
J.D. Wetherspoon Plc

Preliminary Announcement



5 September 2003



Highlights -Twelve Months to 27 July 2003

- Turnover up 22% to £730.9m
- Profit before tax up 5% to £56.1m
- Earnings per share up 2% to 17.0p
- Free cash flow per share 39.7p (+19%)
- Dividend per share increased by 10%

Openings- First Half 2003 (21)

M25

Croydon
Fulham Broadway
Hammersmith
Shepherds Bush
Windsor

South

BasingstokeX2
East Grinstead

Midlands Area

Birmingham
Bridgnorth
Hereford
Moseley

North East

Consett

North West

Liverpool
Winsford

South West

Bridgewater
Plymouth

Scotland

Airdrie
Kirkintilloch

Wales

Aberdare
Cardiff

Openings- Second Half 2003 (24)

East

Rayleigh

M25

Hackney

Heathrow T1 X2

Twickenham

Midlands

Alfreton

Oswestry

North East

Newcastle

Peterlee

Sunderland

North West

Crewe

Ellesmere Port

Stalybridge

Whitehaven

Scotland

Edinburgh

Wick

South East

Cowley

Stansted airport

South West

Falmouth

Newquay

Newton Abbott

Penzance

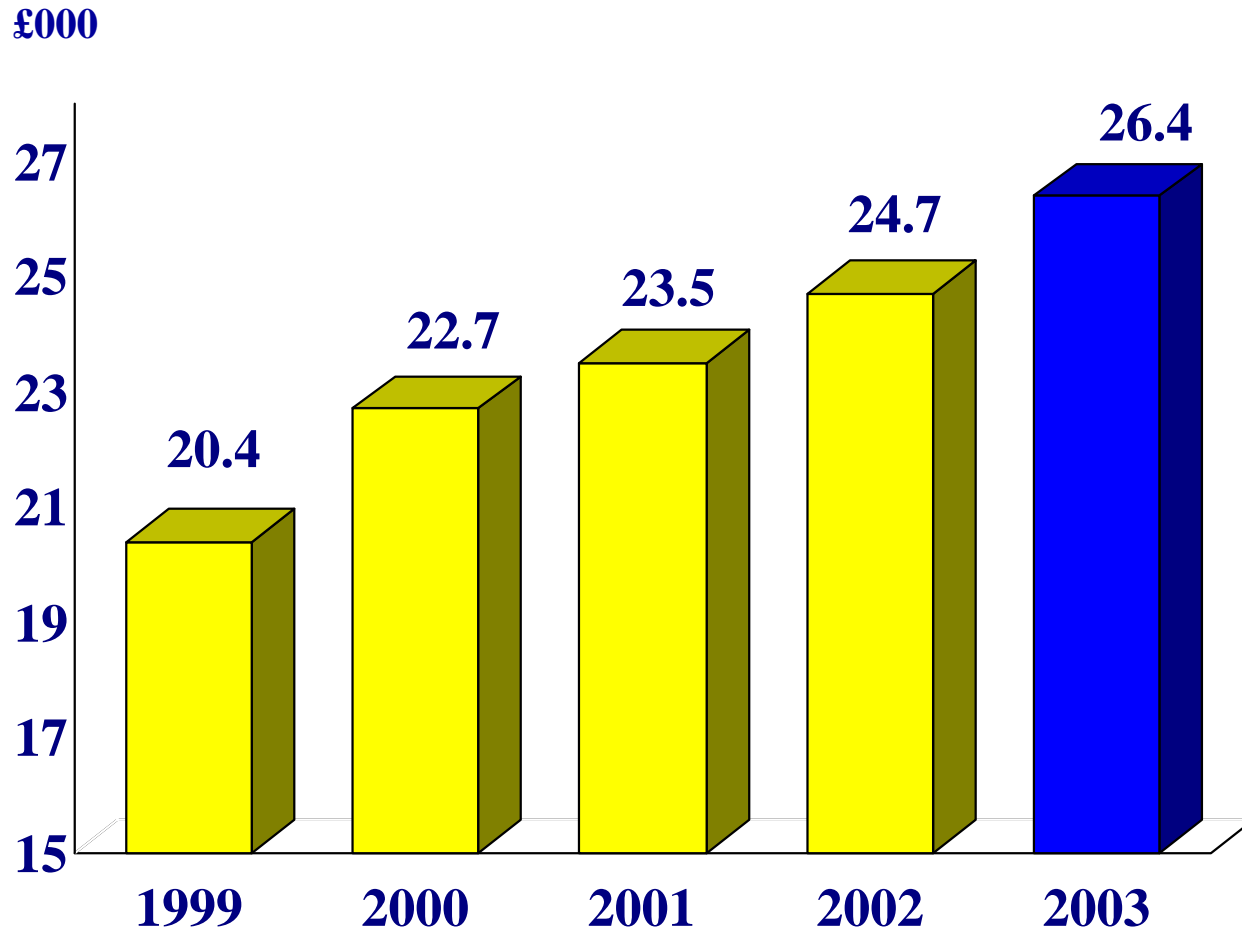
Wales

Cardiff

Mold

Five Year View

Average Sales Per Pub Week (including VAT)



Like For Like Sales

%	1st Half 2003	2nd Half 2003	Full Year 2003	Full Year 2002	Full Year 2001
Bar	2.2	2.1	2.1	3.5	6.2
Food	14.0	9.3	11.4	9.9	11.4
Total	4.7	3.6	4.1	5.0	7.5
LFL profits	(2.6)	0.8	(0.9)	3.8	7.0

Trading

- Spirits range
- Wine offers
- 10am opening
- Food development
- Lloyds – 50 pubs/continued growth

Costs/Purchasing Initiatives

- Spirits
- Meat contract £240k
- Waste disposal £90k
- Glass washers £130k

Penzance to Wick



Airports



Stansted

Heathrow – T1



Operating Margins - Summary

	2003		2002	
	£000	% of Sales	£000	% of Sales
