



18 Jan 2017

JD WETHERSPOON (JDW): 899p Q2 Trading Update: 12wks to 15 Jan 2017:

Group says margins currently up but 'the company remains cautious about the second half...'

Year to end-July	PBT (£m)	EPS* (p)	PER (x)	DPS (p)	Yield (%)
2016 (A)	76.0	48.3	18.6	12.0	1.3
2017 (E)	81.9	52.3	17.2	12.0	1.3
2018 (E)	83.8	54.5	16.5	12.0	1.3

*Normalised, Source: Company & Broker Estimates

Q3 Trading Update for the 12wks to 15 Jan 2017:

JD Wetherspoon has this morning updated on trading for the period comprising the 13wks to 15 Jan 2017 and our comments thereon are set out below:

Headline Numbers:

- JD Wetherspoon updates on trading saying that LfL sales in the first 12wks of Q2 rose by 3.2%
- Total sales rose by 0.7%, the lower number impacted by the number of pub disposals during the period. 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
Full year 2011/12	+3.2
Full year 2012/13	+5.3
Full year 2013/14	+5.5
Full year 2014/15	+3.3
Q1	+2.4
Q2	+3.3
H1 2015/16	+2.9
Q3	+3.8
Q4	+4.0
Full year 2015/16	+3.4
Q1 2016/17	+3.5
Q2 2016/17	+3.2

Source: Company Reports

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Market Cap: £997m
12m range 609p 952p

More on Trading:

- JDW reports 'we expect the operating margin (before any exceptional items) for the half year ending 22 January 2017 to be around 8.0%, 1.7% higher than the same period last year.'
- Chairman JDW criticises economic commentators as having 'catastrophically poor judgement'
- He says 'the Company anticipates significantly higher costs in the second half of the financial year. On an annualised basis, these are expected to rise by about 4% for wages, by £7m for business rates and by £2m for the Apprenticeship Levy, in addition to cost increases at around the level of inflation in other areas.'
- He says 'as previously announced, the Company intends to increase the level of capital investment in existing pubs from £34m in 2015/6 to around £60m in the current year.'
- Mr Martin concludes 'in view of these additional costs and our expectation that like-for-like sales will be lower in the next six months'
- He says 'the Company remains cautious about the second half of the year' but adds 'nevertheless, as a result of modestly better-than-expected year-to-date sales, we currently anticipate a slightly improved trading outcome for the current financial year, compared with our expectations at the last update.'

Balance Sheet, Debt & Outlook:

- JDW reports it has opened two new pubs since the start of the financial year
- It has sold 21.
- JDW adds 'we intend to open 10 to 15 pubs in the current financial year.'
- Re disposals, JDW comments 'we have now sold the majority of those pubs which had been put on the market in 2016, with a remaining small number which is either 'under offer' and going through the sales process or being marketed by our agents.'
- JDW says it 'remains in a sound financial position.'
- It says 'net debt at the end of this financial year is currently expected to be around £50m higher than the level at the last financial year end, partly as a result of the purchase of an increased number of freehold reversions.'

Langton View: JD Wetherspoon reports that the outcome for the current year should be 'slightly improved' versus its earlier predictions.

Margins are also higher in Q2 than they were a year ago and this should come as a relief to some.

LfL sales are currently good but will fall in Q3 and Q4. This is partly as a result of tough comps.

Overall, trading is perhaps slightly ahead of expectations but, as the group's shares have been strong, this may not be sufficient to push them higher.

The group's shares are trading at around 17x earnings which and look to be relatively fully-priced

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