12.2	11.3	11.2	10.8	10.5	10.5	10.3	<b>10.3</b>
Cash return on equity (%) (2)	17.1	15.8	14.4	14.8	15.5	14.2	13.5	12.6	11.5	12.0	11.5	<b>11.7</b>
Free cash flow per share (pence)	38.8	36.7	37.1	42.1	35.6	50.6	71.7	52.9	59.7	73.2	27.5	<b>18.7</b>
Adjusted earnings per share (3) (pence)	17.0	17.7	16.9	24.1	28.1	25.7	32.6	36.0	35.3	41.3	20.2	<b>20.8</b>

- (1) Excluding sale & leaseback  
(2) See appendix D for calculation  
(3) Excluding exceptional items

# 10 Year Capital Trends

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	H1 2012	H1 2013
Size (sq.ft.) – Openings	3,721	4,317	4,176	3,928	3,855	3,618	3,359	3,781	3,572	3,325	3,305	<b>4,076</b>
Number of openings	45	28	13	9	18	23	39	47	50	40	20	<b>5</b>
% which are freehold	56	43	54	22	61	57	33	32	68	45	45	<b>20</b>
Freehold average cost (£k)	511	640	873	625	750	958	765	857	825	639	668	<b>525</b>
Average development cost (£k, excluding FH)	1,317	1,431	1,401	1,301	1,520	1,498	851	857	1,207	1,420	1,359	<b>1,381</b>
Average development cost per sq.ft.	354	331	335	331	394	414	253	226	338	427	411	<b>339</b>
Population within 2 miles	73,000	51,000	64,000	59,000	45,000	50,000	38,000	67,000	54,000	39,000	52,000	<b>68,000</b>

# ROC/CROCCE/ROE

		12 months to Jan 2013 £000	12 months to Jan 2012 £000
Profit after tax, before exceptional items	(a)	56,915	55,650
Add: interest	(b)	34,887	35,487
Profit pre-interest	(c)	91,802	91,137
Add: deferred tax		(2,851)	(4,973)
Depreciation		51,050	46,627
Cash return	(d)	140,001	132,791
P&L return on capital [(c)/average(g)]		11.9%	12.3%
CROCCE [(d)/average(h)]		10.3%	10.3%
P&L return on equity [(a)/average (e)]		18.4%	19.1%
Cash return on equity [(d)-(b)/average (h)-(f)]		11.7%	11.5%

# ROC/CROCCE/ROE

		H1 2013 £000	H1 2012 £000
Shareholder funds per balance sheet		193,873	181,090
Add: cumulative losses on disposal		65,965	55,805
: hedging provision		56,755	64,518
	(e)	316,593	301,413
Add: net debt	(f)	469,930	456,630
Capital employed	(g)	786,523	758,043
Add: deferred tax provision		54,074	54,129
Cumulative depreciation		574,459	523,409
Less: revaluation reserve		(9,706)	(10,235)
Cash capital employed	(h)	1,405,350	1,325,346

# Cash Flow

	H1 2013 £000	H1 2012 £000	FY 2012 £000
Free Cash Flow	22,583	34,920	91,542
Dividends	(10,021)	(10,475)	(15,544)
Proceeds on Disposal	-	250	887
Investment in new pubs	(19,054)	(41,666)	(75,348)
	(6,492)	(16,971)	1,537
Issue of new shares	-	46	95
Share Buy Backs	-	-	(22,711)
	(6,492)	(16,925)	(21,079)
Non Cash Movements	(827)	(2,012)	(3,839)
Movement in net debt	(7,319)	(18,937)	(24,918)
Free cash flow per share	18.7p	27.5p	73.2p

# Swap Maturity Profile

Swap Value	From	To	Weighted Average %
£400m	29 Jul 2012	12 Nov 2014	5.5%
£400m	12 Nov 2014	31 Jul 2016	3.6%
£400m	31 Jul 2016	31 Jul 2018	2.4%



The Kingfisher, Poynton



The Kingfisher, Poynton

# Questions



The Berg Drinks System at Poynton



The Kingfisher, Poynton