

13 July 2011

Leisure: JD Wetherspoon (JDW): 444p Trading update, 11w to 10 July 2011

- JDW has this morning updated on trading its Q4 being the 11w period to 10 July 2011 saying that LfL sales increased by 1.6% over the period and total group sales, including new openings, were up by 7.1%
- The group has not given cumulative sales for the 50w period to date but arithmetically, LfL sales should now be running ahead by around 2.2%
- The operating margin in H2 should be 'approximately 9.5%' suggesting around 9.6% in Q3 and 9.4% in Q4 (although these numbers will be impacted by rounding differences)
- Recent sales trends are show below:

Financial period	%
Full year 2008/09	+1.2
Q1 2009/10	+0.3
Total H1	+0.1
13w to 25 April 2010	Minus 0.8
Full year 2009/10	+0.1
Q1 2010/11	+1.6
Q2	+3.1
Q3	+2.4
First 39w of FY 10/11	+2.4
11w to 10 July 2011	+1.6
Therefore to w50*	+2.2

Source: JD Wetherspoon, *arithmetically derived

- The group has opened 38 pubs and closed two in the 50w to date and still intends to open 'approximately 50 pubs in the current FY'
- As previously reported, the group has repurchased 7.6m of its own shares at a cost of £32.6m during FY10/11 but there have otherwise been 'no significant changes' in the group's finances
- The group 'in common with many businesses, continues to be faced with rising costs for a wide range of goods and services'
- There has been a 'reduction in disposable income' for many of the group's customers but sales and cash-flow 'continue to be resilient'
- The trading at recently-opened pubs remains 'encouraging' and JDW expects a 'reasonable outcome in the current financial year'

Lancap view: The word 'reasonable' remains open to debate but JDW looks set to earn around £68m (34.0p) in the current year and perhaps 38.0p in 11/12. This morning's trading statement is very little changed from that issue on 4 May and should continue to reassure. LfL momentum has slowed somewhat but May was difficult across the industry and June has been a little better. Margins are slightly lower but this could be rounding differences and costs are an industry-wide issue. The consumer is being squeezed but JDW is well-positioned for the current environment. The company's shares have performed somewhat more strongly than have those of M&B and Marston's, some investors may look adjust holdings.

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