

J.D. Wetherspoon Plc



Preliminary Announcement



3 September 2004



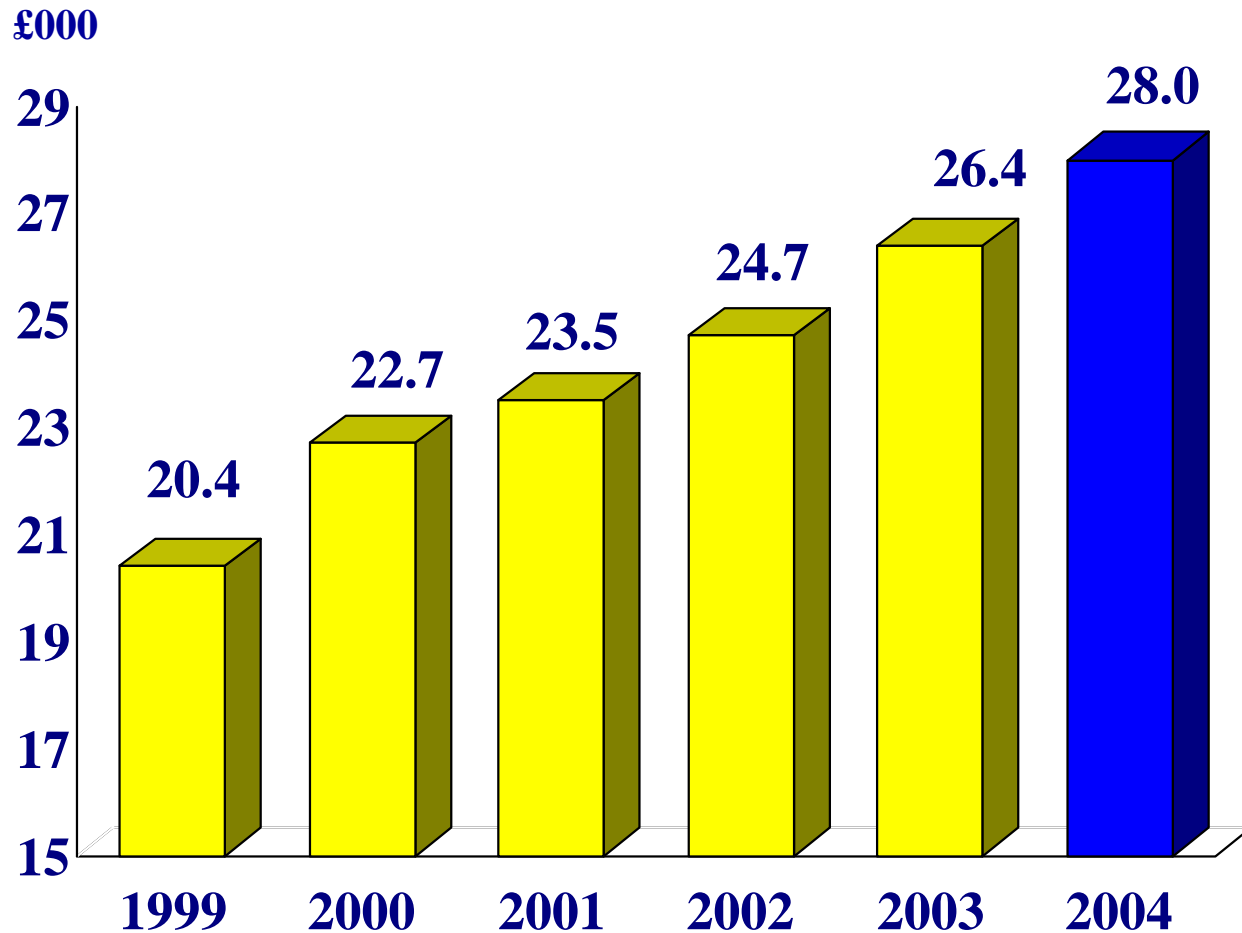
Highlights -Twelve Months to 25 July 2004

- Turnover up 8% to £787.1m
- Operating profit up 4% to £77.6m
- Profit before tax down 4% to £54.1m
- Earnings per share up 4% to 17.7p
- Free cash flow per share down 3% to 37.5p
- Dividend per share increased by 10%

Openings- 2004 (28)

