8 November 2017

J D WETHERSPOON PLC
Q1 Trading Update

J D Wetherspoon plc ('Wetherspoon' or 'the Company') presents below its Q1 trading update for the 13-week period up to 29 October 2017.

Current trading

For the 13 weeks to 29 October 2017, like-for-like sales increased by 6.1% and total sales by 4.3%.

The underlying operating margin, excluding property gains, was 8.6%, although one-off items increased that number in the quarter. Our expectations for the full year operating margin are unchanged.

Property

The Company has opened two new pubs since the start of the financial year and has sold six. We intend to open between 10 and 15 pubs in the current financial year.

Financial position

The Company remains in a sound financial position. As previously indicated, the long-term aim of the Company is for debt to ebitda to be in the range of zero to two times. With very low interest rates, we are comfortable with recent levels of about 3.5 times, which are modest in comparison with our main competitors, and are regularly reviewed.

Outlook

The chairman of Wetherspoon, Tim Martin, said:

"A key issue for investors and the public is the impact of Brexit on the economy. In this connection, statements have been made by some senior PLC directors and trade organisations which are factually incorrect and highly misleading. Unsurprisingly, the misinformation has been adopted by many among the media, investors and the public, as if it were true.

"For example (Appendix 1 below), the chairman of Sainsbury's, David Tyler, was recently quoted in the Sunday Times in an article headed "Sainsbury's warns of 'no deal' Brexit cost". The clear implication of the chairman's words and the conclusion of the article were that a deal with the EU was necessary to avoid higher food prices.

"In fact, that is completely untrue. The lowest food prices can be obtained by the UK, without the need for the agreement or consent of any third party, by avoiding a 'transitional deal', which would keep EU tariffs in place, and leaving the EU in March 2019. This would enable the UK to scrap EU food tariffs, as permitted under World Trade Organisation rules, on food imported from outside the EU. Under WTO rules, tariffs would not then be charged on imports from the EU either.

"Wetherspoon calculates that this approach would reduce the average cost of a meal by about 3.5 pence and the cost of a drink by 0.5 pence.

"Another example relates to an article in the Evening Standard (Appendix 2) in which the chairman of Whitbread, Richard Baker, on behalf of the BRC, and the head of the CBI, Carolyn Fairbairn, create a similarly misleading impression.

“This sort of misinformation has also resulted in articles such as the one in the Guardian (Appendix 3) and the Financial Times (Appendix 4) in which the writers wrongly assume that reversion to WTO rules, on leaving the EU without a deal, would axiomatically result in the imposition of tariffs. It is not true, for example, as the Financial Times states, that tariffs of “13% on salmon, 14% on wine, 40% on cheese and 59% on beef….must apply to all countries outside the customs union, unless a free-trade agreement is in place.”

“The misinformation from directors and trade organisations seems to be designed to support the view that staying in the EU for an additional two years is necessary to avoid a ‘cliff edge’. There is no cliff edge. Wetherspoon, for example, is ready now to leave the EU, since almost no preparation is required - as is almost certainly the case for Sainsbury’s and Whitbread, and the vast majority of companies.

“Although it is only a short period, the Company has had a positive start to the year. Sales have continued at a slightly higher-than-expected level since we last reported on 15 September. Costs, as many pub and restaurant companies have indicated, have been significantly higher than last year, and further increases are expected in areas including labour, business rates, utilities and sugar taxes.

“We will provide updates as we progress through the current financial year, but we currently anticipate a trading outcome for the current financial year in line with our expectations.”

Appendix 1

Sainsbury’s boss David Tyler warns a ‘no deal’ Brexit would raise the cost of shopping

Tommy Stubbington, 15 October 2017, The Sunday Times

Families will have to pay more for their weekly shop if Britain leaves the EU without a trade deal, the chairman of Sainsbury’s has warned.

David Tyler said customs delays and tariffs would add to the costs facing shoppers. His warning comes after Theresa May said she was making plans for a “no deal” Brexit, which would see Britain trading with the EU under World Trade Organisation rules.

“If we don’t get a deal and we move to WTO rules, we could face an average tariff of 22% on foodstuffs we import from Europe,” Tyler said.

Under current customs arrangements, a lorry leaving Italy early in the morning would be able to deliver to Sainsbury’s in time for the food to be on shelves the following day.

“There is considerable worry about wastage,” he said, warning that trucks could face delays leaving French ports and again on reaching Britain.

Hauliers have warned that delays in cross-Channel trade could place Britain’s supply chain under pressure, potentially leaving supermarkets short of food and manufacturers without vital components.

“The resilience of the supply chain is about one week,” said James Hookham of the Freight Transport Association.

Appendix 2

Hard Brexit will increase our prices, retailers warn government

10 October 2016, The Evening Standard

Retailers today warned that families will pay higher prices in the shops if the Government goes for a “hard Brexit”.

The British Retail Consortium said goods from clothes and wine to meat would become more expensive unless Theresa May strikes a deal with the other 27 EU countries.

Sterling slipped further against both the dollar and the euro this morning - and one City expert warned grimly that the “markets can strike back” if the Government ignores the fears of the City and business.

In a letter to International Trade Secretary Liam Fox, the retailers said failure to reach a trade deal with Brussels would see tariffs of 12 per cent slapped on clothes from Bangladesh and up to 27 per cent on meat.

Chilean wine would be hit by a 14 per cent levy, although New Zealand lamb could become cheaper

Chairman Richard Baker said stores would struggle to absorb the tariffs themselves, meaning higher prices for consumers. “The retail industry is the UK’s biggest importer,” he wrote.

