



## **BORN & BRED IN MASHAM, YORKSHIRE**

Dear Shareholder,

First and foremost, I hope you are all staying safe and well. The Black Sheep team, myself included, hugely appreciate the numerous messages of support received over recent months, and the overwhelming appreciation for everything we are doing to navigate our way through the strangest of times. Thank you.

Since the AGM on October 15th, there have been many significant changes in Government operating restrictions within the pub market including local lockdowns, the tiered system and most recently lockdown 2.0.

The Black Sheep team continue to deal with these changes with great professionalism.

The first 6 months of this financial year has seen many highlights across all sales channels at Black Sheep as the management team works to minimise the inevitably negative impact of government policy to control the pandemic.

### **Sales:**

On Trade performance has of course been significantly impacted in the first half of the year, with no pubs open from March to July. We did, however, make the conscious decision to brew significant volumes in advance of pubs reopening on 4 July which meant we could actively pursue sales opportunities and gain market share. On pub reopening we traded strongly for three months with excellent sales in local direct, with Multiple Pub Groups and Wholesalers alike. Whilst sales were well down on the same period last year, the trading environment was very different.

Off Trade performance has consistently tracked above forecast, with sizeable volume increases compared to last year, with stand-out rates of sale from Black Sheep Ale and Milk Stout. We have regularly seen volumes equivalent to Christmas trading throughout this period and the contribution, albeit at lower margins, has helped to compensate for reduced on trade volumes.

### **Innovation:**

A major focus for Black Sheep has been on the no/low alcohol product range. October saw the launch of 2 products into a major discount retailer, an IPA and a Lager, as part of their own label category. The products have received excellent feedback and plans are currently underway to purchase equipment to enable us to produce the beer in house from the second half of calendar year 2021.

Throughout the last six months we have continued to focus on using our 5 barrel project to produce various outstanding beers, particularly for sale on line.

### **Packaging:**

The Black Sheep Brewery plc • Wellgarth • Masham • Ripon • North Yorkshire • HG4 4EN  
Tel: +44(0) 1765 689227 • [blacksheepbrewery.co.uk](http://blacksheepbrewery.co.uk) • Follow us on twitter @blacksheepbeer

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Our packaging line project, led by Rob Theakston, progressed throughout H1 although frustratingly we have been delayed by the inability of suppliers and engineers to operate as planned throughout the pandemic. We now have the Keg and Filter operations ready to supply beer into the packaging line and we have used the equipment to produce our mini keg range which was hugely successful during lockdown.

The bottling line equipment has been arriving gradually and we hope to have it all in place ready for commissioning by the middle of January. Whilst we remain optimistic, we recognise that we may be further delayed and may not be in a position to commence bottling until the end of March.

Our canning requirements have changed significantly since we launched this project and after a further review we have placed our equipment order for delivery in the New Year. Full canning production is now planned for H2 of 2021 once we have successfully achieved the required accreditations.

### **Retail:**

For the first 3 months of the period our pubs were all shut, and in July when we could open our doors we opened 2 of our 5 outlets, followed soon after by a third, all of which have traded well, albeit that means they have typically broken even. We have been unable to reopen two of our sites and the losses incurred throughout this period has not been offset by government assistance, albeit we have benefitted from grants and furlough payments in particular. The Tap and Kitchen, our newly refurbished Leeds based pub, has traded particularly well hitting turnover levels we expected last year, meaning it has stopped incurring the significant losses.

Retail performance has been boosted significantly by the very strong trading volumes for ecommerce which at times exceeded 100 orders per day. The growth in this area is planned to increase further as we invest in this part of the business and push forward with our growth plans.

### **People:**

I would like to thank the management team at Black Sheep, and in particular Charlene Lyons, for their leadership and innovation during these unprecedented times. They have always remained positive and have worked extremely hard to react to the constantly changing environment in which the business has operated.

It was a great disappointment to us all at Black Sheep that we had to implement a redundancy programme in September. We wish all of the staff affected well. The exercise was largely completed by the end of October and the business is now well positioned for the future.

### **Outlook:**

At this point, we are not able to provide an indication of likely performance for the full year as we can only assume that trading conditions will remain difficult until the pandemic is under control. However, we are doing everything that we can and we have sufficient liquidity thanks to the CBILs loan to take advantage of any opportunities that come our way in the coming months.

So what next... We are genuinely frustrated by the Government policy which has closed pubs without a demonstration of how science is being applied or that large numbers of cases are caused in hospitality settings. However, the management team is energetically tackling all of the challenges they face. In the very short term, clearly we are focussed on the reopening of pubs as and when this

becomes possible and are playing our role in the industry, lobbying and seeking ongoing support for the sector, particularly for breweries which have had no specific support despite the closure of much of its customer base.

And before I sign off, this year more than ever we are asking for your support. If you can, please consider making at least some of your Christmas beer purchases from Black Sheep, [www.blacksheepbrewery.com](http://www.blacksheepbrewery.com) . We deliver beer and products to your doors nationwide.

In the meantime, please stay safe and thanks for your support.

Andy Slee  
Chairman