

BLACK SHEEP BREWERY

SHAREHOLDER PRESENTATION 2020



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CHAIRMAN'S PRESENTATION

MY PERSONAL THANKS GO TO EVERYONE WHO HAS
CONTRIBUTED TO THE SURVIVAL OF BLACK SHEEP IN
THESE UNPRECEDENTED TIMES.

A FEW PERSONAL HIGHLIGHTS...



CHAIRMAN'S REFLECTIONS

- POSITIVE IMPACT OF STRENGTHENED EXECUTIVE TEAM BEST DEMONSTRATED BY REACTION TO LOCKDOWN
- CORONAVIRUS BUSINESS INTERRUPTION LOAN SUCCESSFULLY OBTAINED



York Brewery brands and pubs performed well and in line with expectations



Continued strong and solid growth in Yorkshire – our most profitable route to market



Our beers continued to win multiple awards proving continued quality and consistency



A REMINDER OF OUR PRIORITIES

TO BECOME THE MOST RESPECTED
INDEPENDENT BREWER IN THE UK



PACKAGING



INNOVATION



RETAIL



YORKSHIRE



STRATEGY IMPLEMENTATION



PACKAGING:

KEG, FILTER AND
BOTTLING TO
BECOME
OPERATIONAL IN
DECEMBER 2020



INNOVATION:

NO/LOW OWN
LABEL TRIALS
UNDERWAY AND
SUCCESSFUL
LAUNCH OF BLACK
SHEEP GIN



RETAIL:

DISAPPOINTING
RESULT, HOWEVER
4/5 OUTLETS
TRADED WELL



YORKSHIRE:

INCREASED
DISTRIBUTION WITH
STRONG MARGINS



INDUSTRY ISSUES

- CORONAVIRUS PRESENTS MANY UNKNOWNNS FOR THE BREWERY AND THE RETAIL BUSINESSES
- THE FURLOUGH SCHEME HAS BEEN BENEFICIAL, HOWEVER LIKE OTHERS WE ARE CURRENTLY CONSULTING ON REDUNDANCIES
 - BEER DUTY IS STILL A HEAVY BURDEN ON BLACK SHEEP
- GOVERNMENT POLICY IS CONSTANTLY CHANGING REQUIRING STRATEGIC AND OPERATIONAL FLEXIBILITY
- LACK OF SPECIFIC GOVERNMENT SUPPORT FOR THE BREWING INDUSTRY WITH NO BUSINESS RATE FREEZE OR GRANTS AWARDED TO PUBS



FINANCIAL DIRECTOR'S PRESENTATION



FINANCIAL HIGHLIGHTS

- A YEAR DISRUPTED BY COVID-19
- PACKAGING PLANT BUILD COSTS TO MARCH OF £1.5M OF WHICH £1.0M WAS FUNDED BY PRE-INCEPTION LOANS
- EQUITY RAISE OF £0.6M(NET)
- CORONAVIRUS BUSINESS INTERRUPTION LOAN OF £3.1M PROVIDED LIQUIDITY POST YEAR END AND WILL FUND CROWN DEBT AND FORECAST FY21 LOSSES AND DEBT SERVICE



BREWERY PERFORMANCE



- TURNOVER IMPACTED BY COVID AND BY REDUCTIONS IN VOLUMES WITH MULTIPLE PUB GROUPS AND WHOLESALERS
- CONTINUED RELIANCE ON THIRD PARTY PACKAGING SUPPRESSES POTENTIALLY HIGHER MARGINS IN OFF TRADE
- EXCEPTIONAL COSTS OF £0.6M INCLUDING £0.3M FOR COVID RELATED BAD DEBT AND STOCK WRITE OFF AND UPLIFT COSTS
- OVERHEADS REMAIN HIGH FOR A BUSINESS OF OUR SIZE GIVEN THE PRESSURE ON MARGINS
- POST YEAR END:
 - THE STRENGTH OF OUR BRANDS AND PRODUCT AVAILABILITY HAS DRIVEN ABOVE CHRISTMAS SUPERMARKET SALES SINCE LOCKDOWN
 - STRONG RETURN OF CASK PRODUCT SINCE 4 JULY COMBINED WITH EARLY BREWING DECISION PROVIDES BETTER THAN FORECAST START TO THE YEAR



RETAIL PERFORMANCE



- 4 OF 5 SITES PERFORMED IN LINE WITH EXPECTATIONS
- OPERATING LOSSES OF £0.3M SUSTAINED BY NEWLY ACQUIRED KITH & KIN IN LEEDS
- KITH & KIN REBRANDED AS BLACK SHEEP TAP & KITCHEN AND LOSSES SIGNIFICANTLY REDUCED
- ABORTED ACQUISITION COSTS OF £0.2M
- POST YEAR END:
 - 3 OF 5 SITES HAVE REOPENED IN COVID SECURE WAY
 - FOCUS ON TRADING OPEN SITES PROFITABLY AND MINIMISING LOSSES AT CLOSED SITES
 - ECOMMERCE, TAKE AWAY AND OTHER INITIATIVES CONTRIBUTED WELL IN LOCKDOWN



