

wetherspoon

2013

Preliminary Results

John Hutson – CEO

Kirk Davis – FD



John the Clerk of Cramlington, Cramlington

wetherspoon



The Clothier Inn, Yeadon



The Clothier Inn, Yeadon

Kirk Davis
FD

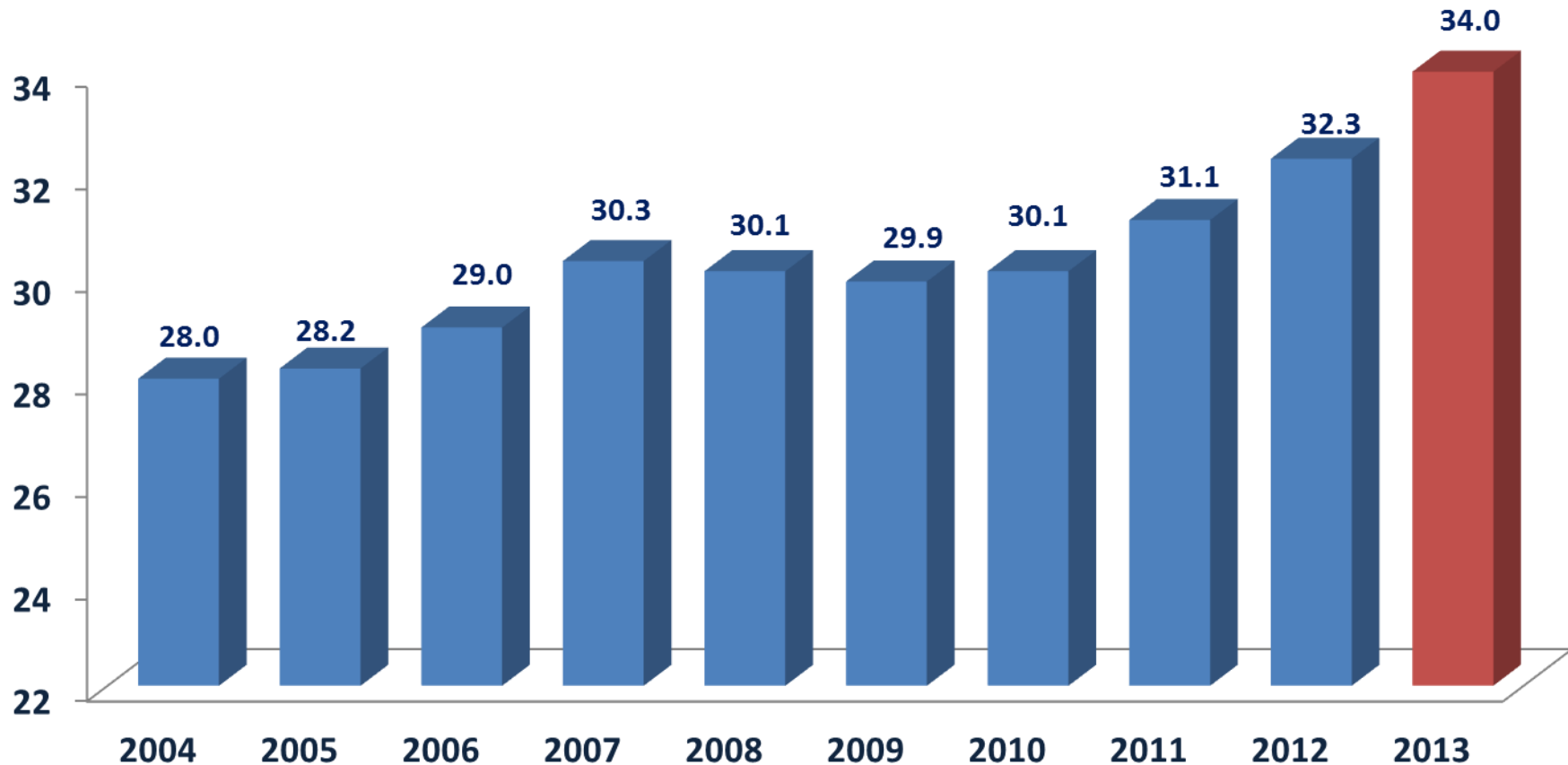
13 September 2013

Financial Summary

52 weeks to 28/07	2013	2012		Excluding Week 53
Revenue	£1,280.9m	£1,197.1m	+7.0%	+9.3%
Like-for-like sales	+5.8%	+3.2%		
Operating profit	£111.3m	£107.3m	+3.7%	+6.0%
Profit before tax	£76.9m	£72.4m	+6.3%	+8.8%
Earnings per share (excluding shares held in trust)	46.8p	41.3p	+13.3%	+15.8%
Earnings per share (including shares held in trust)	44.8p	39.8p	+12.6%	
Free cash flow	£65.3m	£91.5m	-28.6%	
Free cash flow per share	51.8p	70.4p	-26.4%	
Dividend	12.0p	12.0p	maintained	
After Exceptional Items:				
Operating profit	£91.5m	£93.8m	-2.5%	
Profit before tax	£57.1m	£58.9m	-3.0%	
Basic earnings per share	38.3p	35.6p	+7.6%	