David Cumming, head of UK equities at Standard Life Investments, said the Government should pay heed to the financial markets after a week of steady losses by the pound. “I don’t think fall in the pound is good news from here,” he said, adding: “There’s a lot of rhetoric that the market doesn’t like.”

He told BBC Radio 4: “The markets can strike back if the Government does not listen to business agendas.”

Business groups have stepped up pressure since Mrs May used last week’s Conservative party conference to signal that she is prepared to have a hard Brexit, sacrificing full access to the European Single Market for the sake of immigration control.

Mrs May was visiting Denmark and the Netherlands today in the latest leg of her tour of EU member states.

But she was badly wounded by a humiliating Tory U-turn over the weekend on a plan to list firms that employ a large proportion of foreign workers. The Government plan to force businesses to reveal how many foreign staff they employ was widely condemned. Education Secretary Justine Greening announced yesterday that companies will not be made to publish the data as suggested by Home Secretary Amber Rudd during the Tory conference.

Ms Greening said the information would be confidential and instead used by the Government to identify skills shortages, rather than to “name and shame” businesses that rely on foreign employees.

Steve Hilton, a former adviser to David Cameron, had suggested that ministers might as well announce that “foreign workers will be tattooed with numbers on their forearms”. He condemned the policy as repugnant and divisive.

A study by the British Chambers of Commerce said uncertainty had hit recruitment and investment plans.

Dr Adam Marshall, acting director general, said: “Our data suggests that slower growth is likely in the months ahead.”

Carolyn Fairbairn, head of the CBI, said a hard Brexit risked “closing the door” on Britain’s traditionally open economy.

Appendix 3

The Guardian view on Brexit……

Editorial, 7 July 2017, The Guardian

'…..A deal is better than no deal. No deal would mean a reversion to WTO rules on trade between the EU and the UK. Among other things, it would mean, as Mr Barnier points out, that there would be customs duties of almost 10% on vehicle imports, of 19% on drinks, and an average of 12% on meat and fish. These would be hugely disruptive shocks with major economic and social repercussions. Those repercussions would likely be worse for Britain than the EU. Mrs May would be crazy to take the economic and political risks. But that is where she is still heading.'

Appendix 4

Clegg warns 'hard Brexit' will lead to 22% EU food tariffs

Henry Mance, Political Correspondent, 17 October 2016, Financial Times

Britain will face average tariffs of 22 per cent on its food imports from the EU, unless it remains within the single market or strikes a bilateral trade deal following Brexit, the former deputy prime minister Nick Clegg has warned.

The analysis counters calls from Conservative backbenchers that Britain should fall back on World Trade Organisation rules to strengthen its bargaining position with the EU. The chairman of the foreign affairs select committee, Crispin Blunt, has said WTO rules would provide a "perfectly sound bottom line for the UK in the negotiations".

Food prices hit the headlines last week, when Unilever products, including the spread Marmite, briefly disappeared from the website of retailer Tesco after a dispute over which company should bear the cost of the falling pound.

"It's clear that Marmite was just the tip of the iceberg," said Mr Clegg, a former EU trade negotiator. "A hard Brexit will lead us off a cliff edge towards higher food prices, with a triple whammy of punishing tariffs, customs checks and workforce shortages."

Mr Clegg is calling for Britain to remain within the EU single market and to seek an interim deal based on Norway's status. Theresa May has not ruled out a transitional arrangement with the EU, or contributing to the bloc's budget, as Norway does.

Without a trade deal or interim arrangement, the UK's exports to the EU would be subject to the latter's terms at the World Trade Organisation. Those specify average tariffs of 2 per cent on non-agricultural products, but 22.3 per cent on agricultural products, Mr Clegg said.

The same levies would apply to UK imports from the EU, assuming, as Liam Fox said last month, that the UK would "continue to uphold" the EU's most favoured nation tariffs. Applicable tariffs would include 13 per cent on salmon, 14 per cent on wine, 40 per cent on cheese and 59 per cent on beef. The rates must apply to all countries outside the customs union, unless a free-trade agreement is in place.

In the short term, economists already expect an increase in food price inflation due to the fall in the pound. Mark Carney, the governor of the Bank of England, has said that inflation is likely to run "a bit" above the bank's 2 per cent target. Ruth Lea, a Brexit-supporting economist, has said leaving the EU could lower prices in the medium term, on the premise that Britain will strike trade deals with third companies and the pound will recover.

Philip Hammond, the chancellor, has sought to keep open Britain's membership of the single market, stoking tensions with pro-Brexit ministers who want a clean break with the EU. But his allies rejected one report on Sunday that he was considering resigning over being allegedly marginalised by Mrs May.

Britain's farmers, a plurality of whom are estimated to have backed the Leave campaign, are likely to play a vocal role in negotiations with the EU. Mr Hammond has already promised to replace any lost EU funding until 2020, yet subsidies and market access in the following years remain key issues.

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Notes to editors

1. J D Wetherspoon owns and operates pubs throughout the UK and Ireland. The Company aims to provide customers with good-quality food and drink, served by well-trained and friendly staff, at reasonable prices. The pubs are individually designed, and the Company aims to maintain them in excellent condition.

2. Visit our website: www.jdwetherspoon.com

3. This announcement has been prepared solely to provide additional information to the shareholders of J D Wetherspoon, to meet the requirements of the FCA's Disclosure and Transparency Rules. It should not be relied on by any other party, for any other purposes. Forward-looking statements have been made by the directors in good faith, using information available up until the date on which they approved this statement. Forward-looking statements should be regarded with caution, because of the inherent uncertainties in economic trends and business risks.

4. This announcement contains inside information on J D Wetherspoon plc.

5. The current financial year comprises 52 trading weeks to 29 July 2018.

6. The next trading update is expected to be the Company's statement on 24 January 2018.