Aberdeen	Hartlepool	Portsmouth
Bath	Keighley	Skipton
Birmingham	Lincoln	Sleaford
Brighton	Liverpool	Solihull
Burnham-on-Sea	Loughborough	Southport
Daventry	Manchester	Stockley Park
Castleford	Morecambe	Wallasey
Chichester	Pontypridd	Wokingham
Cwmbran	Poole	Worcester
Durham		

Average Sales Per Pub Week (including VAT)



Like For Like Sales

%	2004	2003	2002	2001	2000	1999
Bar	2.9	2.1	3.5	6.2	13.8	11.6
Food	4.2	11.4	9.9	11.4	8.1	(2.1)
Total Sales	3.4	4.1	5.0	7.5	12.4	8.6
LFL Profits	(0.7)	(0.9)	3.8	7.0	13.0	10.1

Trading

- Strong H1 financial performance
- Slower H2 sales growth
- Stable H1/H2 operating margins

Trading

- General pub pricing
- Take-home market
- Marketing initiatives

Marketing

REAL THING



NEW **NEW**

ABV 3.8% ABV 4.5% ABV 5.0%

£1.29 per pint £1.49 per pint £1.59 per pint

GUEST ALES £1.59 per pint

PARADISE ON DRAUGHT



ABV 4.1%

£1.49
per pint

Marketing

- Range of soft drinks
- Cappuccino
- Continued success of food offer

Licensing Reform

- Costs £1 million +
- Period of disruption
- New licenses
- Extension of opening hours

New Pub Developments

- 2004 Openings – 28
- Average size 4,300 sq. ft. (company ave. 3,500)
- Outside drinking areas
- Flexible smoking/non smoking areas

New Pub Sales Performance

- 2000/01 Pubs Sales £26.7k (+5.5%)
- 2001/02 Pubs Sales £29.6k (+5.7%)
- 2002/03 Pubs Sales £33.5k (+7.4%)
- 2003/04 Pubs Sales £35.2k

Sales per week including VAT

Pub Operating Margins (%)

	<u>2004</u>	<u>2003</u>
Gross margin	63.0	62.7
Staff costs	(25.2)	(24.5)
Other pub costs	(16.6)	(16.3)
Pub operating profit	<u>21.2</u>	<u>21.9</u>

Operating Margins - Summary

	2004		2003	
	£000	% of Sales	£000	% of Sales
Turnover	787,126	-	730,913	-
Pub Operating Profit	167,090	21.2	160,030	21.9
Sale & leaseback rentals	(8,348)	(1.0)	(7,801)	(1.0)
Head Office Costs	(37,166)	(4.7)	(34,037)	(4.7)
Depreciation	(43,948)	(5.6)	(43,209)	(5.9)
Operating Profit	77,628	9.9	74,983	10.3

Cash Flow

	2004	2003
	£000	£000
Cash from operations	128,874	130,565
Interest and tax	(33,251)	(31,419)
Investments in existing pubs	(20,590)	(15,896)
Free cash flow	75,033	83,250
Dividends	(7,322)	(5,438)
Investment in own shares (SIP)	(1,556)	(153)
Re-financing costs	(1,325)	-
Disposal proceeds	7,891	10,732
Total investments in new pubs	(54,056)	(77,275)
Cash flow before share capital changes	18,665	11,116
Share buybacks	(48,583)	(17,369)
Issue of new shares	1,219	233
Movement in net debt	(28,699)	(6,020)
Free cash flow per share	37.5p	38.8p

Pub Investment Levels

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Capital re-investment	2.6	2.2	3.1	3.3	3.9	3.3
Repairs	3.1	2.7	2.5	1.8	1.3	1.4
Total (% of sales)	5.7	4.9	5.6	5.1	5.2	4.7
Total (£k per pub)	71	58	62	53	52	42

Financial - Funding

	<u>2004</u>	<u>2003</u>
Net debt / EBITDA	2.8	2.6
Gearing (%) – post FRS19	117	97
– pre FRS19	95	81
Interest cover (times)	3.3	4.0
Fixed charge cover (times) - statutory	1.8	1.9
- excluding depreciation	2.4	2.7

Revised £250m banking facility (total facilities £412m)

Underlying Economic Profits

	2004	2003
	£'000	£'000
PBT	54,074	56,139
Add: Depreciation	43,948	43,209
Less: Capital invested in existing pubs	(20,590)	(15,896)
Economic profit	77,432	83,452
Cash tax	(13,165)	(13,317)
Economic profit after tax on cash basis	64,267	70,135

