

JD WETHERSPOON PLC

Preliminary Results 2011



9 September 2011

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Kirk Davis - FD

Highlights – Year to 24 July 2011



- Revenue £1,072.0m (2010: £996.3m) +7.6%
- Like-for-like sales +2.1%
- Free cash flow per share 59.7p (2010: 52.9p) +12.9%
- Free cash flow £78.8m (2010: £71.3m) +10.5%

Before exceptional items:

- Operating profit £102.3m (2010: £100.0m) +2.3%
- Profit before tax £66.8m (2010: £71.0m) -5.9%
- Earnings per share 35.3p (2010: 36.0p) -1.9%

After exceptional items:

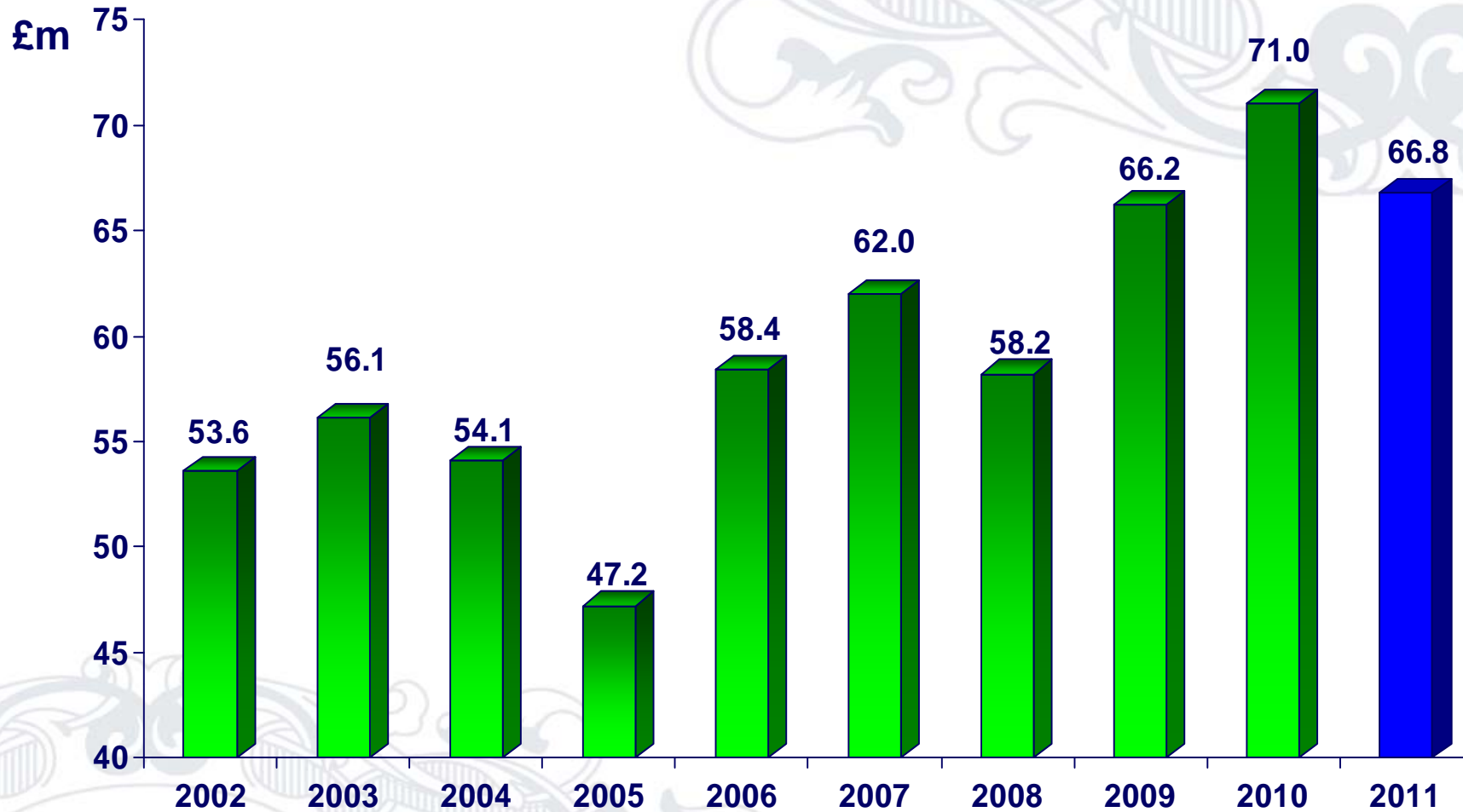
- Operating profit £96.9m (2010: £89.5m) +8.3%
- Profit before tax £61.4m (2010: £60.5m) +1.5%
- Earnings per share 35.4p (2010: 30.2p) +17.2%

