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Shepherd Neame Limited
30 July 2021

Shepherd Neame

Post close trading update

Shepherd Neame, Britain's Oldest Brewer and owner and operator of 310 high quality pubs in Kent and the South East, today announces an update on trading since the Company last reported on 21 April, following the close of its financial year on 26 June.

Since the resumption of trading on 12 April the Company has performed well, generating cash and profits ahead of our expectations. Initial outdoors trade from 12 April to 16 May was encouraging, but demand has taken a step up from 17 May when indoors trade was allowed. The business continues to benefit from pent-up demand for the pub experience. Our rural and coastal pubs and hotels, in particular, are benefitting from their unique locations and great outside space. Beer volume in all channels is strong.

Overall retail sales have been impacted by the extended closure of 15 Central London pubs. From 19 July, now that restrictions are lifted, we have re-opened almost all of these, although we expect their trade levels to remain below prior levels for some time to come.

For the 11 weeks from 12 April to 26 June, managed pubs that were open and trading achieved 84% of their 2019 revenue and total retail sales, including those closed pubs in London, were 60% of 2019 levels. For the initial period of outdoor trading between 12 April and 16 May open pubs achieved 62% of 2019 levels and from 17 May, when indoor trading resumed, to the year end, those sites that were open achieved 97% of 2019 levels. Since full restrictions have lifted on 19 July we have seen a modest increase in sales.

For the 11 weeks from 12 April to 26 June, our tenanted pubs achieved 77% of their 2019 volume. For the four weeks of June, they achieved 91% of 2019 beer volumes. After charging no rent for all the weeks of lockdown, our tenanted pubs returned to 90% of normal rent as from 21 June and, as from 2 August, will return to normal rent.

Total beer volume has been resilient throughout the pandemic, and we have obtained new on trade customers and new listings in the grocery trade and export. As the on trade has re-opened, sales have been buoyant, with total volume in all channels in May and June up +8.4% versus 2019 and total own beer volumes excluding contract down -3.6% for the same period.

Although the restart has been most encouraging, the Company will inevitably report a loss for the financial year to 26 June, after such lengthy periods of closure, though less now than originally forecast.

Net debt has remained under control, with rigorous cost control and good cash flow since the restart - a significant achievement given the circumstances. At the year end, net debt was £89.8 million. This has reduced from £92.4 million in December 2020. Our banks have relaxed normal covenants through to September 2022 and these have been replaced by a minimum liquidity covenant.

The Company has sufficient and growing liquidity to restore its financial health over the next 12 to 18 months. Whilst costs are still tightly controlled and the business is being run very prudently, the Board is increasingly confident of a full recovery and a return to the prior growth path and dividend payouts for shareholders.

Jonathan Neame, CEO of Shepherd Neame said:

"It has been great to be open again, and our team members and licensees are delighted to be able to welcome our customers back. Although we continue to trade below full capacity, we have benefitted from strong pent-up demand. The business is back on the path to recovery and has been cash generative and profitable since re-opening.

Although we naturally have to be cautious in case further restrictions are imposed during the winter months, we are now looking forward and planning beyond the pandemic with some optimism, driven by the rapid return to near normal trading levels in the past few weeks."

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