

7 November 2018

J D WETHERSPOON PLC Q1 Trading Update

J D Wetherspoon plc ('Wetherspoon' or 'the Company') presents below its Q1 trading update for the 13-week period up to 28 October 2018.

Current trading

For the 13 weeks to 28 October 2018, like-for-like sales increased by 5.5% and total sales by 6.2%.

Property

The Company has opened two new pubs since the start of the financial year and has closed or sold three. We intend to open between 5 and 10 pubs in the current financial year.

Financial position

The Company remains in a sound financial position.

Corporate governance and health issues

The chairman of Wetherspoon, Tim Martin said:

"I am currently recovering from an operation after a burst appendix, so intend working part time from home for several weeks. Many thanks to the fantastic doctors, nurses and staff at the Royal Devon and Exeter hospital.

"As most people understand, an experienced board, as at Wetherspoon, can be a great advantage. My recent health scare emphasises this point."

The Company's General Meeting on 15 November 2018 will be chaired by Liz McMeikan, the Company's Senior Independent Director.

Outlook

Tim Martin said:

"I have written a few hundred words below on the advantages of free trade, which greatly outweigh the illusory benefits of a 'deal' with the undemocratic EU. Free trade will benefit consumers and the economy, yet few commentators today make the case for it, or appear to understand it.

"If you can look into the seeds of time, and say which grain will grow and which will not, speak then to me....."

W. Shakespeare.

"For millennia people have been sought advice from soothsayers like the Oracle at Delphi- or today from Mystic Meg.

"In business, the world's greatest investor, Warren Buffett, has warned that "Forecasts tell you a lot about the forecaster, but nothing about the future."

“But some forecasters lack Buffett’s humility and insight. Pro-EU economists like David Smith of the Sunday Times or Paul Johnson of the IFS, full of scare stories about a post-Brexit future, are confident in their powers of prophecy.

“In reality, I believe the most consistently INACCURATE forecasts of the last 40 years have been made by pro-EU economists, bankers, academics, MPs, and organisations like the CBI, City accountants and the Financial Times.

“The predecessor of the euro, the exchange rate mechanism (ERM), was supported, almost universally, by these individuals and organisations.

“It was supposed to bring economic stability, but it brought the opposite - record high interest rates, recession, bankruptcies and negative equity.

“After this débâcle, broadly the same voices were evangelical in support of the euro, even though no currency has survived in history, as Wetherspoon pointed out at the time (appendix 1 below), without a government to collect taxes and redistribute them throughout the ‘country’.

“It was predicted (appendix 2) that the U.K. would suffer terribly if it failed to join the euro, but the U.K. has since greatly outperformed the Eurozone, which has impoverished much of Southern Europe.

“The pro-EU dogma is the product of an undemocratic ideology, mainly- and surprisingly - promoted by Oxbridge graduates in influential jobs.

“Even so, a minority of Oxbridge nonconformists, including MPs like Michael Howard and Tony Benn, journalists like Neil Collins, bankers like Mervyn King, business people like Simon Wolfson and academics like Patrick Minford played a big role in defeating their Oxbridge colleagues over the euro.

“Pro-EU arguments reached a hysterical zenith during the referendum, with the Chancellor George Osborne, the Treasury, most academics, PWC, Deloitte, most PLC directors, the CBI, the FT, the OECD and the IMF supporting the view of an immediate economic downturn in the aftermath of a Leave vote. Unsurprisingly, the opposite happened.

“About 500,000 jobs have been created since, rather than the loss of 500,000. Mortgage rates have been lower, not higher, the stock market has risen, not fallen, City jobs have increased, not declined- and so on.

“A curious aspect of the hopelessness of these economic forecasts over 40 years is that the “man on the Clapham omnibus” (ie. the public) understood the issues well, rejecting the euro and the arguments about a downturn post-referendum.

“Democracy works, partly because elite education can create arrogance and an ‘echo chamber’ of groupthink, which inhibits good judgement.

“The dominant theme of the Oxbridge ideology today is that the U.K. will be worse off without a ‘deal’ with the EU.

“This view has been backed by a dishonest and surreal campaign (appendix 3) to persuade the public that food prices will rise without a deal - the opposite of the truth. Unfortunately, a section of the elite wrongly believes the public is gullible and stupid.

“This ‘deal at any price’ exhortation has been accepted by, I believe, a weak PM with autocratic tendencies, who dislikes genuine debate, and is locked in a tiny ‘echo chamber’ of like-minded people (appendix 4).

“In fact, ‘no deal’ really means ‘free trade’. On 29 March next year MPs can end EU import taxes on oranges, coffee, wine, bananas, children’s clothes and 12,651 products, thereby reducing shop prices. Many commentators do not understand that the UK can adopt free trade, ending import taxes, without the need for consent or permission from the EU.

