



Wetherspoon slumps on profit warning

## Description

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Portrait of vintage barman workin in bar. Pouring and preparing cocktails

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Shares in pub group JD Wetherspoon have slumped by more than a quarter, after the group warned that profits for the year could fall as much as 10% below original expectations.

The pub chain, known for its cheap beer and food, has also reduced the number of new pubs it plans to open this year.

Wetherspoon is the latest in a list of pub and bar groups to warn that tighter consumer spending, particularly in London, has hit profits and analysts have warned that its warning has ramifications for the whole industry.

But Wetherspoon, which already has more than 600 pubs, has insisted that with fewer companies now expanding, it will be able to continue the roll-out of its own chain more cheaply.

## Flat beer

Wetherspoon, which at one stage was opening 100 pubs a year, said in early November that comparable sales for the past three months had risen by a healthy 5.3%.

But it said on Friday that the rise in sales had now slowed to just 3%. Also, the bulk of the rise was made up by food sales, which were up 14%.

However, food sales generate less profit than drinks, and the company said if the current pattern continued for the rest of the year, this “would reduce profits by about 10%”.

The warning will come as no surprise to a number of analysts who have suggested for some time that Wetherspoon’s profits could slow.

Wetherspoon investors have also been wary, with the company’s shares losing more than half their value in the last 12 months.

They sank another 28.4% on news of the profit warning, down 72p to 181.5p.

## Pub peers

However, Wetherspoon is the latest in a long line of leisure companies to warn on slower sales as consumers tighten their purse strings.

Leisure analyst Greg Feehely at Old Mutual Securities said: “Given the experience of every single other operator in the market, JDW could not be immune to a deterioration in its sales.”

SFI, the owner of the Slug & Lettuce pub chain warned in October that its rapid expansion plans would be cut because of slowing sales.

It was soon followed by Fuller’s, the pub and brewing group, which blamed the wave of redundancies in London for a drop in profits.

Wetherspoon had initially resisted a slowdown thanks in part to its aggressive discount offering.

Its Christmas campaign aimed to match or undercut prices at Sainsbury’s supermarket, which Mr Feehely said “appeared to us an attempt to grab sales at any cost”.

However, he warned: “If the most competitively priced operator in the market is suffering to this extent, there are clearly implications for others.”

## Rolling on

Despite its gloomy outlook, Wetherspoon is insisting the roll-out of its pub chain will continue.

The group said it expected pub property prices to fall because “the majority of pub companies have stopped or reduced their acquisitions of new sites”.

Wetherspoon said it now wants to “re-negotiate all the projects currently in the pipeline for which

contracts have not been exchanged”.

The pub chain estimated that it would open between 50 and 60 pubs in the current financial year, compared with more than earlier estimates of 70-80 openings.

TEXT

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1. All
2. Weatherspoons
3. News
4. Christmas
5. London

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5. Christmas
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7. Food
8. News
9. Pubs
10. JD Wetherspoon
11. Sale
12. Shares

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