SUMMARY CONSOLIDATED INCOME STATEMENT

£'M	BLACK SHEEP BREWERY	BSB RETAIL		CONSOLIDATED FY 20		CONSOLIDATED FY19
TURNOVER (*)	16.7	2.8		19.5		19.4
DUTY % OF TURNOVER	39%					37%
GROSS MARGIN	4.1	1.5		5.6		5.3
EBITDA BEFORE EXCEPTIONALS	0.2	(0.3)		(0.1)		0.9
EXCEPTIONALS	(0.6)	(0.2)		(0.8)		-
DEPRECIATION	(0.5)	(0.1)		(0.6)		(0.6)
OPERATING (LOSS)/PROFIT	(0.9)	(0.6)		(1.5)		0.3
INTEREST PAYABLE	(0.2)	-		(0.2)		(0.2)

(*) after elimination of £0.6m sales to BSB Retail.

Duty % of turnover is £6.75m divided by gross Brewery turnover of £17.3m.

Lost turnover and margin for Brewery from Covid-19 estimated at £0.5m and £0.2m respectively.



SUMMARY CONSOLIDATED BALANCE SHEET

£'M	2020	2019
FIXED ASSETS	9.3	8.1
STOCKS	1.4	1.3
DEBTORS	2.4	3.4
CASH	0.1	-
CREDITORS < 1 YEAR (EXCL FUNDING)	(4.1)	(3.0)
WORKING CAPITAL	(0.3)	1.7
< 1 YEAR FUNDING	(2.9)	(2.3)
> 1 YEAR FUNDING	(1.2)	(1.4)
FUNDING	(4.1)	(3.7)
DEFERRED TAX	(0.6)	(0.5)
ROUNDING	0.1	-
NET ASSETS	4.4	5.6

Fixed asset investment includes packaging plant.

Debtor reduction includes Covid reduction due to loss of volume in March.

Creditors < 1 year includes higher taxes payable.

< 1 year funding includes £1.0m of pre-inception finance for the packaging plant.



SUMMARY CONSOLIDATED CASH FLOW STATEMENT

£'M	2020	2019
LOSS FOR THE YEAR	(1.8)	-
WORKING CAPITAL MOVEMENTS	2.1	0.2
ADD BACK		
DEPRECIATION AND AMORTISATION	0.6	0.6
FINANCE COSTS	0.2	0.2
ABORTED ACQUISITION COSTS	0.2	-
OTHER	0.1	-
CASH GENERATED FROM OPERATIONS	1.4	1.0
INVESTING ACTIVITIES	(2.0)	(0.9)
FINANCING ACTIVITIES		
SHARE ISSUE	0.6	-
NET LOAN MOVEMENTS	0.7	-
INTEREST PAID	(0.2)	(0.2)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	0.4	(0.1)
OPENING BALANCE	(1.9)	(1.8)
CLOSING BALANCE	(1.5)	(1.9)