Turnover	730,913	-	601,295	-
Pub Operating Profit	160,029	21.9	141,660	23.6
Sale & leaseback rentals	(7,801)	(1.0)	(7,721)	(1.3)
Head Office Costs	(34,036)	(4.7)	(27,511)	(4.6)
Depreciation	(43,209)	(5.9)	(36,343)	(6.0)
Statutory operating profit	74,983	10.3	70,085	11.7

Pub Operating Margins

	2003	2002
Gross margin	62.4%	62.5%
Staff costs	24.3%	23.9%
Other pub costs	16.2%	15.0%
Pub operating profit	21.9%	23.6%

Cash Flow

	2003	2002	
	£000	£000	
Cash from operations	130,565	113,700	+15%
Interest and tax	(29,547)	(23,604)	
Investments in existing pubs	(15,896)	(18,726)	
Free cash flow available for new pub development	85,122	71,370	+19%
Dividends	(5,438)	(4,445)	
Disposal proceeds	10,732	412	
Investment in own shares	(153)	-	
Total investments in new pubs and extensions (including interest)	(79,147)	(134,350)	
Cash inflow/(outflow) before financing	11,116	(67,013)	
Share buyback	(17,369)	-	
Shares issued	233	5,750	
Net cash movement	(6,020)	(61,263)	
Free cash flow per share	39.7p	33.5p	+19%

Pub Investment Levels

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

Financial - Funding

	<u>2003</u>	<u>2002</u>
● Gearing (%) – post FRS19	97	98
– pre FRS19	81	82
● Interest cover (times)	4.0	4.2
● Fixed charge cover (times) - statutory	1.9	2.1
- excluding depreciation	2.7	2.8
● Unutilised bank facilities (including cash balances)	£103m	£105m

Underlying Economic Profits

	2003	2002	
	£'000	£'000	
PBT	56,139	53,568	
Add: Depreciation	43,209	36,343	
Less: Capital invested in existing pubs	(15,896)	(18,726)	
Economic profit	83,452	71,185	+17%
Cash tax	(13,317)	(8,556)	
Economic profit after tax on cash basis	70,135	62,629	+12%

