

Background & Update

The following provides an update on previous papers produced on the impact of Covid-19 on UK beer sales. As such the background information will be taken as known rather than explained in detail.

The 17th of May saw pubs, bars and restaurants allowed to re-open albeit with restrictions on numbers and the need for table service. The on trade gradually began to pickup although at much lower levels than would have been expected had there been no restrictions. Sales through supermarkets continued to benefit.

An original target date of the 21st of June for the lifting of all restrictions was set. However with the emergence of the Delta variant this was put on hold and under review. With a new provisional date of the 19th of July being full given to remove restrictions.

Despite case numbers and deaths rising the Prime Minister announced on Monday the 12th of July that restrictions will be lifted on the 19th. The reasoning being the success of the rollout of vaccines and then need to re-energize the economy. Although mask wearing will no longer be mandatory in shops and on public transport, government advice is to continue to use masks in crowded spaces.

It is also worth noting that Scotland, Wales and Northern Ireland continue to have slightly different versions of their own lock-down rules.

Market Estimate Assumptions

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.

Headline Assumptions

Off Trade

- Industry data and trade interviews, suggested that Supermarkets & Convenience Stores were picking up around 40% of sales which would have previously been sold through Pubs, Bars & Restaurants during April & May 2020.
- They also benefitted as the weather was particularly good during these months clearly have had an impact.
- Looking at 2021, volumes continued to benefit in the first quarter as it takes time to rollout the vaccines nationally. There is also additional volume in the summer (circa 150brls) which was the original uplift for the 2020 European Football Championships, now held in 2021.

Percent vs Base Forecast 2021

| Actual | | | | Estimated | | | | | | | | 2021 | +/- LY | |
|--------|------|------|------|-----------|------|------|------|------|------|------|------|------|--------|--------|
| Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | | | |
| 138% | 133% | 132% | 110% | 110% | 105% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 17,724 | (3.8%) |

On Trade

- The On Trade began to re-open on a gradual basis on the 4th of July 2020. Not all outlets re-opened immediately and the number of guests allowed in each venue is being restricted.
- Volumes began to pick-up but restrictions on numbers and further 'lock-down' measures have impacted sales.
- Volumes for 2021 have been dampened down slightly (particularly in Q1) as it is anticipated that it will take at least a year for things to get back to some sort of normality. 2022 and beyond goes back to previous trends.

Percent vs Base Forecast 2021

| Actual | | | | Estimated* | | | | | | | | 2021 | +/- LY |
|--------|-----|-----|-----|------------|-----|-----|-----|-----|-----|-----|-----|-------|--------|
| Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | | |
| 2% | 2% | 5% | 57% | 69% | 75% | 80% | 95% | 95% | 95% | 95% | 95% | 8,041 | +43.6% |

* Volumes are not expected to return to full levels due to continued reservations over Covid-19 and possible local restrictions across the devolved nations.

What Does The Future Look Like?

Based on the above the outlook for the UK Beer Market for 2021 and beyond would be as follows.

| 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>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2020-25</u> |
| On-Trade | 12,729 | 12,658 | 5,598 | 8,041 | 11,926 | 11,699 | 11,588 | 11,388 | +15.3% |
| Off-Trade | 14,954 | 15,455 | 18,427 | 17,724 | 16,037 | 16,198 | 16,441 | 16,600 | (2.1%) |
| Total | 27,683 | 28,113 | 24,025 | 25,765 | 27,963 | 27,897 | 28,029 | 27,988 | +3.1% |

| 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 Hls | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2020-25</u> |
| On-Trade | 20,832 | 20,716 | 9,162 | 13,160 | 19,518 | 19,146 | 18,965 | 18,637 | +15.3% |
| Off-Trade | 24,474 | 25,293 | 30,157 | 29,007 | 26,246 | 26,509 | 26,907 | 27,167 | (2.1%) |
| Total | 45,306 | 46,009 | 39,319 | 42,167 | 45,764 | 45,656 | 45,872 | 45,805 | +3.1% |

| % change | | | | | | | | | |
|-----------|------|-------|--------|-------|-------|-------|-------|-------|--|
| On-Trade | +0.7 | (0.6) | (55.8) | +43.6 | +48.3 | (1.9) | (0.9) | (1.7) | |
| Off-Trade | +4.7 | +3.4 | +19.2 | (3.8) | (9.5) | +1.0 | +1.5 | +1.0 | |
| Total | +2.9 | +1.6 | (14.5) | +7.2 | +8.5 | (0.2) | 0.5 | (0.1) | |

Other Considerations

The above forecasts have been done on the basis that the country doesn't go back into a national lockdown.

Ashdale Business Consulting Ltd – July 2021