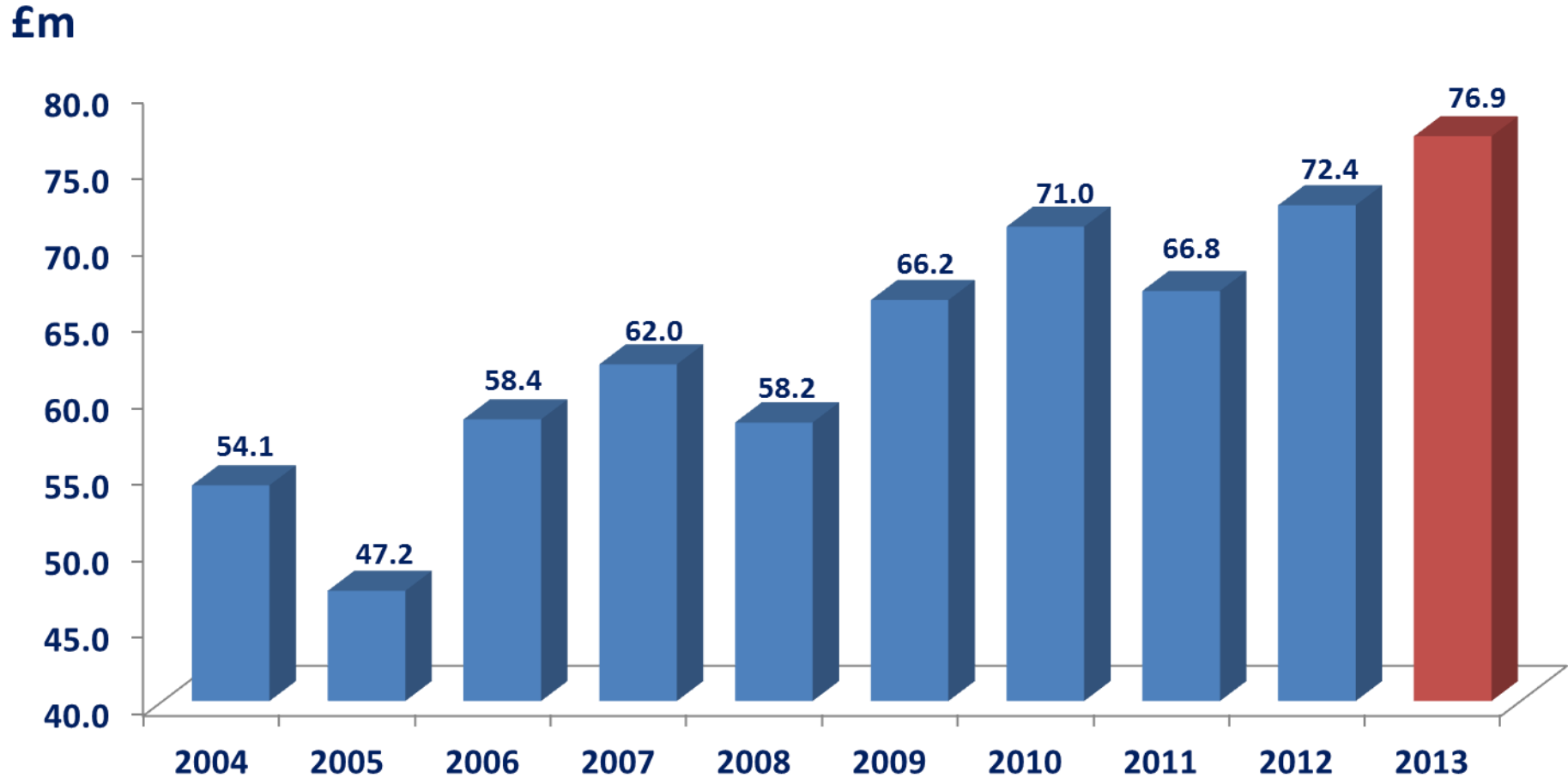
Average Sales Per Pub Week (including VAT)

