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For immediate release

19 January 2021

JD Wetherspoon plc ("the company")
Further Covid-19 Update, Equity Placing

Introduction
Following the reopening of pubs in July and August 2020, there have been numerous changes to the regulations, including two further 'lockdowns' in England, and separate lockdowns in Wales, Scotland and Ireland. The company's main priority is to manage the business during the latest lockdown period, and to prepare for reopening in due course.

The company's long-term objective remains the same - to run individually designed and well-maintained pubs offering excellent products, at reasonable prices.

As in previous recessions, property prices are likely to decline, presenting opportunities for acquisitions at attractive prices.

Between FY2009 and FY2019 (inclusive), the company has opened 318 pubs and closed 133. Average gross sales per pub (including VAT) have increased from £30.1k per week in FY2008 to £48.0k in FY2019. Total company sales, as indicated below, increased by £911.3 million between FY2008 and FY2019.

Investec Bank plc ("**Investec**") is acting as sole bookrunner in connection with the proposed equity placing.

Current trading
In its recent trading update, the company reported a LFL sales decrease of 27.6% for the 15 weeks to 8 November 2020. Sales in the latter part of the quarter, as the hospitality industry has indicated, were adversely affected by the introduction of changes to the tier categories, a 10pm curfew, a requirement to order all food and drink 'at the table', and the mandatory use of face masks when moving around inside pubs.

All pubs have been closed since 31 December 2020, from which point the company's sales have been zero.

Safety Measures
Before reopening in July and August, the company spent £13.1 million on implementing measures designed to keep its pubs Covid-secure.

Assessments were carried out to ensure the risk of transmission of the virus was mitigated in all aspects of the pubs' operation. There were approximately 50 million customer visits registered using the 'track and trace' system, and there have been no incidents of an outbreak among customers, as defined by the health authorities, reported to the company, at any Wetherspoon pub.

Comprehensive social distancing and hygiene practices were introduced, including reduced capacity levels, the spacing out of tables, the installation of a number of floor screens between tables, the addition of till-surround screens to the bar and extensive signage.

Employees conducted regular surface cleaning so that all hand contact points within the pubs were frequently cleaned and sanitised throughout the day. An average of 10 hand sanitisers were installed in each pub and all pubs were thoroughly cleaned at the end of every trading day.

Cost Reductions

The company has reduced costs as much as it reasonably can during each of the closure periods which have taken place since last March. Costs have been reduced in the current closure period approximately as follows;

- Labour costs**.** Around 37,000 employees, more than 99% of the workforce, have been furloughed. Furloughed employees are paid 80% of pre-lockdown pay levels.

The costs of non-furloughed employees, plus the taxes and other costs of furloughed employees, are £0.8 million per week during the closure period.

There were 37,674 employees on 14 January 2021, compared to 43,741 on the 1 March 2020.

378 employees at the Head Office and airport sites have been made redundant.

- Repairs and maintenance. Repair costs have been reduced from a weekly run rate of approximately £1.6 million pre-Covid to approximately £0.25 million per week during the closure period.

- General costs. Expenditure on utilities, head office, the distribution centre and IT has been reduced from a weekly run rate of £4 million pre-Covid to approximately £1.1 million during the closure period.

- Board salary reductions. During the current closure period, the chairman and non-executives' pay has been reduced by 50%, and the CEO's by 25%.

- Capital Expenditure. In the financial year to date, to 14 January 2021, £22.0 million of capital was spent on the development of a small number of pubs, the completion of a number of freehold reversions and on IT and maintenance projects, a substantial reduction compared to previous years. The equivalent capital expenditure for the same period in FY2020 was £127.5 million.

- Dividends. As reported, dividends have been suspended.

Other measures

- Suppliers. The company has paid over 80% of suppliers in full throughout the pandemic. Deferred payment plans have been agreed with a number of larger suppliers.

As at 14 January 2021, the company had £25.2 million of deferred payments to suppliers outstanding, reduced from £102.7 million when the majority of pubs reopened on 4 July.

- Rents. The company agreed a deferral of rents with approximately 90% of landlords during the first lockdown. Following the additional lockdowns announced by the government, the company has entered further discussions with landlords, with a view to reaching mutually acceptable deferral agreements. As at 14 January 2021 the company has £18.0 million of deferred rental payments outstanding.

UK Government actions

When pubs closed in March 2020, HM Treasury announced a package of temporary measures to support public services, people and businesses through the period of disruption. These include the Coronavirus Job Retention Scheme ("CJRS"), deferred tax payments, business rate payment holidays and various grant schemes.