ROC/CROCCE/ROE

	<u>2004</u>	<u>2003</u>
● P&L return on capital	9.3%	8.9%
● Crocce	12.6%	13.0%
● P&L return on equity	11.4%	11.5%
● Cash return on equity	15.7%	17.1%

Detailed calculations included in appendix D



Financial Issues

- Exceptional loss
- Share buybacks
- Share option replacement plan
- International accounting standards

Accounting Policies

- Refurbishment versus repairs
- Capitalised HO costs
- Capitalised interest
- Refinancing fees
- Share options
- Free cash flow double accounting earnings

Current Trading and Outlook

- August sales: LFL flat, total company +3%
- Summer sales slowdown
- Ongoing competitive pricing initiatives
- Anticipated cost pressures (labour, utilities, licensing reform)
- Profit impact for year ending 31 July 2005
- Challenging competitive and political climate for pubs

Summary

- Continued growth in average pub sales levels
- Ongoing innovation e.g. non-smoking areas
- Unique staff incentive scheme
- Committed management team
- Continued strong cash generation

Appendices

A - 10 Year Financial Graphs

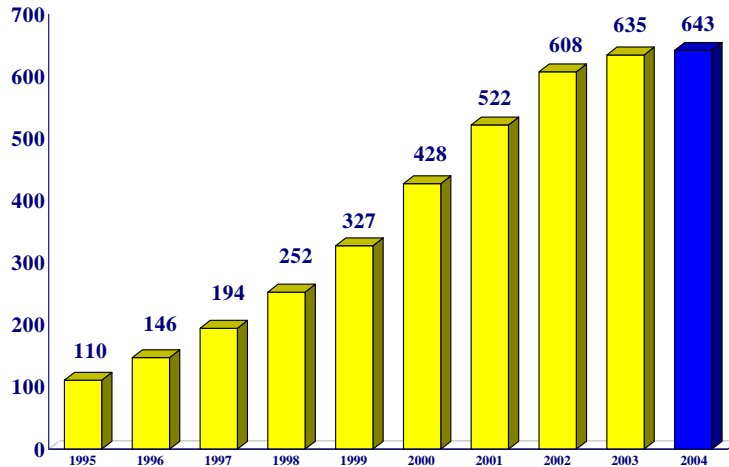
B - 10 Year Trends

C - Capital Trends

D – ROC/CROCCE/ROE Calculations

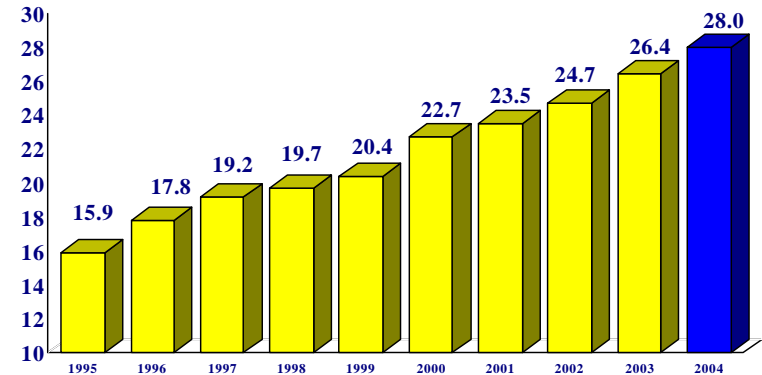
10 Year Summary

Number of Pubs



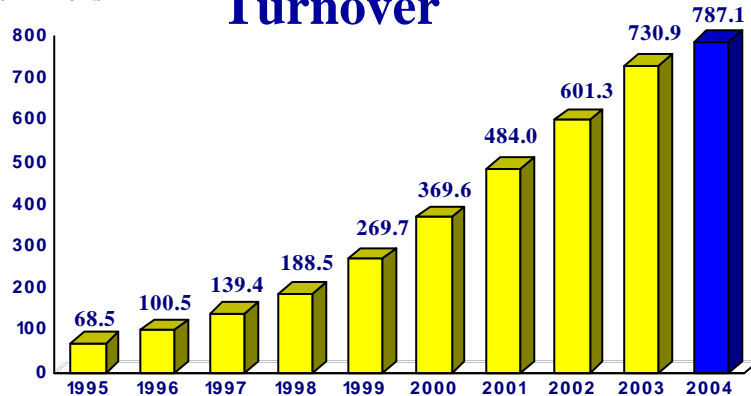
Average Sales Per Pub Week (including VAT)