£000



Record Average Sales Per Pub Week

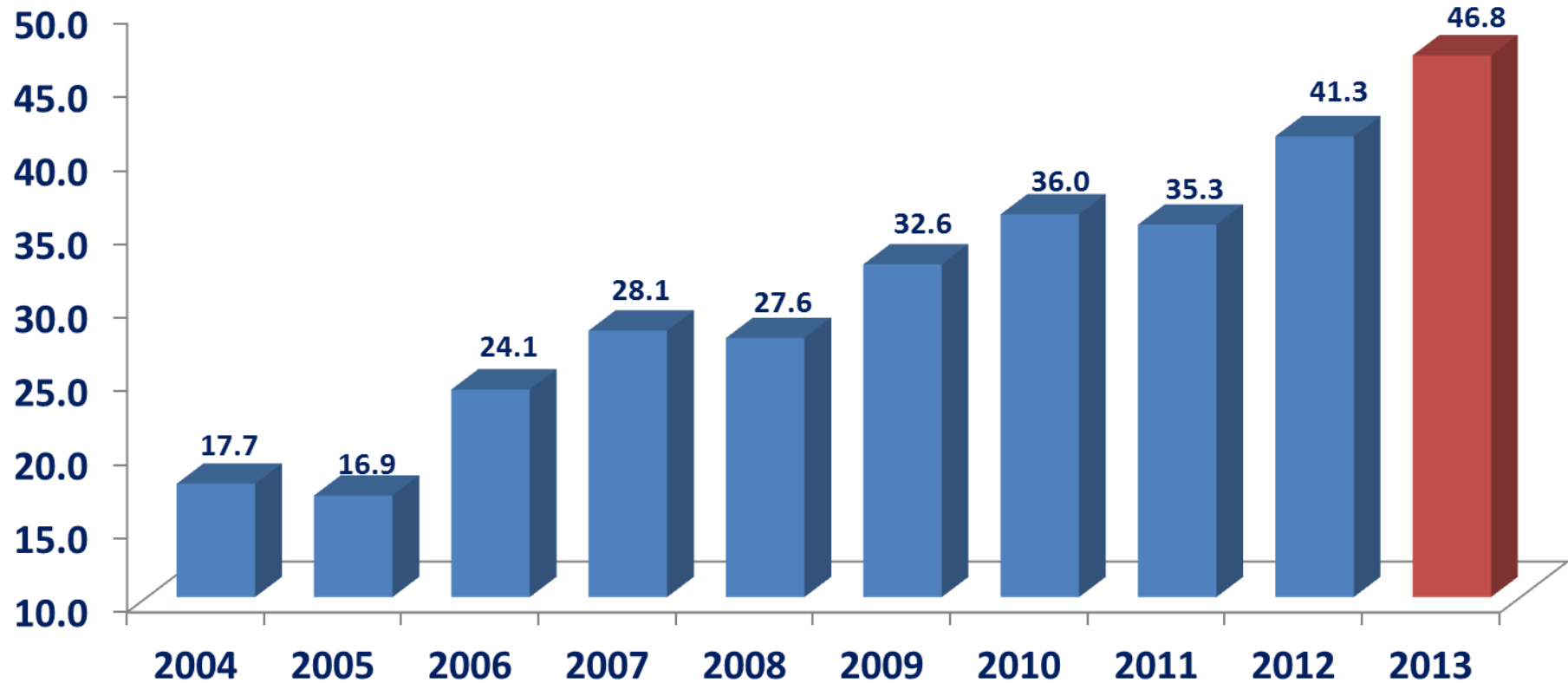
Profit before Tax & Exceptional Items



Record PBT (pre-exceptional) performance

Earnings Per Share before exceptional items (pence)

pence



Record EPS (pre-exceptional) performance

Like-for-like Performance

%	2013	2012	2011	2010	2009	2008	2007
Bar	+3.8	+2.8	+1.7	-0.8	+2.5	-4.3	+3.3
Food	+10.9	+4.8	+4.2	+0.1	-0.4	+7.9	+12.6
Machines	+0.4	-2.8	-3.9	+12.1	-7.5	-5.8	+2.7
LFL sales	+5.8	+3.2	+2.1	+0.1	+1.2	-1.1	+5.6
LFL Profit	+4.4	-2.2	-1.2	-2.0	-1.7	-6.6	+7.0

Improved LFL pub profit performance

Operating Margin - Summary

	2013 £m	2013 % of Sales	2012 £m	2012 % of Sales
Turnover	1,280.9	-	1,197.1	-
Pub profit (pre repairs)	260.2	20.3	245.5	20.5
Repairs	(48.0)	(3.7)	(44.6)	(3.7)
Head office costs	(41.7)	(3.3)	(38.7)	(3.2)
Share Incentive Plan	(6.1)	(0.5)	(5.7)	(0.5)
Depreciation	(53.1)	(4.1)	(49.2)	(4.1)
Operating profit (before exceptionals)	111.3	8.7	107.3	9.0
Exceptional items	(19.8)	(1.6)	(13.5)	(1.2)
Operating profit	91.5	7.1	93.8	7.8

Cost Increases

- Tax increases: excise duty, business rates and machine duty
- Bar and food supplies: 3% to 4%
- Increased bonuses
- Utility costs: +8% (price 3% and consumption 5% including new pubs)