Average Sales Per Pub Week (including VAT)



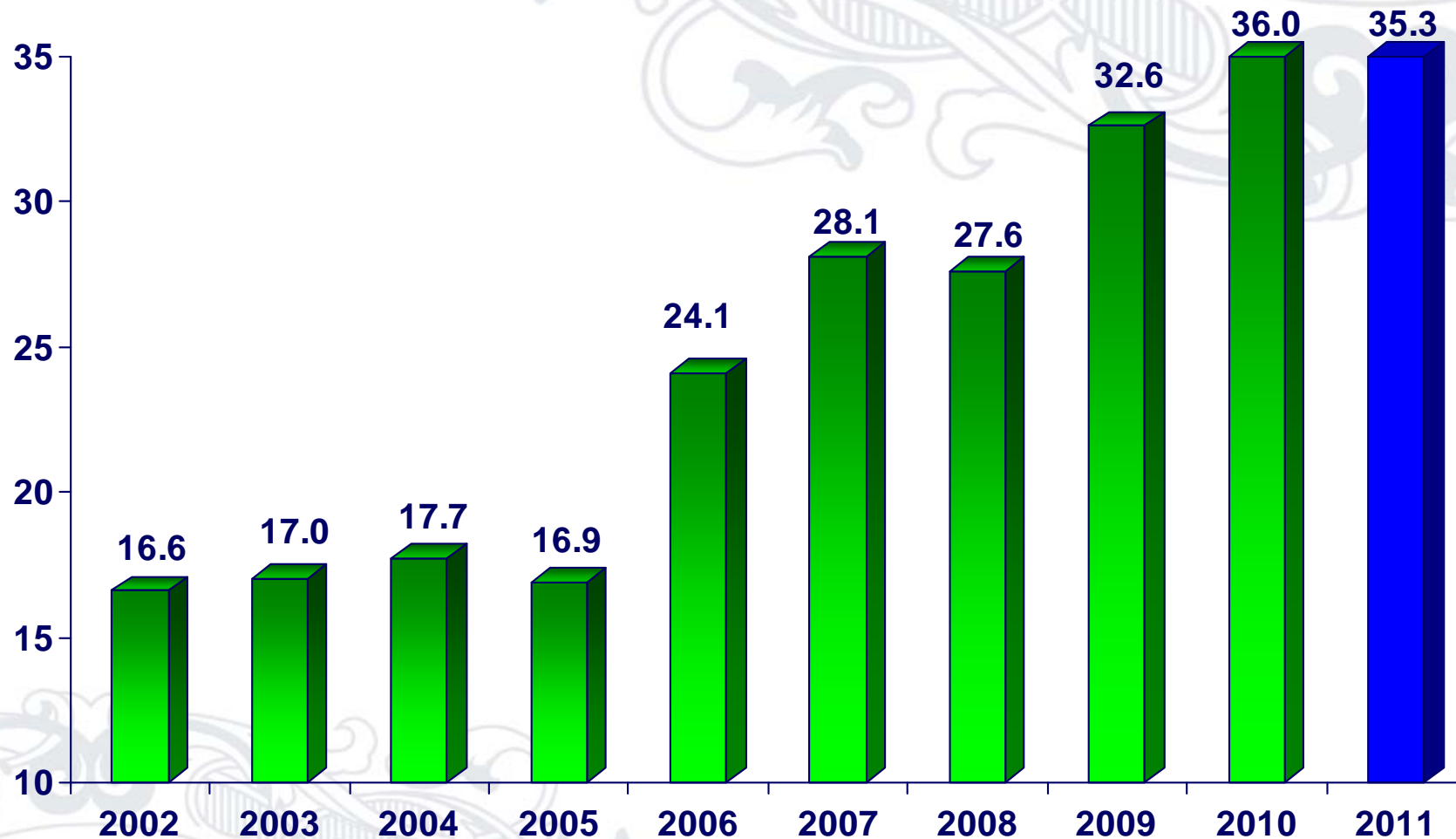
Record Average Sales Per Pub Week

Profit before Tax & Exceptional Items



Resilient Profit Performance

Earnings per Share (pence)



Long Term Record of Earnings Per Share Growth

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Like-for-Like Sales/Profits

%	2011	2010	2009	2008	2007
Bar	+1.7	-0.8	+2.5	-4.3	+3.3
Food	+4.2	+0.1	-0.4	+7.9	+12.6
Machines	-3.9	+12.1	-7.5	-5.8	+2.7
Total LFL sales	+2.1	+0.1	+1.2	-1.1	+5.6
LFL profits	-1.2	-2.0	-1.7	-6.6	+7.0

Pressure on profits from increased costs and taxes

Operating Margin - Summary



	2011 £000	2011 % of Sales	2010 £000	2010 % of Sales
Turnover	1,072,014	-	996,327	-
Pub profit (pre repairs)	226,640	21.1	217,549	21.8
Repairs	(37,275)	(3.5)	(34,425)	(3.5)
Head office costs	(38,179)	(3.6)	(35,908)	(3.6)
Share Incentive Plan	(4,481)	(0.4)	(3,504)	(0.4)
Depreciation	(44,396)	(4.1)	(43,699)	(4.4)
Operating Profit (before exceptionals)	102,309	9.5	100,013	10.0
Exceptional items	(5,389)	(0.5)	(10,557)	(1.0)
Operating Profit	96,920	9.0	89,456	9.0

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Cost Increases

- Tax increases on VAT and Duty
- Bar and food supplies
- Staff costs
- Utility costs
- Carbon tax

