



7 May 2014

JD WETHERSPOON (JDW): 851p Q3 Trading Update: Conference Call

Group cautions on slight slowdown, tougher comps etc.

Year to end-July	PBT (£m)	EPS* (p)	PER (x)	DPS (p)	Yield (%)
2013 (A)	65.2	46.8	18.2	12.00	1.4
2014 (E)	79.0	46.9	18.1	12.55	1.5
2015 (E)	90.0	54.5	15.6	13.05	1.5

*Normalised, Source: Company & Broker Estimates

Trading Update: Q3 to 27 Apr 2014 – Analysts' Call:

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

Trading:

- Why was Easter down? JD Wetherspoon suggested that the mild Winter weather flattered the comps in Feb & Mar – but failed to do so in April.
- Too early to tell if this is or is not a trend at present.
- World Cup? Only had TVs for the last two or three World Cups & JDW isn't a sports destination per se. Don't want to alienate JDW customers, both those who want to watch the football and those that do not.
- Machines? The quarter was helped by the £100 machines. Performance here was poor in Q1 & Q2 and turned around.
- Later food? Still early days but is helping sales & group is 'happy with progress so far'
- Q4 last year? There were some one off timing benefits that slightly flattered the number last year
- Margins? In Q4, this could be slightly above or below the current 8.1%. Don't expect it to be markedly better
- Cost pressures? No change to recent guidance. Food & drink is in line with inflation, utilities a shade higher, overall costs rising just a little more than inflation.
- Taxes? Late night levy could cost £4m p.a.

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Market Cap: £1065m
12m range 598p 881p

- The 45 pubs to be opened in the year is a gross figure; three units have been disposed so far
- Cost of new sites? These are being bid up in London but not impacting JDW. Plenty of sites available and no decline in marginal performance.

Outlook:

- Group is 'slightly more cautious' on sales going into Q4. A slower LfL quarter will dampen margin
- Group 'would expect profit growth to at least match sales growth next year'

Langton View: JD Wetherspoon has both reassured that trading remains in line with its expectations but has also cautioned that the outlook going into Q4 is a little uncertain.

This perhaps shouldn't be taken too far but the World Cup is not a slam dunk positive for the group, sales growth is slowing, comps are tougher etc. etc.

Hence profit takers have been handed a little ammunition should they wish to top-slice holdings. We would suggest that any weakness in JDW's shares should be taken as an opportunity to increase exposure and remain convinced that the group is pulling the right levers.

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