The Mount Stuart, Cardiff

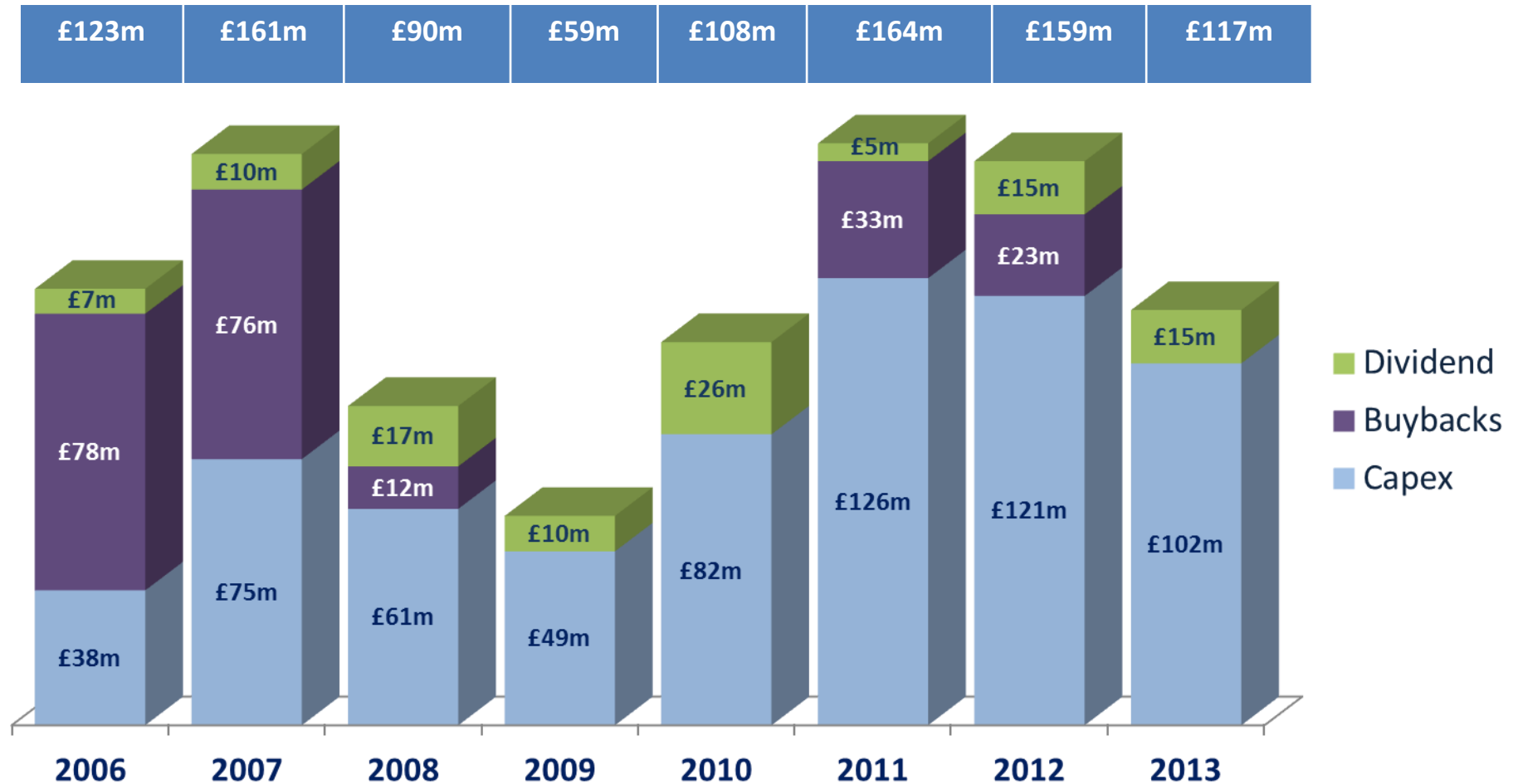


Exceptional Items - Summary

	2013 £000	2012 £000
Property impairment	15,551	7,823
Onerous lease provision	3,278	2,229
Loss on disposal of P, P&E	971	1,062
Write-off of IT related assets	-	1,742
Restructuring	-	625
Total	19,800	13,481

£200k cash charge in the year

Allocation of Resources



Reduction in capital expenditure due to fewer new openings

Capital Expenditure

		2013 £m	2012 £m
New Openings:			
Acquisition and development costs	Current year	48.1	65.0
	Future year	12.8	10.4
		60.9	75.4
Reinvestment:			
Fixtures and fittings		16.7	22.5
Refurbishments		12.8	11.6
Business and IT projects		11.4	11.1
		40.9	45.2
Total		101.8	120.6

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	(65.3)
Disposal of fixed assets	(0.6)
New pub capex	60.9
Dividends	15.1
Other	1.5
FY13 Net debt	474.2

- Free cash flow decreased to £65.3m (2012: £91.5m) due to a working capital outflow of £6.0m in the year compared to an inflow of £35.5m in the previous year
- Total net debt (including finance leases) of £474.2m, an increase of £11.6m in the last 12 months (July 2012: £462.6m)

Increased net debt due to investment in new openings and existing pubs

Debt Position

	2013	2012
Net debt/EBITDA	2.88	2.96
Interest cover (times)	2.66	2.68
Interest cover pre exceptional (times)	3.24	3.07
Fixed charge cover (times)		
statutory	1.56	1.57
excluding depreciation	2.08	2.05
excluding depreciation and exceptionals	2.27	2.18
Average interest rate	6.83%	6.71%

Banking Facilities

- Unutilised banking facilities and cash balances of £111.0m as at 28 July 2013 (2012: £128.5m)
- Amendment and restatement of existing facility completed on 30th July.
 - Now runs until 31 March 2018
 - Total facilities (including overdraft) increased to £690m from £575m
- Mark to market swaps improved by £22.0m in the year

New increased facility and loan term

Dividends

- 12p total dividend (2012: 12p)
 - 8p full year proposed
 - 4p interim dividend paid
 - Dividend cover excluding exceptional items is 3.2 times (2012: 3.0 times)
- Dividend maintained



Financial Summary

- Solid sales and financial performance
- Slight operating margin decline: increased LFL pub profits
- Continued strong cash generation



The Kings Head Hotel, Beccles



The Kings Head Hotel, Beccles

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John Hutson CEO



Business Update

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



The Angel Hotel, Whitby

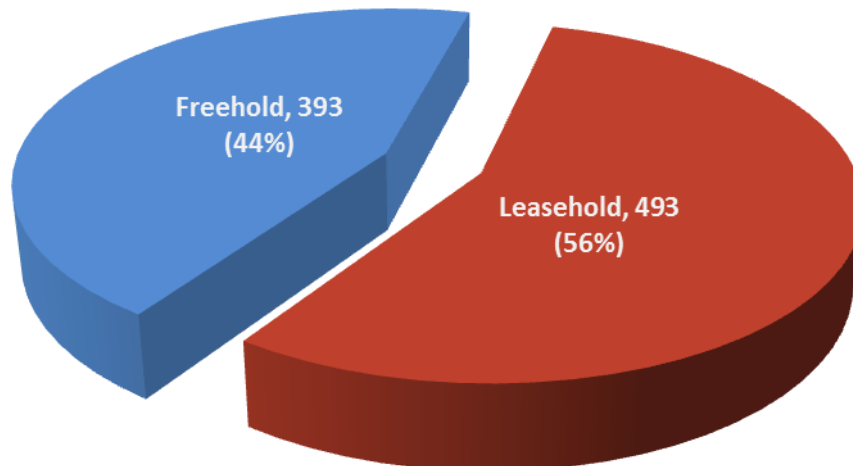


The Angel Hotel, Whitby

Property Update

	FY 13	FY 12
Trading pubs at start of FY	860	823
Freehold pubs opened	14	18
Leasehold pubs opened	15	22
Closures	-3	-3
Total trading pubs	886	860

- Average cost of development £1.55m, compared to £1.42m last year
- 1 pub opened as of 13 September 2013
- 13 pubs on site as of 13 September 2013
- As previously mentioned we anticipate opening approximately 30 pubs this financial year



