

Shepherd Neame Ltd

Two thirds of pubs to open by end of July Liquidity secured for the foreseeable future

Shepherd Neame ("Shepherd Neame" or "the company") is pleased to announce that, following the lifting of restrictions on hospitality businesses by the Government, we expect to re-open at least two thirds of our pubs by the end of July. Further, the Company's financial position has been strengthened with the agreement of a £25 million borrowing facility utilising the UK Government's Coronavirus Large Business Interruption Loan Scheme ('CLBILS').

Re-opening in July

During this time, the safety and wellbeing of our team members, licensees, and customers have and continue to be our overriding priority.

We welcome the Government COVID-secure guidance issued on 23 June, in particular the "1 metre plus" rule on social distancing. It is still necessary to adapt the normal operation of our pubs with greater emphasis on pre-booking and table service, as well as making the necessary changes to the physical layout to comply with guidance. But, these guidelines do provide a degree of flexibility for pub operators to adapt their individual outlets.

We expect that at least 45 managed pubs out of a total of 69, and 165 tenanted and leased pubs out of a total 239, will reopen by the end of July.

It is encouraging to note the way that hospitality industries have started to recover in other countries where restrictions have already been lifted, but few have yet to recover to match prior year revenues in full.

The Company has welcomed the UK Government's financial support during this difficult time. In turn, we have fully

supported our licensees by suspending all rents for the duration of lockdown from the 16 March and will continue to support them with on-going rent assistance over the next few months whilst trade rebuilds. The CJRS (Coronavirus Job Retention Scheme) has helped pubs keep their teams together and so prepare to welcome customers back again.

Over the past three months, the Company has been run very tightly, minimising cost and preserving cash through every available avenue including the cessation of all non-contractual capital expenditure in the brewery and pub estate, the minimisation of all expenditure to the lowest level possible, and the use of Government assistance. Where the Company is the lessee, we have entered into negotiations with the landlords, and the majority of these negotiations have had a positive outcome. The Board of Directors took a temporary 20% pay reduction. No cash bonuses will be paid this year and there will be no pay increases across the company.

Throughout this period, the brewery has continued to produce beer for our supermarket and export customers and has seen a substantial increase in sales which has provided a vital source of revenue and cash for the business.

The Company will continue to be managed carefully and prudently as it opens for business again.

Liquidity secured into 2022

The Board is pleased to announce that its banking lenders Lloyds Bank plc and Santander UK plc have agreed to increase the Group's overall debt facilities utilising the UK Government's CLBILS. The banks will provide the Group with a £25 million revolving credit facility of which £15m is committed and the further £10m available on request which will mature on 1 July 2022. With the new facilities in place, the Group will have total debt facilities of £132.5 million.

As part of the arrangements, the Company's loan note holder BAE Systems Pension Funds Investment Management Ltd and banking lenders have also agreed to waive any technical defaults arising from the COVID 19 outbreak and to amend the Group's financial covenants through to September 2021, set at a level based on a minimum level of EBITDA and liquidity.

The Group's net debt position at the end of June is anticipated to be c. £84.5m million, a small increase from the half year end at 31 December

2019. Over and above this the Group, in agreement with HMRC, has deferred the payment of tax liabilities in the final quarter of the financial year totalling c. £11 million, and which the Board expects to be settled within the next twelve months. With the new facility in place, the Board is confident that the Group will have sufficient liquidity and headroom for the foreseeable future, even considering the Board's downside COVID-19 trading scenario. The business is therefore in a position, backed by its 85% freehold base, to re-emerge strongly from the crisis and take advantage of opportunities that present themselves

The terms and conditions of the new financing prohibit the payment of dividends by the Group whilst the facility and alternative covenants remain in place. The Company will not be paying a dividend in October 2020 nor an interim dividend in March 2021. The Board recognises the importance of dividends to its shareholders and has every intention of resuming dividend payments as soon as is practicable

AGM

It would be usual for the Company now to fix the date of its final results and therefore the AGM. Due to the reporting complexities arising from the pandemic it is likely that the AGM will be later than usual. To limit cost and adhere to Government guidance it is also anticipated that it will be in a different format this year. Further details will be announced in due course.

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July 2020

Jonathan Neame, CEO, Shepherd Neame said:

"This is the first time in the Company's long history of over 300 years that our business has been interrupted. As a strong independent family business with a significant local presence, we have tried to do the right thing for our team and our community. We have a clear strategy, a well-balanced business and now a robust financing structure in place to see us on the path to recovery. We are optimistic that we have a strong long term future as and when this pandemic subsides.

"Our whole team cannot wait to welcome our customers back to our unique and wonderful pubs over the next few weeks."

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