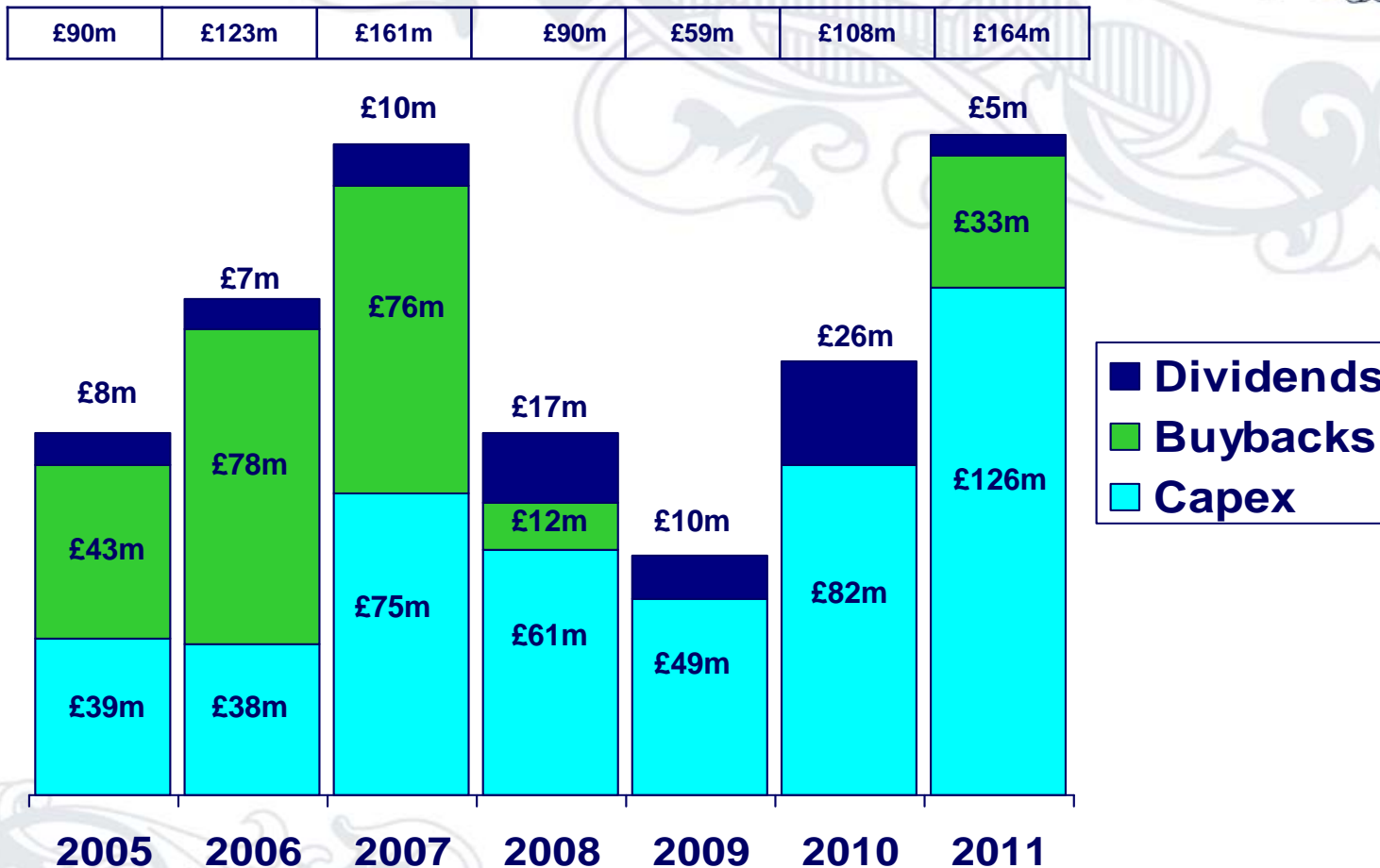
Exceptional Items – Summary



	2011	2010
	£000	£000
Property Impairment	4,410	10,557
Insurance Excess	250	-
Loss on Disposal	729	-
Total	5,389	10,557

Impairment of 8 sites. Total provision £22.9m across 36 sites on £1.4 billion asset base

Allocation of Resources



Increased capex on new openings, reinvestment and share buybacks



Capital Expenditure

	FY11	FY10
	£m	£m
Acquisition and developments costs		
Current year	78.6	45.2
Future year	9.0	12.5
New openings	87.6	57.7
Fixtures and fittings	13.4	12.8
Refurbishments	9.8	7.2
IT & related projects	15.2	4.1
Reinvestment	38.4	24.1
Total	126.0	81.8

Reinvestment: Installation of new EPOS system completed and increased refurbishment expenditure



Movement in Net Debt inc. Finance leases

	<u>£m</u>
FY10 Net debt	388.4
Free cash flow	-78.8
Disposal of fixed assets	-1.1
New pub capex	87.6
Share Buy Backs	32.8
Dividends paid	5.2
Loan fees	1.9
Finance leases	1.9
Other	-0.2
FY10 Net debt	<u>437.7</u>

- Free cash flow increased to £78.8m (2010: £71.3m).
 - Increase in cash from operations due to working capital benefits in the year
- Total net bank borrowing (excluding finance leases) of £429.8m, an increase of £50.3m in the last 12 months (2010: £379.5m)
- Anticipate a further increase in net debt of between £30m to £40m over the next 12 months

Increase in net debt inc. finance leases due to increased investment in new openings & own shares

Debt Position



	2011	2010
• Net debt/ EBITDA*	2.98	2.70
• Interest cover (times)	2.73	3.08
• Interest cover pre-exceptional (times)*	2.88	3.45
• Fixed charge cover (times)		
- statutory	1.62	1.66
- excluding depreciation	2.06	2.14
- excluding depreciation and exceptionals	2.12	2.26

