BREWDOG BUSINESS UPDATE OCTOBER 2024

BrewDogJamesArrow 1 1 November 2024 14:18

Good afternoon,

Please see below update I have recently shared with our team.

BUSINESS UPDATE

James Arrow (CEO):
Welcome to the October business update. Firstly, our engagement survey has been running and our aim is to be at 50% minimum response rate. This is very important as we need to know what our teams are telling us about how it is to work here and without feedback it is really hard for us to drive change across the business.

Performance, I want to do a special call out to the USA who across the last quarter, delivered an EBITDA positive performance for the first time ever in our business. Congratulations to John and his team in the US.

Another special call out to the Distilling team particularly around Wonderland Cocktails. We've seen great performance from them and it gives us real encouragement as we head into the budget next year.

We also have some exciting new bars coming. Our Edinburgh bar is being relocated in Edinburgh airport in a popular location within the terminal. Alongside that an SSP bar will be opening in Edinburgh's Waverley Station and we did announce our new and 1st bar in Northern Ireland, the Grand Central station which is a new hub in Belfast for transport opening up and coming in November.

My priorities for October:

Engagement survey – Higher participation to help us drive change and follow up

Revenue in Retail and Grocery

International business areas driving an improved performance

Focus areas for Q4:

Quality of product is critical, we have to make the best beer!

Q4 activation in Grocery and Impulse – October plans move us to strong growth

Christmas bookings and preparation in Retail – Now in the Golden Quarter

Service in retail will drive repeat visits across the next year

Revenue in Q4 is our friend

We must be focused and determined in this market, our service and our product offer through our teams is our key strength and this will see us win.

FINANCIAL UPDATE

James Arrow (CEO):

September:

Revenue is slightly behind target - Revenues is slightly behind budget (due mainly to a new supply chain management system at one major retailer that has meant less stock has been pulled through, so we expect this to settle down next quarter), but thanks to continued focus on costs EBITDA is ahead.

Grocery and retail remain challenging:

Market has been particularly challenging.

One of our major grocery customers' new Supply Chain management systems meant that less stock has been pulled through and Morrisons have managed very tight stock levels for their yearend.

EBITDA:

Strong performance, ahead of budget from last year with continued strong cost control.

MESSAGE FROM GINY BOER

Giny Boer (BrewDog Non-executive Director):

It's almost a year since I became a non-executive director for BrewDog and I'm still working on how I can support, which is why I was in Edinburgh yesterday and I'm in Ellon today for a couple of days.

A little bit about me, I'm Dutch but live most of my time in Germany and the rest in Spain where my favourite bar is BrewDog, because it's only a few blocks from where we live. I worked for almost four years at C&A fashion retailer as their CEO but most of my career was in IKEA. I have two twin daughters; one lives in Edinburgh and the other in London.

Yesterday, I had a great day with Andy Simmons and James Brown in Edinburgh where they showed me DogHouse and the two other bars. I must say I thought the bars were fantastic, I had great food and I met very passionate people who work for us. I've visited a few bars in Europe with many still to visit and so I hope to meet you all at some point somewhere in the world.

PRODUCTION UPDATE

Chris Fielden (CSCO):

As people have heard from James on Friday and some people have even seen in the press, there's been reports of some batches of beer that have not been the quality that we'd want. Unfortunately, this is true. We've made some beer that isn't as good as it should be, and this has made it out to some of our customers. The customer service team in particular are dealing with a fair number of complaints coming back at the moment around this. There has been a huge amount of work at Ellon to understand how this has happened and find the root cause and eliminate it. I'm really pleased to be able to sit here and say

that the team have been working through that brilliantly. We've been stripping down various parts of the site, got into the fine detail and found where this quality issue has been. Most importantly, we've been eliminating it.

We have introduced a Positive Release programme which means we are testing everything, holding it for 48 hours whilst we get those results just to ensure that we have done the maximum amount of testing that we can do, before it goes to our customers.

As a business that has grown quite rapidly, we've learnt from this and there are some things that we can improve on and it's the focus for everyone across the supply chain teams including, brewing, quality, warehousing etc.

We've learnt a whole lot of things about our operation that will make us more robust going forward. A big chunk of work now will be to implement all the findings that we have.

Lastly, a huge thank you to everybody whose been involved in this over the last two months, including the customer service, quality and sales teams who have had to deal with some of our customers as well.

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Thank you for reading,

James

34 Likes

Jamie_Cole 2 1 November 2024 15:25

Hey @BrewDogJamesArrow , thank you for the update, starting to sound like things are improving. Would you please update us on the plans around TSG and the continuing devaluation of all shares (including EFP shares) as time moves on? Many thanks.

25 Likes

Paul_Salmon 3 1 November 2024 16:30

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>
> It's almost a year since I became a non-executive director for BrewDog and I'm still working on how I can support, which is why I was in Edinburgh yesterday and I'm in Ellon today for a couple of days.

Lost for words.

14 Likes