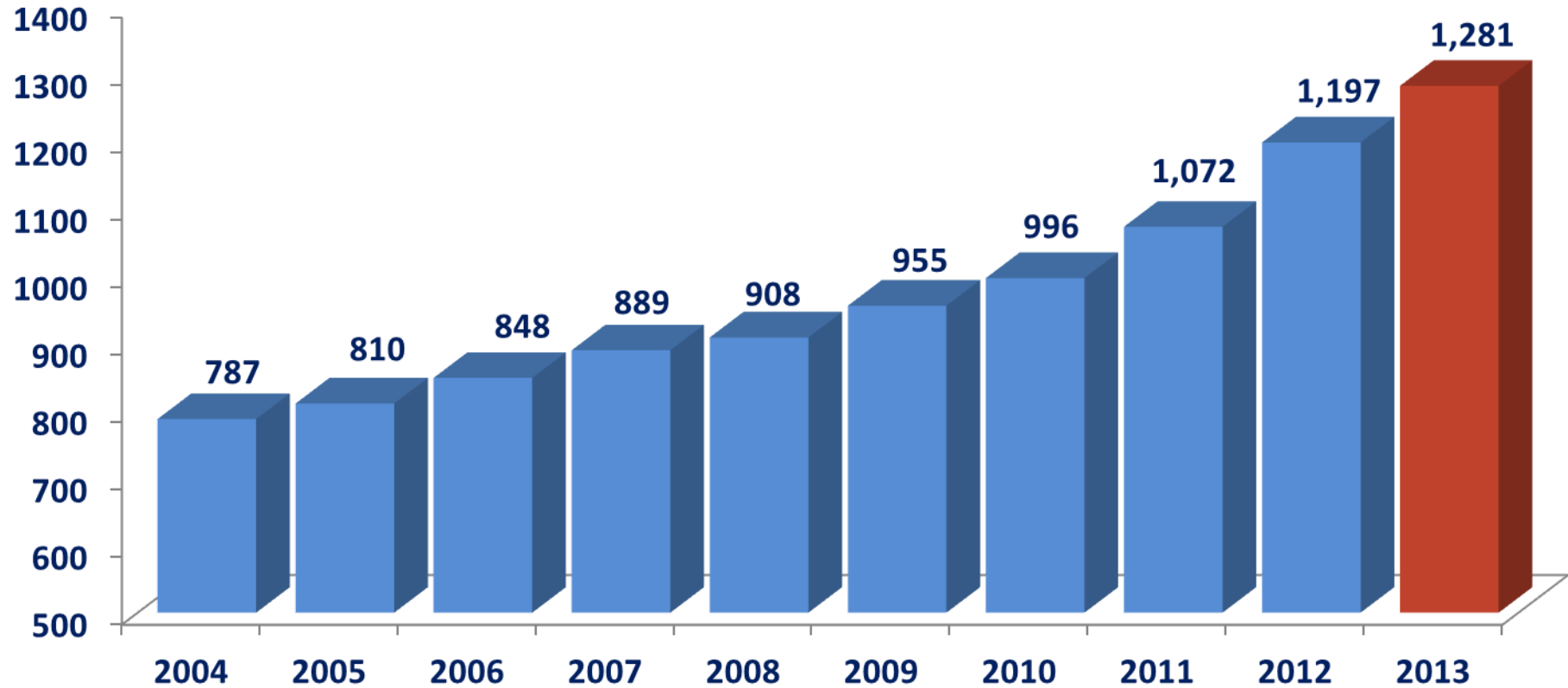
“It’s a People Thing”

- 185 employees completed catering academy
 - Over 1,250 employees on an apprenticeship programme
- Diploma & Degree programme (Leeds Metropolitan University)
 - 310 employees have completed Professional Diploma in Leisure Retail Management
 - 70 Managers have completed Degree
- Staff retention at its highest ever level. Average length of service of pub managers now 9 years and 10 months
- We have been recognised as one of ‘Britain’s Top Employers’ in a Guardian publication for 10 consecutive years
- Bonus - £ 28.1m paid in the year, 83% of bonus awards made to employees in the pubs