ROC/CROCCE/ROE

	<u>2003</u>	<u>2002</u>
● P&L return on capital	8.9%	9.2%
● Crocce	13.0%	13.9%
● P&L return on equity	11.6%	12.1%
● Cash return on equity	17.2%	18.8%

Detailed calculations included in appendix D



Exceptional Items

- Capital loss on 18 pubs sold for net consideration of £10.7m £2.7m

- Provision against two non trading sites £1.0m

- Exceptional loss £3.7m

On-going Cost Items

- Minimum wage cost £2m including differentials
- Licensing reform £1m plus
- Replacement share option plan £2.5m

Current Trading and Prospects

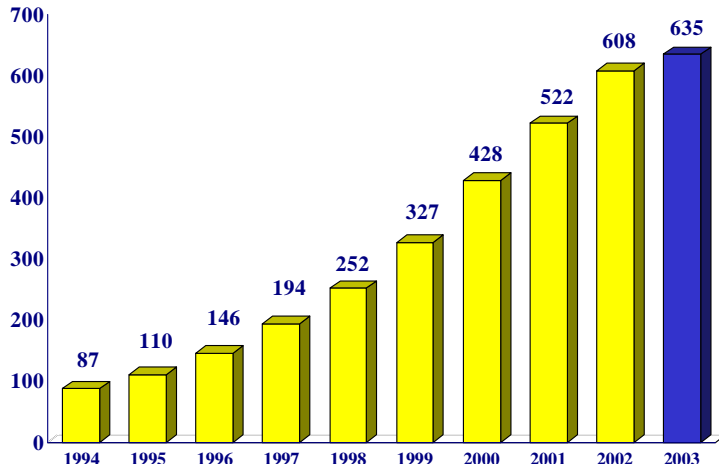
- August trading (3.5% LFL sales)
- Circa 35 new pub openings in current year
- Licensing reform/smoking debate
- Further pressures on costs
- Strong cash generation
- Continued growth

Appendices

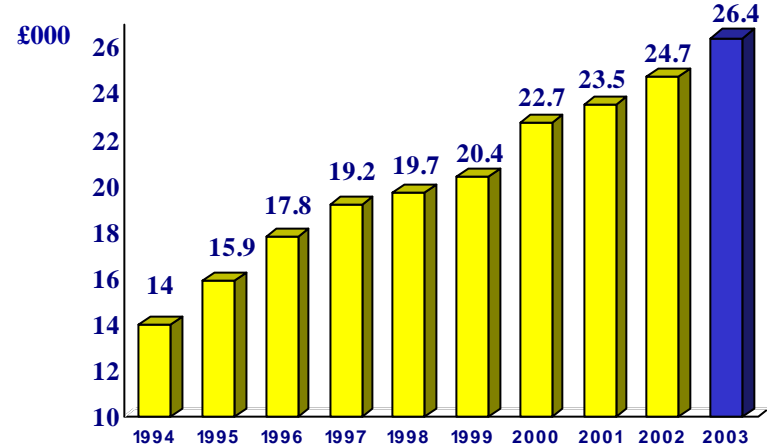
- A - 10 Year financial graphs
- B - 10 Year trends
- C - Capital trends
- D - ROC/CROCCE calculations

10 Year Financial Trends

Number of Pubs

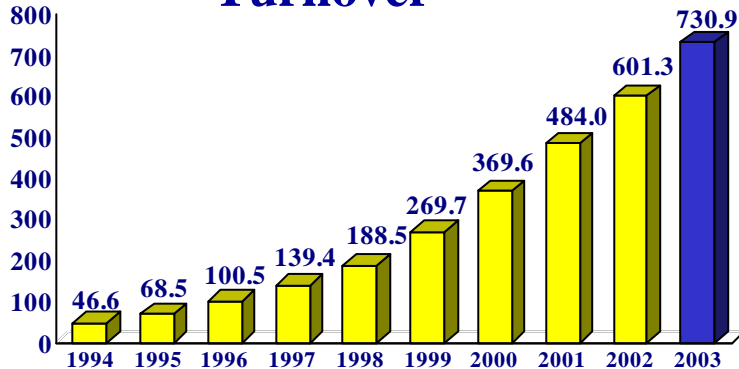


Average Sales Per Pub Week (including VAT)



