



8 Sept 2016

JD WETHERSPOON (JDW): 924p FY Results for the 52wks to 24 July 2016:

Group is 'pleased to report a year of progress for the company with record sales, profit and EPS before exceptional items...'

Year to end-July	PBT (£m)	EPS* (p)	PER (x)	DPS (p)	Yield (%)
2015 (A)	78.3	47.0	19.7	12.2	1.3
2016 (E)	74.0	47.4	19.5	12.2	1.3
2017 (E)	77.0	50.4	18.3	12.4	1.3

*Normalised, Source: Company & Broker Estimates

FY Numbers for the 52wks to 24 July 2016:

JD Wetherspoon has this morning reported full year numbers for the period comprising the 52wks to 24 July 2016 and our comments thereon are set out below:

Headline Numbers:

- JD Wetherspoon has reported revenues for the 52wk period to 24 July up by 5.4% at £1.595bn.
- LfL sales were up by 3.4% over the year as a whole. Sales (we believe LfL, detail to follow) are +4.1% since year end
- PBT is reported at £80.6m (up 3.6%), EPS is 48.3p (against some 47p last year and estimates of around the same again this year)
- Dividend is 12p, unchanged from last year. Recent sales trends are shown below:

Tab.1. Recent Sales Trends:

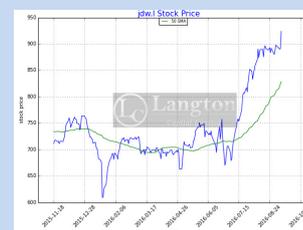
Financial Period	LfL Sales (%)
Full year 2008/09	+1.2
Full year 2009/10	+0.1
Full year 2010/11	+2.1
Q1 2011/12	+1.1
H1	+2.1
Q3	+2.0
Full year 2011/12	+3.2
Q1 2012/13	+7.1
H1	+6.9

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Market Cap: £1.05bn
12m range 609p 924p

Q3	+6.3
Full year 2012/13	+5.3
Q1	+3.7
Q2 (first 12w)	+6.7
H1	+5.2
Q3	+6.2
Full year 2013/14	+5.5
Q1	+6.3
Q2 (12w)	+2.8
H1	+4.5
13wks to 26 April 15	+1.7
11wks to 12 July 15	+2.9
Full year 2014/15	+3.3
Q1	+2.4
Q2	+3.3
H1 2015/16	+2.9
13w to 24 April 16	+3.8
FY15/16 to date	+3.2
11w to 10 July 16	+4.0
Full year 2015/16	+3.4
Since year end	+4.1

Source: Company Reports

Current Trading

- The group (with chairman Mr Martin as a Brexiter) says ‘the gloomy economic forecasts for the immediate aftermath of the referendum have been proven to be false’
- The company says ‘since the year end, Wetherspoon’s sales have continued to be encouraging and increased by 4.1%.’
- Mr Martin adds ‘despite this positive start, it remains to be seen whether this will continue over the remainder of the year, given the strong like-for-like sales in the last financial year and what remains a very low-inflation environment.’
- The group says ‘we will provide updates as we progress through the year, but we currently anticipate a slightly improved trading outcome for the current financial year, compared with our expectations at the pre-close stage.’

Balance Sheet, Debt & Outlook:

- JDW reports that net interest was covered 3.3 times by operating profit before exceptional items
- It spent £124.8m on capital projects in the period (2015: £173.3m), with £55.2m invested in new pubs and extensions to existing pubs (2015: £106.3m).
- Group reports free cash flow, after capital investment of £33.5m on existing pubs (2015: £44.8m), £6.9m in respect of share purchases for employees (2015: £6.8m) and payments of tax and interest, decreased by £19.3m to £90.5m (2015: £109.8m).’
- Re the unchanged shareholder pay-out, JDW says ‘in view of the high level of capital expenditure and the potential for advantageous investments, the board has decided to maintain the dividend at its current level for the time being.’

- During the period, some 5,694,546 shares (representing 4.8% of the issued share capital) were purchased by the company for cancellation, at a total cost of £39.4m, including stamp duty, representing an average cost per share of 692p.
- Mr Martin says 'over the last 10 years, my shareholding has increased from 21.2% to 29.5%, as a result of the company's share 'buybacks'. The company is considering seeking a rule 9 'whitewash', under the UK City Code on Takeovers and Mergers, allowing further buybacks.'
- Debt totalled some £650.8m (2015: £601.1m), an increase of £49.7m.
- The group details 'factors which have led to the increase in debt are investment in new pubs and extensions of £55.2m, investment in existing pubs of £33.5m, the acquisition of freeholds of £36.1m, share buybacks of £53.6m (including £14.2m in respect of shares purchased at the end of the last financial year) and dividend payments of £14.2m. Year-end net-debt-to-EBITDA was 3.47 times (2015: 3.37 times).'
- There is plenty of headroom with total facilities in place of some £840m

Langton View: JD Wetherspoon has beaten numbers and has given what for it is a relatively upbeat picture re current trading.

Margins for the year are down, as expected.

The group has bought back 5.7m shares in the year but debt remains at reasonable levels. The group's shares have been strong recently and they trade at a somewhat demanding c19x current year's earnings.

Chairman Tim Martin, who favours Brexit, has said that the more 'lurid' projections re economic collapse have not come to pass and says that current trading is reasonable.

The Whitewash proposals suggest that share buy-backs are set to continue.

Overall, JDW remains best-in-class at what it does but, if the UK economy slows, its customers could find themselves with less money in their pockets and a PER of approaching 20x EPS may be something of a stretch.

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