In July 2020 the standard rate of VAT was reduced to 5% for food and non-alcoholic purchases. The company passed on the benefit of this reduction to customers across a range of bar and food items. The company argues that this VAT cut should be permanent and that it will result in the creation of new jobs, helping high streets and eventually generating more tax income for the government.

The government announced during the first lockdown that business rates will not be payable from April 2020 to March 2021, resulting in a cash saving of approximately £60 million for that period.

The company has agreed with HMRC a deferment of £21 million of taxes, to be repaid in 11 monthly instalments up to the end of March 2022. The company has made an application for deferment in respect of an additional £28.8 million.

Financing arrangements

On 29 April 2020, the company raised £137.7 million of new funds through a 15% share placing at £9 per share.

The company received a loan of £48.3 million under the Coronavirus Large Business Interruption Loan Scheme ("CLBILS"). The scheme allows eligible companies to apply for a maximum of £200 million. The company has made a further application under this scheme for an additional loan of £51.7 million.

As at 14 January 2021 the company had liquidity of £139.1 million.

Net debt plus trade and other payables have remained at approximately the same levels from the year end 2019, as shown in the table below:

	Year End 2019	Half Year 2020	Year End 2020	14-Jan-21
	£m	£m	£m	£m
Net Debt	737	805	817	900
Trade and other payables	308	315	268	204
Net Debt + Trade and other payables	**1,045**	**1,119**	**1,085**	**1,104**

The company has received covenant waivers up to and including the quarters to July 2021. The normal EBITDA-related covenants have been replaced with a minimum liquidity threshold of £75 million.

The Bank of England has said that banks should waive covenant breaches that stem from the Covid-19 crisis and the company believes that further waivers should be forthcoming, if required.
The company has fully drawn down its revolving credit facility.

As previously stated, it is the company's intention that the maximum net-debt-to-EBITDA ratio should be around 3.5 times, other than in the short term.

The ratio has risen, as a result of the temporary closure of pubs, and the company intends to reduce the level in a timely manner.

The company has previously stated that debt levels of between 0 and 2 times EBITDA are a sensible long-term benchmark, although higher levels may be justified at times of very low interest rates.

Property

As at 14 January 2021, the company had 872 pubs which were able to trade in the absence of lockdown restrictions. 64.3% of the company's pubs are freehold. This has increased from 41.3% in FY2010.

As at 14 January 2021, the net book value of the property, plant and equipment of the company was approximately £1.5 billion, which included approximately £1.1 billion of freehold and long leasehold property. The properties have not been revalued since 1999.

UK taxes and regulations

In FY2019, before the Covid-19 crisis, Wetherspoon generated total taxes of £764 million, including VAT, excise duty, PAYE, climate change levy and other taxes.

In FY2020, mainly as a result of the lockdown, total taxes paid to the government declined by £327 million to £437 million, net of furlough payments.

In the financial year to 14 January 2021, the company generated tax revenues of £54.3 million, net of furlough payments.

Non-recurring items

Exceptional costs of approximately £10.4 million have been incurred in the first five periods of this financial year. £8.2 million relates to redundancy and other exceptional employee costs. Other costs relate to protective screens, sanitisers, temporary outside furniture and miscellaneous Covid-19 items.

Outlook

The duration of the current lockdown and ongoing restrictions is uncertain at this stage. The company's current assumptions are that its pubs will remain closed until the end of March 2021.

The company considers 'owners' earnings' to be a fair measure of 'cash burn'.

Owners' earnings are calculated as pre-IFRS16 losses before tax, exceptional items, depreciation and property gains or losses, less reinvestment in existing properties.

The company estimates that owners' earnings, and therefore cash burn, are around minus £4.1 million per week, while pubs are closed.

In the absence of a share placing and an additional CLBILS loan, the company estimates that it has sufficient liquidity to the end of the current financial year.

The company has traded well during previous recessions in the course of the last 40 years. Sales increased by £911.3 million between FY2008, the approximate start of the last recession, and FY2019.

Scenario analysis

The company has created four 'scenarios', which estimate reopening dates for pubs, their sales performance and costs. A brief summary of the assumptions and the outcome of these estimates is presented below. The company notes that there can be no certainty as to when the pubs will be permitted to reopen, and the assumed reopening dates used in this announcement are for the purpose of the scenarios only.

The main assumption in scenario 1A is that the current closure period will be until the end of March 2021. It is assumed that like-for-like sales will be minus 50% upon reopening, increasing by 5% per week, and levelling out at minus 15% in mid-May and for the remainder of the financial year. For FY2022 it is assumed that sales will match the sales of FY2019, and for subsequent years that they will rise by 5% per annum.