£000



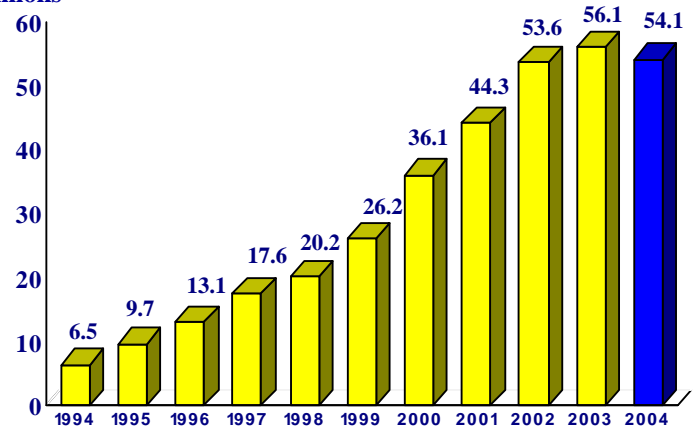
£ millions

Turnover



Profit Before Tax

£ millions



JDW - Financial Trends

Appendix B

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Sales per pub (£000)	619	702	786	848	872	904	1,004	1,040	1,093	1,169	1,239
EBITDA per pub (£000) (1)	135.6	149.5	177.6	190.8	184.9	188.0	203.8	205.9	207.4	201.9	204.4
Number of pubs	87	110	146	194	252	327	428	522	608	635	643
% freeholds (%)	37	33	35	31	30	21	32	40	42	42	41
CROCCE (%) (2)	14.8	15.0	17.1	14.1	15.0	15.7	15.6	15.3	13.9	13.0	12.4
Cash return on equity (%) (2)	15.8	17.5	21.7	18.3	20.8	20.9	20.3	20.1	18.8	17.1	15.7
Free cash flow per share (pence)	4.1	7.4	11.3	14.4	13.3	20.3	24.2	29.1	33.5	38.8	37.5

(1) Excluding sale & leaseback

(2) See appendix D for calculation



Capital Trends

	1998	1999	2000	2001	2002	2003	2004
Size (sq.ft.) – openings	3,401	3,037	3,217	3,713	3,808	3,721	4,317
Number of openings	68	84	101	94	87	45	28
% which are freehold	49	58	67	75	53	56	43
Freehold average cost (£k)	463	427	465	506	597	511	640
Average development cost (£k)	965	941	1,049	1,178	1,262	1,317	1,431
Average cost per sq. ft.	284	310	326	334	331	354	331
Increase in average cost (%)	12	9	4	3	-1	7	-6
Population within 2 miles	72,000	70,000	77,000	70,000	70,000	73,000	51,000
Pub openings with beer gardens (%)	42	50	73	62	46	51	54

ROC/CROCCE/ROE

Appendix D1

		2004	2003
		£000	£000
Profit after tax	(e)	<u>35,347</u>	36,395
Add: interest	(f)	<u>23,554</u>	18,844
Profit pre-interest	(g)	<u>58,901</u>	55,239
Add: deferred tax		5,562	6,427
Depreciation		<u>43,948</u>	43,209
Cash return	(h)	<u>108,411</u>	104,875

● P&L return on capital [(g)/average (c)]	<u>9.3%</u>	<u>8.9%</u>
● CROCCE [(h)/average (d)]	<u>12.6%</u>	<u>13.0%</u>
● P&L return on equity [(e)/average (a)]	<u>11.4%</u>	<u>12.3%</u>
● Cash return on equity [(h)-(f)/average (d)-(b)]	<u>15.7%</u>	<u>17.1%</u>

ROC/CROCCE/ROE

Appendix D2

	2004	2003
	£000	£000
Shareholder funds per balance sheet	288,954	318,327
Add: cum losses on disposal	8,424	2,351
	(a) 297,378	320,678
Add: net debt	(b) 337,559	308,860
Capital employed	(c) 634,937	629,839
Add: deferred tax provision	66,244	62,419
Cumulative depreciation	207,736	169,366
Less: revaluation reserve	(23,117)	(22,439)
Cash capital employed	(d) 885,800	839,185