* Excludes exceptional items

Slight reduction in statutory cover

Banking Facilities



- Amendment and restatement of existing facility completed.
 - Now runs until 31 March 2016
 - Total facilities (including overdraft) £575m
- £400m swaps to 2014
 - £250m swap expiring in November 2014
 - £150m swap expire in July 2016
 - Average interest cost of swaps 5.5%
- Unutilised banking facilities and cash balances of £120.2m as at 24 July 2011 (2010: £170.5m)

New bank facility provides extra liquidity at a slightly reduced margin

Dividends



- 12p total dividend (2010: 19p including 7p special dividend)
 - 8p full year dividend proposed
 - 4p interim dividend paid
 - Dividend cover excluding exceptional items is 3.0 times



Financial Summary

- Reasonable sales result
- Cost increases relating to tax, labour, bar and food supplies, and utilities.
- Strong cash generation
- Unutilised banking facilities and cash balances of £120.2m as at 24 July 2011 (July 2010: £170.5m)

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John Hutson - CEO



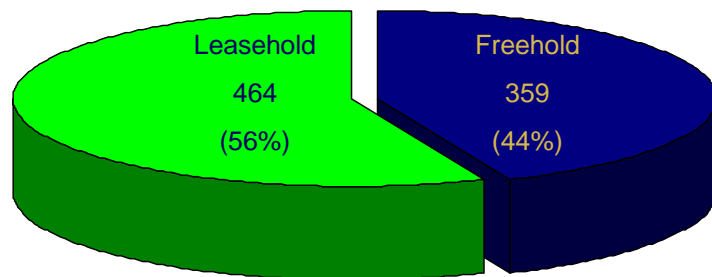
Business Update

- Property update
- New openings
- Continued improvement
- People
- Current trading and outlook

Property Update

	FY11	FY10
Trading pubs at start of FY	775	731
Freehold pubs opened	34	15
Leasehold pubs opened	16	32
Closures/Disposals	-2	-3
Total trading pubs	823	775

- Average cost of development £1.21m, compared to £0.86m last year.
- Closures as result of a relocation of our unit at Gatwick Airport (South terminal) and one pub in London.
- We anticipate opening a similar number of new pubs in the current financial year.



Opportunities remain for profitable investment

The Trent Bridge Inn, Nottingham

Open Date: 24 May 2011



Acquired From: Mitchells & Butler

Customer Area: 6,325 sq ft

Development Costs: £1,646k



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The John Francis Bassett, Camborne

Open Date: 31st May 2011



Acquired From: Administration

Customer Area: 5,823 sq ft

Development Costs: £1,306k



The Cooper Rose, Sunderland

Open Date: 1st March 2011



Acquired from: Private Vendor

Customer Area: 7,597 sq ft

Development Costs: £1,215k



The White Lady, Edinburgh

Open Date: 21st June 2011



Acquired from: Cougar Leisure

Customer Area: 3,982 sq ft

Development Costs: £1,384k



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Continued Improvement



- Record sales and operating profit
- CLIC £1,082,612 raised in year. £4.6m over our eight year partnership
- 232 pubs recommended in CAMRA Good Beer Guide 2011
- 188 pubs recognised in the 2010 Loo of the Year awards

Ongoing improvements in the business

People & Training



- Company employs over 25,500 people in full and part-time positions. An increase of over 2,800 jobs in the last 12 months
- Comprehensive award winning employee training. Over 11,000 training days completed last year
- Staff retention at its highest ever level. Average length of service of pub managers over 8 years and 11 months.
- We are recognised as one of 'Britain's Top Employers' in a Guardian publication for 8 consecutive years

Current Trading and Outlook



- Inflation expected in bar and food supplies, labour and utilities
- UK consumer incomes under pressure
- Opportunities for profitable investment
- LFL sales for the 6 weeks to 4th September increased by 0.4% with total sales increasing by 6.7%