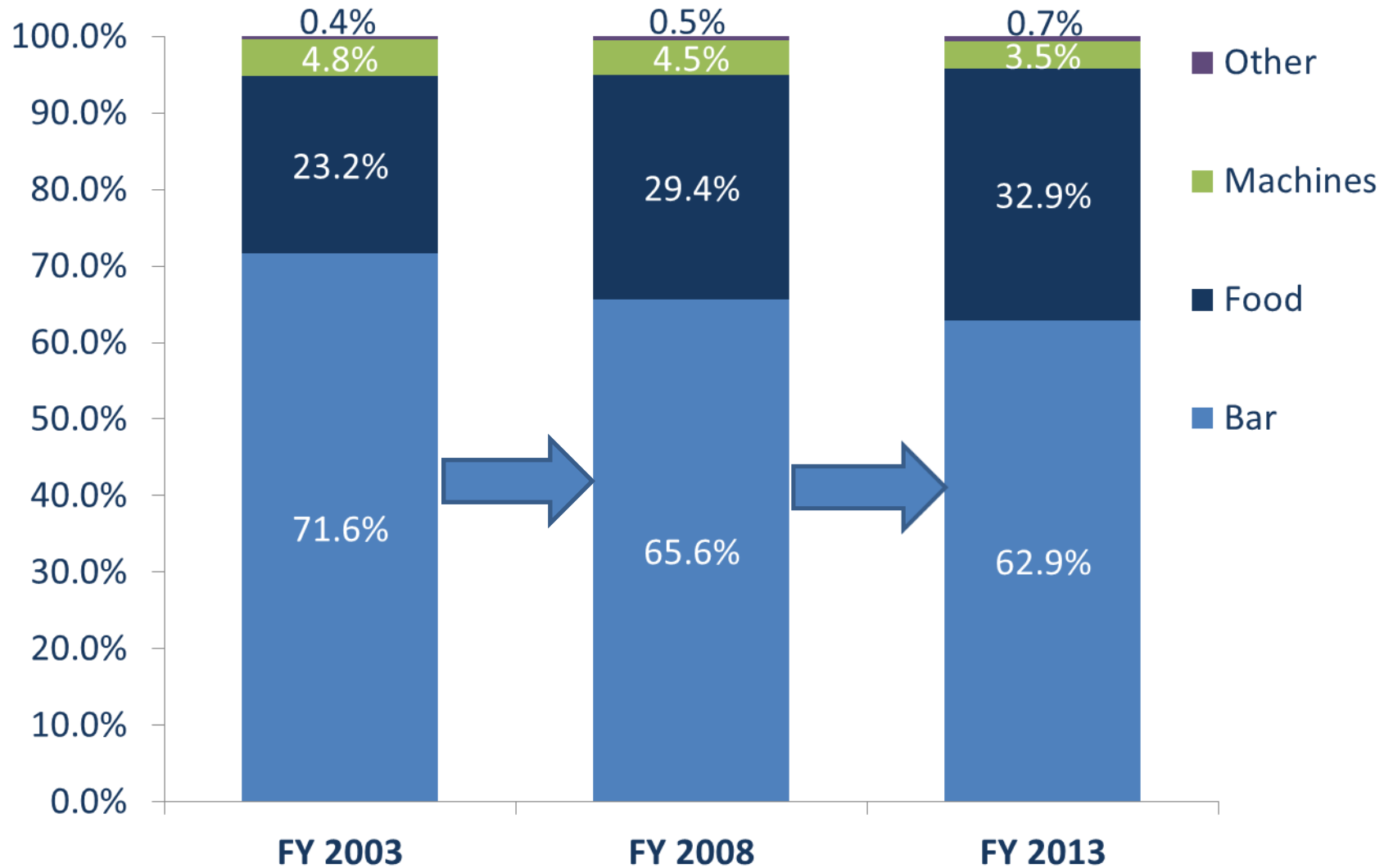
10 Year Sales Performance

£ millions



Strong sales growth

Changing Sales Mix Over Last 10 Years



Long-term growth in food mix

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)

<i>(out of a list of 16 – the top 6)</i>			
	May 2012	October 2012	April 2013
Wetherspoons	10%	11%	11%
Nandos	11%	9%	9%
Harvester	8%	8%	8%
Frankie & Benny's	8%	7%	7%
Pizza Express	7%	7%	7%
Pizza Hut	8%	7%	6%

Market Update

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

Claimed usage in last 6 months	May 12	Oct 12	Apr 13
Wetherspoons	44%	40%	43%
Pizza Hut	41%	30%	32%
Harvester	29%	28%	28%
Nandos	26%	20%	23%
Pizza Express	26%	22%	21%
Frankie & Benny's	25%	19%	21%
Toby	16%	14%	16%
Brewer's Fayre	15%	14%	14%
Beefeater	16%	13%	13%
Hungry Horse	11%	10%	11%
TGI Fridays	13%	9%	11%
Cafe Rouge	10%	9%	10%

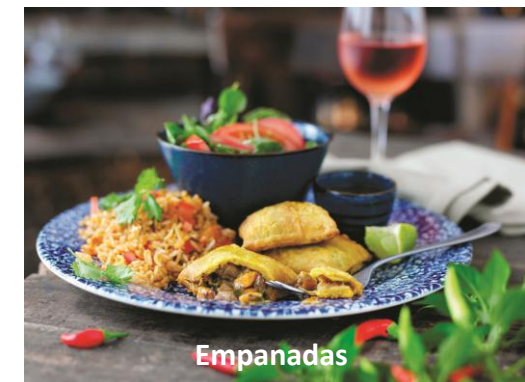
Continued Improvement

- 283 pubs in 2014 CAMRA Good Beer Guide. 32% of the estate compared with 20% of estate in 2007
- Raised £1.6m in the year and over £7.6m during our 11 year partnership with 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
- 4.86 average scores on the doors out of a maximum of 5. (87%) achieving the maximum score of 5.



Cost Outlook

- Tax increases: excise duty, business rates and machine duty
- Input cost inflation expected to be around 3% or so in the coming year
- Continued investment in staffing to support our growth in food
- Continue to focus on maintaining a well-invested estate for the long-term benefit of the company



On-going approach of investment in all areas of the business

Taxation

	2013 £m	2012 £m
VAT	253.0	241.2
Alcohol duty	144.4	136.8
PAYE and NIC	70.2	67.1
Business rates	46.4	43.9
Corporation tax	18.4	18.2
Machine duty	7.2	3.3
Climate change levies	4.3	1.9
Fuel duty	2.0	1.9
Carbon tax	2.6	2.4
Stamp duty	1.0	0.8
Landfill tax	1.3	1.3
Premise licence and TV licences	0.7	0.5
TOTAL TAX	551.5	519.3
TAX PER PUB (£000)	632	617
TAX AS % of SALES	43.1%	43.4%
NET PROFIT AFTER TAX (PAT)	65.2	57.3
NET PAT as % of SALES	5.1%	4.8%

Taxes increased by £32.2m compared to £7.9m increase in profit after tax

Tax Parity Day – 25th September 2013

- Over 10,000 pubs have closed in the last 10 years. 50% of beer sales have been lost to supermarkets in the last 30 years or so.
- 7.5% reduction in JDW prices to customers for one day
- 10,000-15,000 pubs and restaurants participating including Punch, Fullers, Pizza Hut, and many thousands of individual tenants

Current Trading and Outlook

- LFL sales for the 6 weeks to 8th September increased by 3.6% with total sales increasing by 7.8%. In the last 2 weeks LFL's were 2.5%
- Increases expected in bar and food supplies, labour and utilities
- Opportunities to expand the estate profitably