EXCEPTIONAL COSTS

	£'000
RESTRUCTURING COSTS	251
LEGAL COSTS	58
COVID RELATED COSTS	329
ABORTED ACQUISITION COSTS	190
ROUNDING	1
	829



CHIEF EXECUTIVE OFFICER'S PRESENTATION



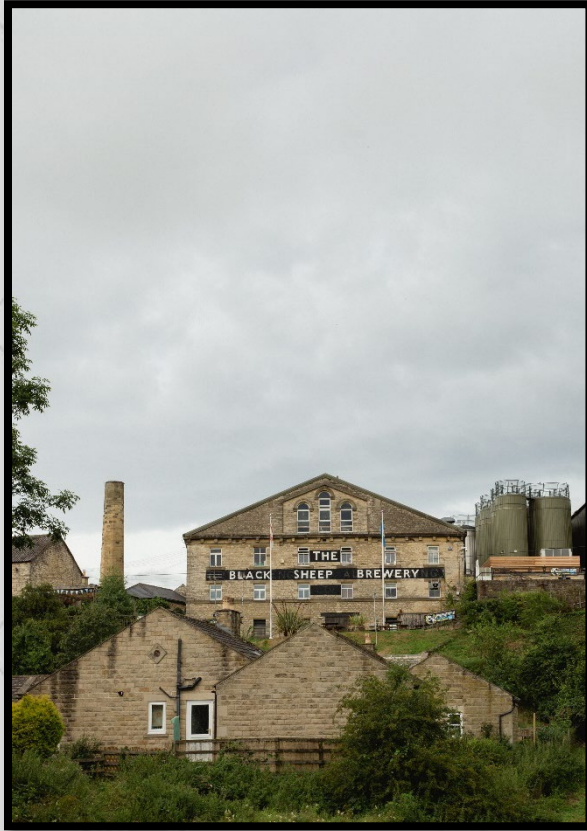
CORONAVIRUS STRATEGIC RESPONSE



- 80% OF THE WORKFORCE FURLOUGHED, LEAVING A SKELETON STAFF STRUCTURE
- MAXIMISED OPPORTUNITIES IN OFF TRADE RESULTING IN CHRISTMAS TRADING LEVELS BETWEEN APRIL AND JULY
- SIGNIFICANTLY INCREASED ONLINE AND SOCIAL MEDIA PRESENCE PROMOTING OUR ONLINE SHOP WHICH LED TO OVER 100 ORDERS PER DAY
- MOBILISED A HOME AND TRADE DELIVERY SERVICE IN YORKSHIRE USING OUR IN HOUSE DISTRIBUTION
- LAUNCHED A FOOD DELIVERY SERVICE FROM MASHAM



CORONAVIRUS OPERATIONAL RESPONSE



- FOCUSSED ON THE FUTURE AND CREATED SCENARIOS FOR MULTIPLE EVENTUALITIES
- DAY TO DAY OPERATIONS SUCCESSFULLY DRIVEN BY THE CORE TEAM TO MAXIMISE SALES OPPORTUNITIES IN EXISTING AND NEW CHANNELS
- EXEC TEAM LOOKED FORWARD AND CREATED PLANS FOR HOW TO SHAPE THE BUSINESS AND ENSURE SURVIVAL
- THIS FORESIGHT ENABLED US TO PREPARE AND FORECAST ACCORDINGLY



REASONS FOR SUCCESS



- STRONG BLACK SHEEP BRAND THAT PEOPLE WANTED TO BUY THROUGH WHATEVER CHANNEL THEY COULD
- QUICK AND BOLD CHANGES TO THE STRATEGY
- STRONG RELATIONSHIPS WITH 3RD PARTY PACKAGERS ALLOWED PROACTIVE PLANNING TO ENSURE SLOTS WERE CONFIRMED DURING A HIGH DEMAND PERIOD, ALBEIT AT HIGHER COSTS
- A MULTI FACETED BUSINESS WITH ON TRADE, OFF TRADE AND DISTRIBUTION IN HOUSE, ALLOWED FOR FOCUSSED DIVERSIFICATION AND OPPORTUNISM
- BREWING CASK BEER EARLY AND WITH SCALE FOR PUB REOPENING MADE A STATEMENT AND RESULTED IN HIGHER SALES WITH MAXIMUM MARKET SHARE



THE FUTURE

THE SALES STRATEGY:

- OWN YORKSHIRE FOCUSING ON DIRECT SALES TO LOCAL CUSTOMERS
- DEVELOP MUTUALLY EXCLUSIVE AND BENEFICIAL RELATIONSHIPS WITH MULTIPLE PUB GROUPS
- INCREASE DISTRIBUTION AND RANGE WITH TARGETED CUSTOMERS IN ON AND OFF TRADE
- IMPROVE DISTRIBUTION EFFICIENCY BY REDUCING SALE OF FACTORED GOODS
- COLLABORATE AND FORM LONG TERM PARTNERSHIPS WITH OFF TRADE CUSTOMERS
- CAPITALISE ON COMMERCIAL ADVANTAGES FROM OUR ON SITE PACKAGING PLANT
- BE BOLD WITH INNOVATION AND BREWING TO ENSURE WE GAIN AS MUCH PROFITABLE MARKET SHARE AS POSSIBLE



THE FUTURE

COMMERCIAL PERFORMANCE:

- WE ARE ENCOURAGED BY OUR TRADING PERFORMANCE DURING LOCKDOWN AND SINCE PUB REOPENING
- OFF TRADE SALES REMAIN CONSISTENTLY AT CHRISTMAS LEVELS
- ON TRADE SALES ARE STRONG ALBEIT AT LOWER LEVELS THAN LAST YEAR
- OVERHEADS ARE TIGHTLY MANAGED AND BENEFIT FROM ONGOING FURLOUGH SUPPORT
- OUR RETAIL PERFORMANCE SINCE PUBS REOPENED (INCLUDING ECOMMERCE SALES) FOR THE VISITOR CENTRE AND BLACK SHEEP TAP & KITCHEN ARE AHEAD OF LAST YEAR



