



6 May 2015

## JD WETHERSPOON (JDW): 736p Q3 Update: Analysts' Conference Call:

*Margins a shade better, outlook clearly tougher, 0% to 2% LfLs is the new norm...*

Year to end-July	PBT (£m)	EPS* (p)	PER (x)	DPS (p)	Yield (%)
2014 (A)	79.4	47.4	15.5	12.04	1.6
2015 (E)	77.9	48.2	15.3	12.21	1.7
2016 (E)	86.0	54.0	13.6	12.64	1.7

\*Normalised, Source: Company & Broker Estimates, 2015 upgrades likely

### Q3 Trading Update: 13w to 26 April 2015:

Following its update on Q3 trading, JD Wetherspoon hosted a conference call for analysts and our comments thereon are set out below:

#### Trading:

- Costs? NMW will rise by 3%. Repair costs have been rising 'and will stay a little ahead of inflation'
- LfLs 'to remain below 2%?' John Hutson says the group will 'work hard' but it sees itself as between 0% and 2% 'for the moment'.
- The group can't really break out how much of the LfL growth came from coffees & breakfasts
- Margins are up a shade in Q3. This was 'all beneath gross'. Gross margin therefore little changed but costs a little lower. Group reminds listeners it is still 0.5% below last year
- Split LfLs between volume & price? Group 'doesn't really break this out'. It's a mixture but 'there's not much volume & not much price'.
- Group has flexible staff hours. Allocates broadly fixed hours. Abolition of zero-hour contracts would probably not impact the company

#### Balance Sheet & Other:

- Why are new openings at low end? Group has other uses for its cash.
- Is this 26 pubs net? There is no definitive list of pubs for sale. Some of the 4 disposals are airport sites.
- There are still a trickle of freeholds that are being bought in. It removes uncertainty. This will continue.

Find us at:



Recent News Here:

- [Today's email](#)
- [Recent emails](#)
- [A day in the life...](#)
- [Who we are, what we do...](#)
- [Upcoming news-flow](#)
- [Recent company updates](#)
- [Thematic pieces](#)
- [LinkedIn profile](#)



Market Cap: £917m  
12m range 700p 850p

**Langton View:** JD Wetherspoon has highlighted the fact that trading is a little tougher.

This fits in with our belief that, whilst large ticket sales are benefiting from some catch-up spending (on cars, furniture & the like) this is not the case with smaller ticket 'affordable treats'.

Sainsbury has said that it believes spending will lag by perhaps 9mths to a year (they said this 3mths ago) and that may well be correct.

If so, then spending across the pubs & restaurant space should pick up towards the end of the calendar year and JDW is in a good position to benefit from any upturn.

The group has indicated that it is likely to buy back more shares ('we have other uses for our cash') and we believe that it is right to do so.

The shares offer good value. As we wrote earlier, JDW is a superlative operator and, given the recent slide in its share price, it is becoming rather cheap. Numbers for July 2015 will shortly be historic meaning that the group's shares will soon be trading on a current year multiple of 13.6x with a 1.7% yield.

Contact – Mark Brumby - +44(0)20 7702 3389

[mark.brumby@langtoncapital.co.uk](mailto:mark.brumby@langtoncapital.co.uk)

*This message (and files contained herein) may contain confidential or proprietary information and is intended solely for the use of the individual or organisation to whom it is addressed. If you are not the addressee you should not disseminate, distribute or copy this email or any part thereof. Further, please notify the author immediately by telephone or by replying to this email and then delete all copies of the correspondence from your system. We apologise for any inconvenience that this may have caused. This information is a financial promotion for the purpose of the European Markets in Financial Instruments Directive (MiFID) and FSA's Rules. It has not been prepared in accordance with the legal requirements designed to promote the independence or objectivity of investment research. This document is not based upon detailed analysis by Langton Capital of any market, issuer or security named herein and does not constitute formal research or a research recommendation, either expressly or otherwise. It is not investment advice and does not take into account the investment objectives and policies, financial position or portfolio composition of any recipient. This document should not be relied upon as authoritative or taken in substitution for the exercise of your own commercial judgment. Whilst Langton Capital has taken steps to control the spread of viruses on its systems, it cannot guarantee that this email and any files transmitted with it are virus free. No liability is accepted for any errors, omissions, interceptions, corrupted email, lost communications or late delivery arising as a result of receiving this message via the Internet or for any virus that may be contained in it. Recipients should review independently and / or obtain independent professional advice and draw their conclusions therefrom should decide to undertake transactions with third parties. Langton Capital or its employees may have positions in securities mentioned herein. We reserve the right to monitor email messages passing through our network. Langton Capital Limited is authorised and regulated by the Financial Conduct Authority. Langton Capital Limited is registered in England number 07112949.*

[Mark.brumby@langtoncapital.co.uk](mailto:Mark.brumby@langtoncapital.co.uk)

Suite 415, No1 Alie Street, London, E1 8DE  
020 7702 3389