



13 July 2016

## JD WETHERSPOON (JDW): 742.5p Q4 Trading Update – 11w to 10 July 2016:

*Says 'trade strengthened in recent weeks' but 'irresponsible doom-mongering...may lead to some kind of slowdown...'*

Year to end-July	PBT (£m)	EPS* (p)	PER (x)	DPS (p)	Yield (%)
2015 (A)	78.3	47.0	15.8	12.2	1.6
2016 (E)	70.0	44.0	16.9	12.2	1.6
2017 (E)	76.0	48.5	15.3	12.4	1.7

\*Normalised, Source: Company & Broker Estimates

### Q4 Update – 11w to 10 July 2016:

JD Wetherspoon has this morning updated on trading for the period comprising the 11wks to 10 July 2016 and our comments thereon are set out below:

#### Trading:

- JD Wetherspoon has reported that LfL sales rose by 4.0% in the period under review (11wks to 10 July)
- The group last updated on 4 May when it reported Q3 sales +3.8%.
- Total sales for the 11wk period were up by 3.8%, reflecting the impact of disposals
- Sales to date (to 50wks) are up by 3.4% and LfL sales are up by 5.5% and recent sales trends are shown below:

**Tab.1. Recent Sales Trends:**

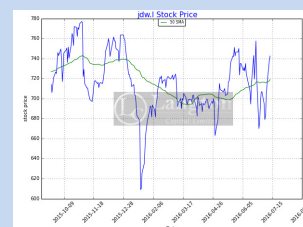
Financial Period	LfL Sales (%)
Full year 2008/09	+1.2
Full year 2009/10	+0.1
Full year 2010/11	+2.1
Q1 2011/12	+1.1
H1	+2.1
Q3	+2.0
Full year 2011/12	+3.2
Q1 2012/13	+7.1
H1	+6.9
Q3	+6.3
Full year 2012/13	+5.3

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: £844m  
12m range 609p 777p

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
Yr to date (50wks)	+3.4

*Source: Company Reports*

#### Trading update

- The group reports that ‘the full-year operating margin before exceptional items and before a £3.8m gain on property is expected to be around 6.8%, compared to 7.4% last year’

#### Balance Sheet, Debt & Outlook:

- JDW reports that it ‘has opened 13 new pubs since the start of the financial year, has sold 29 and has closed 11.’
- It says ‘we expect to open 16 new pubs in this financial year.’
- JDW adds ‘there will be around £13m of exceptional, non-cash losses in this financial year, which are mainly associated with pub disposals and closures.’
- Re debt, etc., JDW reports ‘the Company remains in a sound financial position. Net debt at the end of this financial year is currently expected to be around £670m.’
- JDW has bought back 5.7m shares, at a total cost of £39m, since the start of the financial year.

#### Conclusion:

- Chairman Tim Martin reports ‘as most people will be aware, an unusual number of forecasts for the UK economy have been made in the run-up to, and the aftermath of, the referendum. Most of the forecasts from representatives of institutions which are normally responsible for financial stability were extremely negative.’
- He points to bearish comments from the IMF, The Bank of England and The Treasury as well as the CBI and a number of brokers and other companies
- Mr Martin also says ‘the Chancellor of the Exchequer George Osborne repeatedly warned that mortgage and interest rates were likely to rise in the event of a leave vote and threatened an emergency budget to increase taxes and to reduce public expenditure.’

- However, Mr Martin says ‘in my opinion, the above individuals and organisations are either dishonest, or they have a poor understanding of economics, since democracy and prosperity are closely linked and the EU is clearly undemocratic.’
- He says ‘by voting to restore democracy in the UK, I believe the UK’s economic prospects will improve, although it is quite possible that the unprecedented and irresponsible doom-mongering, outlined above, may lead to some kind of slowdown.’
- The JDW chairman concludes ‘in spite of the dire warnings above, Wetherspoon trade strengthened slightly in recent weeks and we consequently anticipate a modestly improved outcome for this financial year.’
- However, he concludes ‘caution should be exercised in extrapolating current levels of sales growth for future years.’

**Langton View:** JD Wetherspoon has previously indicated that H2 should see easier comps and this appears to be being borne out by slightly better LfL sales.

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 relatively strong and they now trade on around 17x current year’s earnings.

Chairman Tim Martin has pointed to ‘irresponsible doom-mongering’ as one of the greatest risks to the economy in the short term but says that JDW’s trading has improved.

The operator remains best-in-class at what it does but, if the UK does go into (or has already gone into) a recession, then trading could suffer.

**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 there-from 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.*