"Today, these taxes are collected by the U.K. government and sent to Brussels. So enriching the public comes at no cost to the Treasury.

"The U.K. can simultaneously regain control of fishing waters and save £39 billion which the desperate Theresa May has offered the EU - even though there is no legal obligation to pay anything ("Brexit: UK could quit without paying...say Lords", 4 March 2017, The Guardian).

"Wetherspoon has set an example by swapping EU products like Jägermeister, Courvoisier and German beer for UK or non-EU products of equal or better quality and price. It follows that UK businesses and consumers have the power to reduce EU exports to the UK to zero, or almost zero.

"Everything that can be bought from within the protectionist EU club can be bought from the 93% of the world outside the EU - if you look hard enough.

"In a recent interview the former Chancellor George Osborne told Newsnight that "a minority of people were interested in rather esoteric issues of constitutional sovereignty."

"In fact, the desire for democracy and self-determination is not 'esoteric' (ie. only the concern of a few).

"North America, Japan, Singapore, India, Ireland and Australia, among many examples, have thrived following the end of what they saw as remote or arbitrary rule.

"The former prime minister of Australia, Tony Abbott, showing more economic insight than Osborne, has mocked the UK government approach - and succinctly summed up the arguments for free trade in the Spectator magazine (27 October, appendix 5).

"The economic truth is that no deal/free trade will leave the U.K. better off on the day we leave the EU in March next year. The risk to the future lies in staying linked to the chaotic and undemocratic Brussels regime.

"Boiling all these issues down, there are four simple tests which the public can use on 29 March next year to work out whether Theresa May and MPs have implemented the referendum result, and left the EU, as promised, or whether we have been hoodwinked:

1) Does the UK still charge protectionist import taxes (tariffs) on non-EU imports and send the proceeds to Brussels?

If the answer is "yes", the UK hasn't left the EU.

2) Has the UK paid or is it continuing to pay money to the EU in return for trade?

If "yes", we are unlikely to have left.

3) Has the UK regained control of its fishing waters?

If "no", we haven't left.

4) Is the UK still subject to European laws?

If "yes", we haven't left.

"As regards Wetherspoon, sales continue to grow strongly, although 'comparatives' are now tougher.

"As has been widely reported, unemployment is at a record low, putting upward pressure on wages. As a result, Wetherspoon is increasing pay of our staff starting from this week.

"Having had several recent years of record profits, we are not immediately seeking to recoup these increased costs through higher pricing or 'mitigation', but will review that during the year.

"It is difficult to be too precise at this early stage of the current financial year, but we now expect a trading outcome slightly below that achieved in the previous financial year. We will provide further updates on our trading as we progress through the year."

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Notes to editors

1. J D Wetherspoon owns and operates pubs throughout the UK and Ireland. The Company aims to provide customers with good-quality food and drink, served by well-trained and friendly staff, at reasonable prices. The pubs are individually designed, and the Company aims to maintain them in excellent condition.
2. Visit our website: www.jdwetherspoon.com
3. This announcement has been prepared solely to provide additional information to the shareholders of J D Wetherspoon, to meet the requirements of the FCA's Disclosure and Transparency Rules. It should not be relied on by any other party, for any other purposes. Forward-looking statements have been made by the directors in good faith, using information available up until the date on which they approved this statement. Forward-looking statements should be regarded with caution, because of the inherent uncertainties in economic trends and business risks.
4. This announcement contains inside information on J D Wetherspoon plc.
5. The current financial year comprises 52 trading weeks to 28 July 2019.
6. The next trading update is expected to be the Company's statement on 23 January 2019.

Appendix 1

Extract from J D Wetherspoon plc Annual report and accounts 2000

Tim Martin, 8 September 2000, chairman's statement

"A number of politicians and businessmen advocate Britain joining the Euro. I personally believe that this is an extremely unwise idea, since each of the existing major currencies in the world is the product of a single government which does not exist in Europe. An attempt to link currencies and interest rates together caused economic chaos in the early 1990s, when the exchange rate mechanism failed. It is important for our economic future to learn lessons from that débâcle."

Appendix 2

EXTRACTS FROM:

PATTEN BEATS DRUM FOR EURO – Staying outside single currency 'will put Britain in peril'

Ian Black and Andrew Osborn, 27 October 2000, The Guardian

"...In a speech about democracy in Europe, the former Conservative party chairman and Hong Kong governor painted a stark picture of the dangers of marginalisation if Tony Blair does not take Britain into euroland...."

"...Failure to join euroland could also mean the Group of Seven forum of the big European countries, the US and Japan would give way to a "G3" that would coordinate between those with responsibility for management of the dollar, the euro and the yen...."