Remain confident of a reasonable outcome

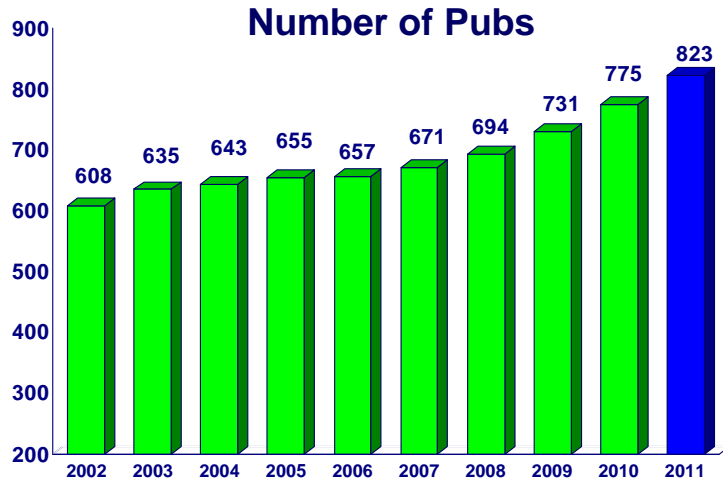


Appendices

- A - 10-year financial graphs
- B - 10-year trends
- C - Capital trends
- D - ROC/CROCCE/ROE calculations
- E - Cash flow



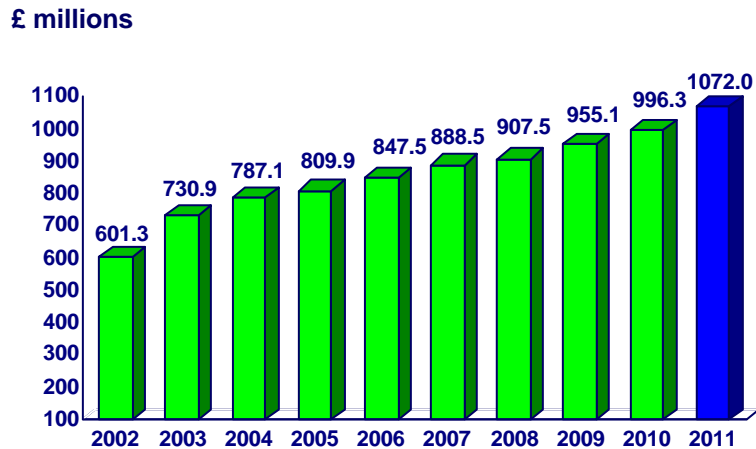
10-Year Summary



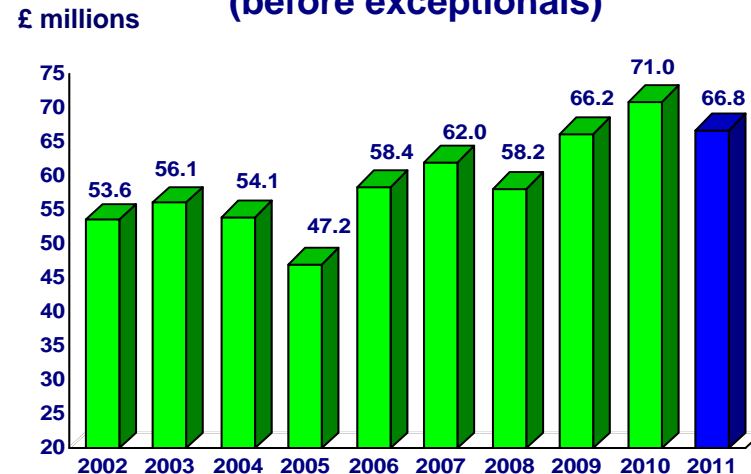
Average Sales Per Pub Week (including VAT)



Turnover



Profit Before Tax (before exceptionals)