Aiming for a reasonable outcome in current financial year

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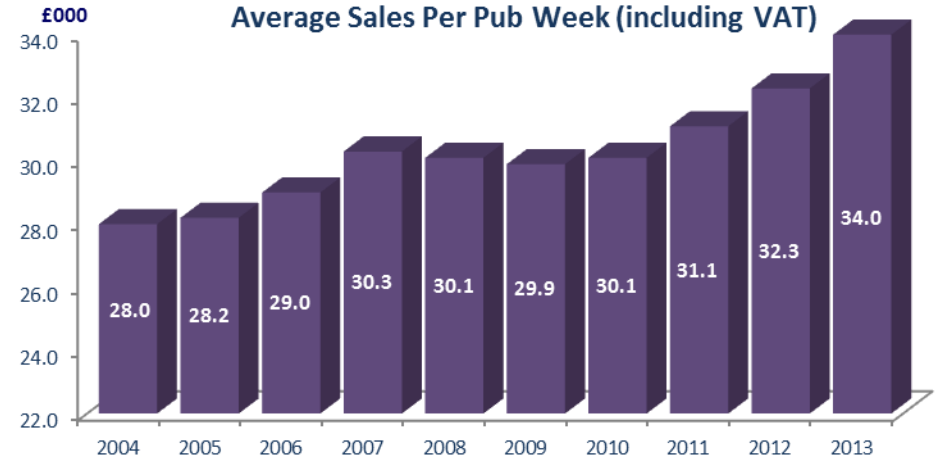
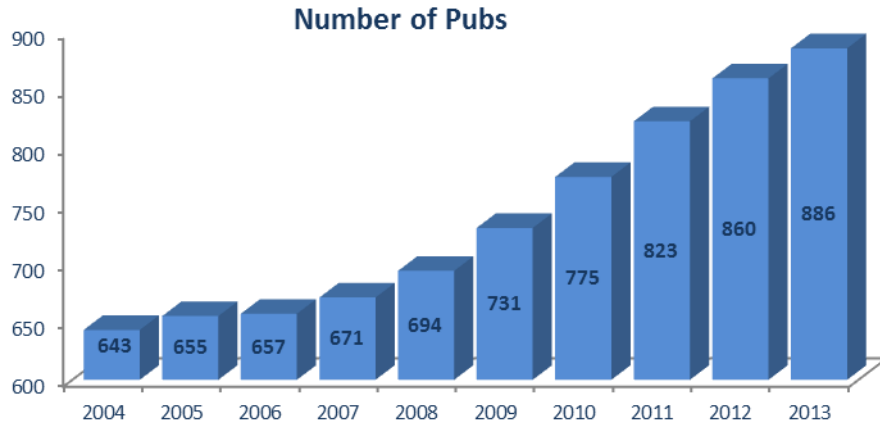
Appendix

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
- D3 ROC/CROCCE/ROE calculations
- E Cash flow
- F Summary financial performance
- G SWAP maturity profile

Appendix A

10 Year Overview



Appendix B

10 Year Financial Trends

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Sales per pub (£000)	1,239	1,246	1,283	1,354	1,333	1,344	1,335	1,360	1,401	1,476
EBITDA per pub (£000) (1)	204.4	195.7	205.6	219.0	211.6	212.9	205.8	198.7	194.9	200.9
Number of pubs	643	655	657	671	694	731	775	823	860	886
% freeholds (%)	41	41	41	42	42	42	41	44	44	44
CROCCE (%) (2)	12.6	11.7	12.0	12.2	11.3	11.2	10.8	10.5	10.5	10.3
Cash return on equity (%) (2)	15.8	14.4	14.8	15.5	14.2	13.5	12.6	11.5	12.0	11.8
Free cash flow per share (pence)	36.7	37.1	42.1	35.6	50.6	71.7	52.9	57.7	70.4	51.8
Adjusted earnings per share (pence) (3)	17.7	16.9	24.1	28.1	25.7	32.6	36.0	35.3	41.3	46.8

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

10 Year Capital Trends

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Size (sq.ft.) – Openings	4,317	4,176	3,928	3,855	3,618	3,359	3,781	3,572	3,325	3,643
Number of openings	28	13	9	18	23	39	47	50	40	29
% which are freehold	43	54	22	61	57	33	32	68	45	48
Freehold average cost (£k)	640	873	625	750	958	765	857	825	639	589
Average development cost (£k, excluding FH)	1,431	1,401	1,301	1,520	1,498	851	857	1,207	1,420	1,552
Average development cost per sq.ft.	331	335	331	394	414	253	226	338	427	426
Population within 2 miles	51,000	64,000	59,000	45,000	50,000	38,000	67,000	54,000	39,000	30,000

ROC/CROCCE/ROE

	2013	2012
P&L return on capital	12.6%	12.4%
CROCCE	10.3%	10.5%
P&L return on equity	20.2%	19.6%
Cash return on equity	11.8%	12.0%

Detailed calculations in appendix D2

ROC/CROCCE/ROE

		2013 £000	2012 £000
Profit after tax, before exceptional items	(a)	65,212	57,325
Add: interest	(b)	34,367	34,955
Profit pre-interest	(c)	99,579	92,280
Less: deferred tax		(7,625)	(3,500)
Add: Depreciation		53,097	49,166
Cash return	(d)	145,051	137,946
P&L return on capital [(c)/average(g)]		12.6%	12.4%
CROCCE [(d)/average(h)]		10.3%	10.5%
P&L return on equity [(a)/average (e)]		20.2%	19.6%
Cash return on equity [(d)-(b)/average (h)-(f)]		11.8%	12.0%

ROC/CROCCE/ROE

		2013 £000	2012 £000
Shareholder funds per balance sheet		214,915	169,644
Add: cumulative losses on disposal		84,990	65,965
: hedging provision		44,045	66,029
	(e)	343,950	301,638
Add: net debt	(f)	474,212	462,611
Capital employed	(g)	818,162	764,249
Add: deferred tax provision		49,599	51,662
Cumulative depreciation		601,883	548,786
Less: revaluation reserve		(9,447)	(9,966)
Cash capital employed	(h)	1,460,197	1,354,731