MANAGING DIRECTOR'S PRESENTATION



BLACK SHEEP PACKAGING PROJECT

- KEY PROJECT TO TAKE CONTROL OF OUR BOTTLE / CAN / KEG AND MINI KEG FILLING IS A FIVE PART PROJECT – UTILITIES, BEER PROCESSING, KEG/MINI KEG, BOTTLING AND CANNING
- COMPLEX PROJECT WITH A KEY FOCUS ON COMPLIANCE WITH INDUSTRY STANDARDS
- WILL DELIVER COST SAVINGS, LOGISTIC IMPROVEMENTS AND THIRD PARTY PACKAGING OPPORTUNITIES
- COVID DELAYS INCLUDED SIGNIFICANTLY LATER DELIVERY FROM THE UK AND EUROPE, OF EQUIPMENT AND CONTRACTORS UNABLE TO WORK ON SITE
- ROB THEAKSTON AND HIS TEAM ROLLED THEIR SLEEVES UP DURING LOCKDOWN AND GOT THE SITE READY TO BRING THE EQUIPMENT IN AND START INSTALLING THE LINE



UTILITIES



- INSTALLED AND COMMISSIONED THE YORK BREWERY BOILER - PRODUCING STEAM FOR KEGGING/CO2 PRODUCTION AND CLEANING
- INSTALLED A BOREHOLE AND HAVE STORAGE FILTRATION AND STERILISATION IN PLACE
- FITTED AIR COMPRESSORS
- INSTALLED CARBON DIOXIDE TO CARBONATE THE BEER
- INSTALLED NEW ELECTRICS



BEER PROCESSING



- CREATED A NEW ROOM AND RAISED THE ROOF 3 METRES TO ACCOMMODATE A TANK FARM
- COMMISSIONED A NEW CLEANING SYSTEM FOR ALL THE TANKS AND PIPEWORK
- INSTALLED AND COMMISSIONED A NEW DEAERATED WATER TREATMENT MACHINE ALLOWING US TO PRODUCE OXYGEN FREE WATER WHICH KEEPS THE BEER FRESH
- INSTALLED A NEW CARBONATOR ENABLING US TO ADD CARBON DIOXIDE TO THE BEER
- INSTALLED 4 X 100 BARREL TANKS 4 X 50 BARREL TANKS AND 2 X 25 BARREL TANKS



KEGGING



- INSTALLED A KEG MACHINE ALLOWING US TO FILL 50 AND 30 LITRE KEGS FOR THE ON TRADE (ALSO CAPABLE OF FILLING ONE TRIP KEY KEGS THAT ARE USED FOR SOME CRAFT BARS AND EXPORT)
- MINI KEG MACHINE PRIORITISED DURING LOCKDOWN ALLOWED US TO DELIVER 5 LITRE MINI KEG TO ON TRADE, MAIL ORDER AND HOME DELIVERY CUSTOMERS
- TARGET DATE FOR FILLING KEGS IS THE END OF OCTOBER 2020



BOTTLING



- 6000 BOTTLES PER HOUR FILLER INSTALLED CAPABLE OF FILLING 330ML/500ML/660ML BOTTLES INITIALLY WITH SCOPE FOR MORE OPTIONS
- BOTTLE LABELLER DELIVERED AND BEING INSTALLED
- PACKING MACHINE IS AWAITING A FACTORY TEST PRIOR TO DELIVERY
- PALLETISER AND DE-PALLETISER DUE BY NOVEMBER 2020
- TARGET IS TO BE TESTING PRODUCTS ON THE LINE BY CHRISTMAS COVID ALLOWING



CANNING



- CANNING IS A KEY POTENTIAL GROWTH AREA THAT HAS DEVELOPED OVER THE LIFE OF THE PROJECT
- PROJECTED CAN VOLUMES ARE BEING RE-ASSESSED PRIOR TO FINAL SPECIFICATION OF EQUIPMENT



PEOPLE

- RECRUITMENT UNDERWAY FOR A PACKAGING MANAGER TO RUN AND CONTROL THE SITE
 - ENGINEERING IS IN PLACE USING INTERNAL RESOURCE
- COMPLIANCE MANAGER, LAB TECHNICIAN AND PROCESS OPERATORS RECRUITMENT TO BE COMPLETED



SUMMARY

- WE HAVE NOT STOOD STILL IN THE FACE OF A GLOBAL PANDEMIC AND HAVE MADE INCREDIBLE PROGRESS IN DIFFICULT AND CHALLENGING CONDITIONS
- IT HAS BEEN A LONG HARD YEAR BUT WELL WORTH THE EFFORT AND WE ARE EXCEPTIONALLY PROUD OF THE ENTIRE TEAM
- WE LOOK FORWARD TO BEING ABLE TO SHOW SHAREHOLDERS THE LINE WHEN WE ARE ALLOWED TO DO SO SAFELY.