JDW - Financial Trends

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sales per pub (£000)	1,093	1,169	1,239	1,246	1,283	1,354	1,333	1,344	1,335	1,360
EBITDA per pub (£000) (1)	207.4	201.9	204.4	195.7	205.6	219.0	211.6	212.9	205.8	198.7
Number of pubs	608	635	643	655	657	671	694	731	775	823
% freeholds (%)	42	42	41	41	41	42	42	42	41	44
CROCCE (%) (2)	13.9	13.0	12.6	11.7	12.0	12.2	11.3	11.2	10.8	10.5
Cash return on equity (%) (2)	18.8	17.1	15.8	14.4	14.8	15.5	14.2	13.5	12.6	11.5
Free cash flow per share (pence)	33.5	38.8	36.7	37.1	42.1	35.6	50.6	71.7	52.9	59.7
Adjusted earnings per share (3)	16.6p	17.0p	17.7p	16.9p	24.1p	28.1p	25.7p	32.6p	36.0p	35.3p

(1) Excluding sale & leaseback

(2) See appendix D for calculation

(3) Excluding exceptional items

Capital Trends

Appendix C



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Average size (sq.ft.) – openings	3,808	3,721	4,317	4,176	3,928	3,855	3,618	3,359	3,781	3,572
Number of openings	87	45	28	13	9	18	23	39	47	50
% which are freehold	53	56	43	54	22	61	57	33	32	68
Freehold average cost (£k)	597	511	640	873	625	750	958	765	857	825
Average development cost (£k)	1,262	1,317	1,431	1,401	1,301	1,520	1,498	851	857	1,207
Average cost per sq. ft.	331	354	331	335	331	394	414	253	226	338
Increase in average cost per sq foot (%)	-1	7	-6	1	-1	19	5	-39	-11	49
Population within 2 miles	70,000	73,000	51,000	64,000	59,000	45,000	50,000	38,000	67,000	54,000



ROC/CROCCE/ROE

	2011	2010
• P&L return on capital	12.7%	12.4%*
• Crocce	10.5%	10.8%*
• P&L return on equity	18.9%	20.0%*
• Cash return on equity	11.5%	12.6%*

Detailed calculations in appendix D1



ROC/CROCCE/ROE

		2011	2010
		£000	£000
Profit after tax		<u>46,792</u>	40,778
Add: exceptional items		<u>5,389</u>	10,557
Underlying PAT	(e)	<u>52,181</u>	51,335
Add: interest	(f)	<u>35,528</u>	28,998
Profit pre-interest	(g)	<u>87,709</u>	80,333
Deferred tax (credit) / charge		<u>(4,569)</u>	(2,029)
Depreciation		<u>44,396</u>	43,699
Cash return	(h)	<u>127,536</u>	122,003

• P&L return on capital [(g)/average (c)]	<u>12.7%</u>	12.4%
• CROCCE [(h)/average (d)]	<u>10.5%</u>	10.8%
• P&L return on equity [(e)/average (a)]	<u>18.9%</u>	20.0%
• Cash return on equity [(h)-(f)/average (d)-(b)]	<u>11.5%</u>	12.6%



ROC/CROCCE/ROE

	2011 £000	2010 £000
Shareholders' funds per balance sheet	171,045	162,142
Add: exceptional items	53,206	47,817
: hedging provision	57,880	61,391
	(a) 282,131	271,350
Add: net debt	(b) 437,693	388,391
Capital employed	(c) 719,824	659,741
Add: deferred tax provision	71,448	75,579
Less: deferred tax asset	(15,569)	(17,597)
Cumulative depreciation	499,620	455,224
Less: revaluation reserve	(10,514)	(11,052)
Cash capital employed	(d) 1,264,809	1,161,895



Cash Flow

	2011 £'000	2010 £'000
Cash from operations	178,197	153,405
Interest and tax	(55,196)	(51,860)
Investment in existing pubs	(38,400)	(24,072)
Investment in own shares (SIP)	(5,783)	(6,129)
Free cash flow	78,818	71,344
HMRC Gaming Claim Settlement	-	14,941
Dividends	(5,211)	(26,174)
Disposal proceeds	1,100	170
Investments in new pubs	(87,618)	(57,739)
	(12,900)	2,542
Share Buy Backs	(32,759)	-
Loan Fees	-	(7,626)
Issue of new shares	225	523
Finance lease principal receipts & payments	(2,908)	6,194
Movement in net borrowings	(48,353)	1,633
Free cash flow per share	59.7p	52.9p