Cash Flow

	2013 £000	2012 £000
Free Cash Flow	65,349	91,542
Dividends	(15,053)	(15,544)
Proceeds on Disposal	645	887
Investment in new pubs	(60,888)	(75,348)
	(9,947)	1,537
Issue of new shares	-	95
Share Buy Backs	-	(22,711)
	(9,947)	(21,079)
Non Cash Movements	(1,655)	(3,839)
Movement in net debt	(11,602)	(24,918)
Free cash flow per share	51.8p	70.4p

Summary Financial Performance

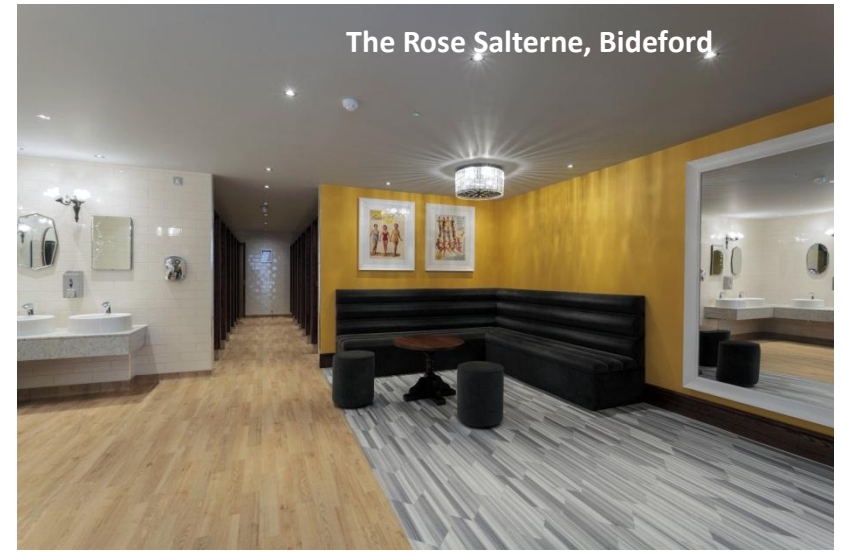
Financial year	Total sales	Profit before tax and exceptional items	Earnings per share before exceptional items	Free cash flow	Free cash flow per share
	£000	£000	pence	£000	pence
1984	818	(7)	0.0		
1985	1,890	185	0.2		
1986	2,197	219	0.2		
1987	3,357	382	0.3		
1988	3,709	248	0.3		
1989	5,584	789	0.6	915	0.4
1990	7,047	603	0.4	732	0.4
1991	13,192	1,098	0.8	1,236	0.6
1992	21,380	2,020	1.9	3,563	2.1
1993	30,800	4,171	3.3	5,079	3.9
1994	46,600	6,477	3.6	5,837	3.6
1995	68,536	9,713	4.9	13,495	7.4
1996	100,480	15,200	7.8	20,968	11.2
1997	139,444	17,566	8.7	28,027	14.4
1998	188,515	20,165	9.9	28,448	14.5
1999	269,699	26,214	12.9	40,088	20.3
2000	369,628	36,052	11.8	49,296	24.2
2001	483,968	44,317	14.2	61,197	29.1
2002	601,295	53,568	16.6	71,370	33.5
2003	730,913	56,139	17.0	83,097	38.8
2004	787,126	54,074	17.7	73,477	36.7
2005	809,861	47,177	16.9	68,774	37.1
2006	847,516	58,388	24.1	69,712	42.1
2007	888,473	62,024	28.1	52,379	35.6
2008	907,500	58,228	27.6	71,411	50.6
2009	955,119	66,155	32.6	99,494	71.7
2010	996,327	71,015	36.0	71,344	52.9
2011	1,072,014	66,781	34.1	78,818	57.7
2012	1,197,129	72,363	39.8	91,542	70.4
2013	1,280,929	76,943	44.8	65,349	51.8

Swap Maturity Profile

Swap Value	From	To	Weighted Average %
£400m	29 Jul 2012	12 Nov 2014	5.3%
£400m	12 Nov 2014	31 Jul 2016	3.5%
£400m	31 Jul 2016	31 Jul 2018	2.2%



The Joseph Conrad, Lowestoft

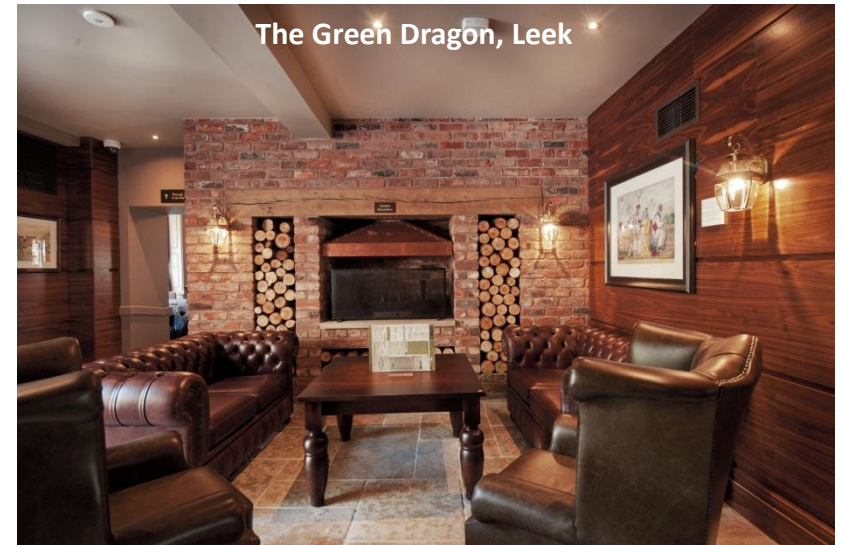


The Rose Salterne, Bideford

Questions



The Green Dragon, Leek



The Green Dragon, Leek