

### Background

Following the initial outbreak of Covid-19 in Wuhan, China at the turn of 2020 the “pneumonia” has rapidly spread across most of the World. The speed of infection and the current lack of a known vaccine has meant that those being infected and the subsequent death rate has been greater than previous pandemics.

As a result, countries across the world have been taking unprecedented measure to try and delay/control the spread of the virus.

As the month of March progressed, the advice from the UK government continued to evolve. As the seriousness of the situation became ever clearer, sporting events were cancelled/postponed and as of Friday the 21<sup>st</sup> of March all Pubs, Bars, Restaurants etc. were advised to close. This was followed up on Monday the 24<sup>th</sup> of March with the Prime Minister effectively ordering a “lock-down” of the country.

Movement and gatherings being restricted to only those deemed as essential.

- Shopping for necessities (food and medicine) - non-essential shops have subsequently been told to shut
- Medical reasons - i.e., go to a hospital
- If you care for a vulnerable person
- To exercise ONCE a day only
- Travel to work IF you are a key worker or absolutely necessary

The last one of these being probably the most vague, with the expectation that there will be a further crack-down if this reason is seen to being abused.

Supermarkets and other stores which sell food as well as retailers who are able to provide food delivery services currently remain open.

### Purpose Of This Paper

The purpose of this paper is to provide an initial view on what the impact might be of this situation and these measures on the UK beer market from a volume sold perspective. It also sets out a methodology which can be amended as and when circumstances change.

Forecasts, estimates or predictions by their very nature are rarely 100% accurate. However they can and should be used to provide a point of context when it comes to understanding the potential impact of what is happening or as a touch point for future planning.

### Start Point

Before estimating what the impact of Covid-19 may have, it is necessary to have a baseline. This particular baseline has been produced by looking at historical trends, macro-economic indicators as well as trade interviews. It is worth noting that it is in line, although not exactly the same, as the consensus beer market forecasts produced by the British Beer & Pub Association (BBPA) Market Intelligence Panel.

Volume	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>CAGR</u>
000's Brls	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2019-24</u>
On-Trade	12,637	12,730	12,632	12,379	12,144	11,926	11,699	11,488	(1.9%)
Off-Trade	14,280	14,953	15,352	15,613	15,785	16,037	16,198	16,441	1.4%
Total	26,917	27,683	27,984	27,992	27,929	27,963	27,897	27,929	(0.0%)
<b>% change</b>									
On-Trade	(2.3%)	0.7%	(0.8%)	(2.0%)	(1.9%)	(1.8%)	(1.9%)	(1.8%)	
Off-Trade	3.6%	4.7%	2.7%	1.7%	1.1%	1.6%	1.0%	1.5%	
Total	0.7%	2.8%	1.1%	0.0%	(0.2%)	0.1%	(0.2%)	0.1%	

### Case For Change Assumptions

It is recognized there are a myriad of things which have or are changing as a result of Covid-19 and the measures which the government is putting in place. The assumptions below are in no way meant to be an exhaustive list but hopefully represent meaningful and sensible things worth considering at this time. As things develop there will be the opportunity to add, amend or remove them as part of any analysis.

#### Headline Assumptions

##### Off Trade

- Impact of Euro 2020 estimated to be circa 245<sup>th</sup> Hls or 150<sup>th</sup> Brls, this is now added to 2021.
- Leave 2020 Off Trade as originally forecast, then add an additional 200<sup>th</sup> Brls. This 'additional' 350<sup>th</sup> Brls reflects the boost received from the closure of the On Trade for 3 months (see below).

*Notes: Any potential boost in Off Trade volumes will be off-set by the restriction on gatherings of no more than 2 people etc. No historic evidence to support volume from on trade occasions always switches to the off trade.*

- Off Trade volumes for 2021 and beyond remain as they were originally forecast plus the additional 150<sup>th</sup> Brls already mentioned.

##### On Trade

- Use actuals for Jan-20, last year for Feb-20, 40% of last year for Mar-20 and then **zero** for Apr/May/June 2020.
- For July onwards assume last year's volumes although there may be a boost once outlets re-open.

#### 000's Brls

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2020
848	897	419	0	0	0	1,140	1,181	1,033	1,063	1,006	1,247	8,834

- Leave volumes for 2021 and beyond as they are currently forecast.

### What Does This Look Like

Based on the above the outlook for the UK Beer Market for 2020 and beyond would be as follows.

Volume 000's Brls	Actual 2017	Actual 2018	Actual 2019	Estimate 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024	CAGR 2019-24
On-Trade	12,637	12,730	12,632	8,834	12,144	11,926	11,699	11,488	(1.9%)
Off-Trade	14,280	14,953	15,352	15,813	15,935	16,037	16,198	16,441	1.4%
Total	26,917	27,683	27,984	24,647	28,079	27,963	27,897	27,929	(0.0%)

#### % change

On-Trade	(2.3%)	0.7%	(0.8%)	(30.1%)	37.5%	(1.8%)	(1.9%)	(1.8%)
Off-Trade	3.6%	4.7%	2.7%	3.0%	0.8%	0.6%	1.0%	1.5%
Total	0.7%	2.8%	1.1%	(11.9%)	13.9%	(0.4%)	(0.2%)	0.1%

### Alternative Scenarios

Although quite simplistic, this is what the above would look like if you changed when the Pubs, Bars, Restaurants etc. re-opened. All other assumptions have remained the same.

#### More Positive

- Pubs Re-open June On Trade 2020 = 9,820 (22.3%) 2021 = 12,144 +23.7%

#### More Negative

- Pubs also closed July On Trade 2020 = 7,694 (39.1%) 2021 = 12,144 +57.8%
- Pubs also closed July & August On Trade 2020 = 6,513 (48.4%) 2021 = 12,144 +86.5%