Like-for-like sales improved by around 5% per week after the majority of pubs reopened in July 2020, before the ‘Eat Out to Help Out’ scheme started. Sales had returned to FY2019 levels by the end of the Eat Out to Help Out period.

On the basis of these estimates, the financial performance for 2021, 2022 and 2023 could be as follows:

Summary; Scenario 1A

	2019a	2020a	2021e	2022e	2023e
Total sales (£m)	1,819	1,262	879	1,819	1,910
Total sales growth	7%	-31%	-30%	107%	5%
EBITDA (£m)	219	86	13	204	229
PBT (£m)	103	-34	-112	81	102
Owners' earnings (£m)	100	14	-65	116	128
Net debt (£m)	737	817	969	874	763

The figures above are pre IFRS16 and exclude the benefit of the proposed equity placing.
a = actual; e = estimated.

Scenario 2A represents the company’s view of a ‘reasonable worst case’ set of assumptions.

The main assumption in scenario 2A is that the current closure period will be until the end of March 2021. Like-for-like sales will be minus 50% upon reopening and will stay at that level for the rest of the financial year. FY2022 sales will then be 10% lower than those assumed in scenario 1A and FY2023 sales will match the sales of FY2019.

On the basis of these estimates, the financial performance for 2021, 2022 and 2023 could be as follows:

Summary; Scenario 2A

	2019a	2020a	2021e	2022e	2023e
Total sales (£m)	1,819	1,262	722	1,637	1,819
Total sales growth	7%	-31%	-43%	127%	11%
EBITDA (£m)	219	86	-33	155	204
PBT (£m)	103	-34	-159	32	81
Owners' earnings (£m)	100	14	-111	77	106
Net debt (£m)	737	817	1,016	960	870

The figures above are pre IFRS16 and exclude the benefit of the proposed equity placing.
a = actual; e = estimated.

Impact of a longer closure period

Scenarios 1B and 2B show the impact of a closure period lasting until 3 May 2021. The longer closure period affects the current financial year (FY2021), but does not affect the performance in future years – apart from the impact of increased net debt. The table below summarises the effects of these scenarios in the current financial year.

Summary of scenarios; differences to 2021

	1B vs 1A	2B vs 2A
Total sales (£m)	-140	-83
Total sales growth	-11%	-7%

EBITDA (£m)	-26	-10
PBT (£m)	-26	-9
Owners' earnings (£m)	-25	-9
Net debt (£m)	25	8

The outcomes demonstrated by the above scenarios are taken from the company's assessment of the knowledge and information it currently has available, and reliance must not be placed on any forward-looking statements - please see the cautionary statement below.

Equity placing

The company has taken decisive action to preserve cash and ensure sufficient liquidity.

The company has separately announced today an intention to conduct a non-pre-emptive placing of new ordinary shares of £0.02 each in the capital of the company representing up to 6.95% of the company's existing issued ordinary share capital (the "equity placing"). The placing is expected to raise gross proceeds between £92.1m and £93.7m.

The equity placing is not being underwritten.

The net proceeds of the equity placing will be used to further strengthen the company's balance sheet, working capital and liquidity position during the period of disruption.

Based on the 'scenario planning' undertaken, the additional capital will provide sufficient liquidity to deal with very low sales after reopening, helping the company to return to growth as the market normalises.

In addition, as indicated above, additional capital will facilitate the acquisition of new properties, which are likely to be available at favourable prices, as a result of the pandemic. The company is considering the acquisition of a number of properties in central London, the freehold reversions of pubs of which it is currently the tenant, and properties adjacent to successful pubs. It may be possible to achieve a higher-than-average return on capital on properties acquired in the next few years, based on the company's past experience.

The board has concluded that the equity placing is in the best interests of shareholders; a conclusion endorsed in the course of recent shareholder consultation.

The placing structure minimises cost and time to completion at an important time for the company.

Commenting on this announcement, Tim Martin, chairman of Wetherspoon, said:

"The Covid-19 outbreak is having a severe impact on the UK pub sector. After a number of false starts, the hospitality industry generally anticipates a return to more normal trading patterns in the spring and summer, as a result of the introduction of a mass vaccination programme. The equity placing announced today will help the company, along with the other actions it has taken, to emerge from the pandemic in a strong position.

"Very many thanks to everyone at the company, and also to its shareholders, suppliers, landlords and banks, for their support and commitment."

This announcement is released by J D Wetherspoon plc and contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (MAR), and is disclosed in accordance with the company's obligations under Article 17 of MAR. **J D Wetherspoon plc**

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