EXTRACTS FROM:

WHY BRITAIN SHOULD JOIN THE EURO

Richard Layard, Willem Buiter, Christopher Huhne, Will Hutton, Peter Kenen and Adair Turner, 15 October 2002, The Independent

"...Now that the single currency exists among the 12 euro-countries, Britain is in a new, more exposed, position. Manufacturing activity is beginning to shift to the area of currency stability, and there is some danger that the City's predominance in wholesale financial services could be threatened if Britain was outside the euro in the long-term...."

"...Exchange rate fluctuations may increase as capital washes ever more rapidly around the world. For a medium-sized country like Britain, such fluctuations are extremely damaging...."

Appendix 3

SOME OF THE PRESS STORIES IN WHICH THE 'OXBRIDGE ORTHODOXY' MISLED THE PUBLIC:

"Sainsbury's boss David Tyler warns a 'no deal' Brexit would raise the cost of shopping"
15 October 2017, The Sunday Times

"The director of Resolution Foundation Torsten Bell said: Under a no deal Brexit scenario ... tariffs on clothing, footwear, beverages and tobacco will rise by 10 per cent. Tariffs on dairy products will rise by 45 per cent and by 37 per cent for meat products."

Resolution Foundation Director Torsten Bell, 17 October 2017

“A deal is better than no deal. No deal would mean a reversion to WTO rules on trade between the EU and the UK. Among other things, it would mean, as Mr Barnier points out, that there would be customs duties of almost 10% on vehicle imports, of 19% on drinks, and an average of 12% on meat and fish.”

Editor of The Guardian Katharine Viner, 7 July 2017, The Guardian Editorial

“Clegg warns ‘hard Brexit’ will lead to 22% EU food tariffs”

17 October 2016, Financial Times

“Super market giants have warned the Treasury that a no-deal Brexit would force up the price of the average weekly food basket by as much as 12%. Senior executives from some of the big four supermarkets made the alarming prediction in briefings to the Treasury on the impact on food prices of a no-deal Brexit. The biggest tariffs on imports from the EU could include cheese, up by 44%, beef, up by 40%, and chicken, up 22%.”

Oliver Shah, Caroline Wheeler and Tommy Stubbington, 12 August 2018, The Sunday Times

“As a member of the EU, the UK currently benefits from zero or low rate tariffs on various imports from trade deals that the EU has negotiated with third countries. From the day after the UK leaves the EU, on 30 March 2019, it will no longer be covered by these international agreements, so imported goods will be subject to higher tariffs and potential customs barriers. For consumers this means higher prices.”

26 December 2017, British Retail Consortium

Appendix 4

HOW THE OXBRIDGE ORTHODOXY IS UNDERMINING DEMOCRACY

Tim Martin, Autumn 2018, Wetherspoon News

There is a real danger to the future of the UK through the overbearing influence of the ‘Oxbridge Orthodoxy’, an apparently benign, yet actually radical, ideology, which favours undemocratic ‘Europeanism’ above democracy.

As the UK’s Electoral Reform Society has warned, the EU has five unelected presidents, unelected ‘commissioners’ who wield great power, a court which isn’t subject to democratic control and a parliament whose MEPs cannot initiate legislation.

The EU has also foisted an experimental currency on the eurozone, so that elected parliaments have lost key democratic controls over national budgets and interest rates – as Greece has discovered.

It was evident during the agonised past debate over the euro that the main UK advocates were older, male Oxbridge graduates: Blair, Clarke, Mandelson, Heseltine, Richard Lambert of the FT, Adair Turner of the CBI and many others of similar background, in the media, politics, academia and business.

And history shows that their judgement was deeply flawed.

It was the same story in the referendum: Cameron, Osborne and Mandelson, the architects of the Remain campaign, and Will Straw, the nominal head, were all Oxbridge grads, as were most of the supporting cast.

The same cabal has recently made an orchestrated attempt to dupe the public about food prices and the supposedly dire consequences of ‘no deal’ – as the headlines on page 5 illustrate.

Professor Robert Tombs of Cambridge University and his pro-Leave colleagues (please see the article by James Delingpole on page 65) have testified to the extreme hostility suffered by the non-conformist Oxbridge minority.

Political dissenters like Jacob Rees-Mogg, Boris Johnson and Priti Patel have suffered the same fate.

Theresa May, supported by husband Philip, UK ambassador to France Edward Llewellyn and advisers Gavin Barwell and Olly Robbins, an entirely pro-Remain, Oxbridge team, interrupted her recent holiday to implore the French president to back her confused Chequers plan.

But, even if Mrs May enlists the president's support, she does not have the support of the UK public, either for her 'half-in half-out' proposals or for paying a parting gift of £39 billion to the EU.

