4 May 2016

JD WETHERSPOON (JDW): 679p
Q3 Trading Update – Conf. Call:

Conference Call short, non-controversial; that's gotta be good…

Year to end-July	PBT (£m)	EPS* (p)	PER (x)	DPS (p)	Yield (%)
2015 (A)	78.3	48.6	14.0	12.0	1.8
2016 (E)	72.0	44.2	15.4	12.2	1.8
2017 (E)	75.0	47.5	14.3	12.3	1.8

**Normalised, Source:* Company & Broker Estimates

Q3 Update – Conference Call:

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

Trading:

- Is the margin 'normalised' now at around 6.4%? Co declines to give formal guidance. Say (again) that this is a function rather than an input.

- Implication re margin is that LfL sales growth is currently sufficient to hold margins.

- Further moves on pay? Group will 'let he dust settle' & make a decision later in the year. Likely 'late summer'.

- Margins tend to be higher in Q4; will this occur in 2016? Group declined to elaborate further

- Disposals 'will not really move the dial'. They are being disposed of as a result of strategic rather than short-term trading reasons. Declines to list buyers at this stage.

- How much of your LfL growth was due to price rises? The split between volume and price 'is not normally given'. Prices did go up earlier this year but they had softened during last year and are not up markedly.

- Euro 2016? Tend to be broadly neutral. Tend to be 'within 1% of whatever the run rate is'.

    - Strategy. All matches on but with sound only for the home nations.

- Have your higher wages allowed you to retain staff? CEO says stats have improved.

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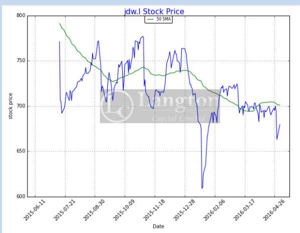

Market Cap: £790m
12m range 609p 806p

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- Further price rises? The group is not allergic to raising prices but the consumers has a lot of choice out there and price rises could have a negative impact on volumes.

Balance Sheet, Debt & Outlook:

- Debt has risen from earlier estimates on the back of share buybacks and a number of freehold reversions.
- The £5m exceptional cost on disposal will be non-cash.
- Cash proceeds on disposals (around half freehold) are not included in debt estimates at this stage.
- Buybacks; you are only £60m or so from Tim's shareholding going through 30%. This would represent a passive breach. No further detail.
- At what level would you no longer be comfortable with debt? Group is 'not looking to re-gear the company'. Don't expect radical changes.

Langton View: JD Wetherspoon has reassured that sales are currently strong enough to hold margins – albeit at low levels.

Debt is rising but for understandable (and non-alarming) reasons. It is unlikely to rise markedly further.

The Euro 2016 football will have a neutral impact but, and taking into account the fact that the group has reported that the market is competitive, it feels as though comps are a little easier and trading is satisfactory.

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