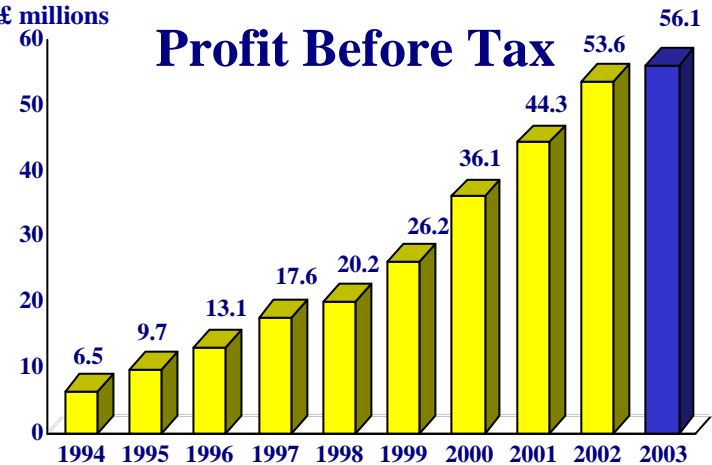
£ millions

Turnover



£ millions

Profit Before Tax



JDW - The Last 10 Years

Appendix B

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Sales per pub (£000)	619	702	786	848	872	904	1,004	1,040	1,093	1,169
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
Average capital employed per pub (£000)	820	895	949	974	1028	990	972	1018	1049	1,043
Number of pubs	87	110	146	194	252	327	428	522	608	635
% freeholds (%)	37	33	35	31	30	21	32	40	42	42
CROCCE (2)	14.8	15.0	17.1	14.1	15.0	15.7	15.6	15.3	13.9	13.0
Cash return on equity	15.8	17.5	21.7	18.3	20.8	20.9	20.3	20.1	18.8	17.2
Free cashflow per share (pence)	4.1	7.4	11.3	14.4	13.3	20.3	24.2	29.1	33.5	39.7

(1) Excluding sale & leaseback

(2) See Appendix D for detailed calculation

Capital Trends

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Size (sq.ft.) – openings	3,037	3,217	3,526	3,808	3,721
Number of openings	84	101	94	87	45
% which are freehold	58	67	75	53	56
Freehold average cost (£k)	427	465	506	597	511
Average development cost (£k)	941	1,049	1,178	1,262	1,317
Average cost per sq. ft.	310	326	334	331	354
Increase in average cost (%)	9	4	3	-1	7
Population within 2 miles	70,000	77,000	70,000	70,000	73,000
Pub openings with beer gardens (%)	50	73	62	46	51

ROC/CROCCE/ROE

Appendix D

		2003	2002	2001
		£000	£000	£000
Shareholder funds per balance sheet	(a)	<u>318,628</u>	<u>310,133</u>	<u>273,839</u>
Add: net debt	(b)	308,860	302,840	241,577
Capital employed	(c)	<u>627,488</u>	<u>612,973</u>	<u>515,416</u>
Add: deferred tax provision		62,419	57,399	47,803
Cumulative depreciation		169,366	129,040	92,851
Less: revaluation reserve		(22,439)	(23,386)	(23,824)
Cash capital employed	(d)	<u>836,834</u>	<u>776,026</u>	<u>632,246</u>

ROC/CROCCE/ROE

		2003	2002
		£000	£000
Profit after tax	(e)	36,395	35,416
Add: interest	(f)	18,844	16,517
Profit pre-interest	(g)	55,239	51,933
Add: deferred tax		6,427	9,596
Depreciation		43,209	36,343
Cash return	(h)	104,875	97,872

● P&L return on capital [(g)/average (c)]	8.9%	9.2%
● CROCCE [(h)/average (d)]	13.0%	13.9%
● P&L return on equity [(e)/average (a)]	11.6%	12.1%
● Cash return on equity [(h)-(f)/average (d)-(b)]	17.2%	18.8%