The crux of Theresa May's error is that she has prioritised a 'deal' with the EU, rather than leaving the EU, which reflects her own prejudices and those of her advisers, rather than the referendum result.

Appendix 5

Tony Abbott: How to save Brexit

Tony Abbott, 27 October 2018, The Spectator

Britain has nothing to fear from no deal

It's pretty hard for Britain's friends, here in Australia, to make sense of the mess that's being made of Brexit. The referendum result was perhaps the biggest-ever vote of confidence in the United Kingdom, its past and its future. But the British establishment doesn't seem to share that confidence and instead looks desperate to cut a deal, even if that means staying under the rule of Brussels. Looking at this from abroad, it's baffling: the country that did the most to bring democracy into the modern world might yet throw away the chance to take charge of its own destiny.

Let's get one thing straight: a negotiation that you're not prepared to walk away from is not a negotiation — it's surrender. It's all give and no get. When David Cameron tried to renegotiate Britain's EU membership, he was sent packing because Brussels judged (rightly) that he'd never actually back leaving. And since then, Brussels has made no real concessions to Theresa May because it judges (rightly, it seems) that she's desperate for whatever deal she can get.

The EU's palpable desire to punish Britain for leaving vindicates the Brexit project. Its position, now, is that there's only one 'deal' on offer, whereby the UK retains all of the burdens of EU membership but with no say in setting the rules. The EU seems to think that Britain will go along with this because it's terrified of no deal. Or, to put it another way, terrified of the prospect of its own independence.

But even after two years of fearmongering and vacillation, it's not too late for robust leadership to deliver the Brexit that people voted for. It's time for Britain to announce what it will do if the EU can't make an acceptable offer by March 29 next year — and how it would handle no deal. Freed from EU rules, Britain would automatically revert to world trade, using rules agreed by the World Trade Organization. It works pretty well for Australia. So why on earth would it not work just as well for the world's fifth-largest economy?

A world trade Brexit lets Britain set its own rules. It can say, right now, that it will not impose any tariff or quota on European produce and would recognise all EU product standards. That means no border controls for goods coming from Europe to Britain. You don't need to negotiate this: just do it. If Europe knows what's in its own best interests, it would fully reciprocate in order to maintain entirely free trade and full mutual recognition of standards right across Europe.

Next, the UK should declare that Europeans already living here should have the right to remain permanently — and, of course, become British citizens if they wish. This should be a unilateral offer. Again, you don't need a deal. You don't need Michel Barnier's permission. If Europe knows what's best for itself, it would likewise allow Britons to stay where they are.

Third, there should continue to be free movement of people from Europe into Britain — but with a few conditions. Only for work, not welfare. And with a foreign worker's tax on the employer, to make sure anyone coming in would not be displacing British workers.

Fourth, no 'divorce bill' whatsoever should be paid to Brussels. The UK government would assume the EU's property and liabilities in Britain, and the EU would assume Britain's share of these in Europe. If Britain was getting its fair share, these would balance out; and if Britain wasn't getting its fair share, it's the EU that should be paying Britain.

Finally, there's no need on Britain's part for a hard border with Ireland. Britain wouldn't be imposing tariffs on European goods, so there's no money to collect. The UK has exactly the same product standards as the Republic, so let's not pretend you need to check for problems we all know don't exist. Some changes may be needed but technology allows for smart borders: there was never any need for a Cold War-style Checkpoint Charlie. Irish citizens, of course, have the right to live and work in the UK in an agreement that long predates EU membership.

Of course, the EU might not like this British leap for independence. It might hit out with tariffs and impose burdens on Britain as it does on the US — but WTO rules put a cap on any retaliatory action. The worst it can get? We're talking levies of an average 4 or 5 per cent. Which would be more than offset by a post-Brexit devaluation of the pound (which would have the added bonus of making British goods more competitive everywhere).

UK officialdom assumes that a deal is vital, which is why so little thought has been put into how Britain might just walk away. Instead, officials have concocted lurid scenarios featuring runs on the pound, gridlock at ports, grounded aircraft, hoarding of medicines and flights of investment. It's been the pre-referendum Project Fear campaign on steroids. And let's not forget how employment, investment and economic growth ticked up after the referendum.

As a former prime minister of Australia and a lifelong friend of your country, I would say this: Britain has nothing to lose except the shackles that the EU imposes on it. After the courage shown by its citizens in the referendum, it would be a tragedy if political leaders go wobbly now. Britain's future has always been global, rather than just with Europe. Like so many of Britain's admirers, I want to see this great country seize this chance and make the most of it.

Tony Abbott served as Prime Minister of Australia from 2013 to 2015