BREWDOG BUSINESS UPDATE NOVEMBER 2024

BrewDogJamesArrow 1 29 November 2024 11:17

Good afternoon,

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

BUSINESS UPDATE

James Arrow (CEO): This last month, the team in Ellon have done an incredibly tough, but important job on our quality challenge. We're putting a lot of the improvements in which is enabling us to ensure that the beer that we release is only of the highest quality. We need our consumers to get the very best quality of product that they know we make as a business and we can stand by, but it is particularly important because we need to satisfy the demands of our bars, grocery and all other sales channels during this busy period.

We've done our engagement survey and thank you to everyone who has taken the time to complete it. We've got our headline results of last month which we are now moving into the survey follow-ups. Line managers and key team leaders should now be working through their engagement plans and action plans with their teams. Next week I have a session with the Senior Leadership team, and we'll update you on our commitment for our team engagement plans at the next Business Update.

Our people focus is incredibly important and I can't leave without mentioning customer focus during peak. I spent a bit of time on this last month and it's absolutely critical. We need to ensure that we're driving that brilliant customer service as they will measure us based on what we deliver in the next few weeks and then make a choice about whether they come back to us in 2025.

We've had a great year for Distilling particularly for Wonderland cocktails. It is the party season, so please everybody get behind them. It's brilliant and we want to continue to grow that business.

Priorities November into December

Keep Focus:

- Quality and capacity recovery in Ellon
- Customer, we have to deliver great customer experience in all channels
- Team engagement and survey follow up
- Wonderland Cocktails for the party season

Focus areas:

- Sales, we must drive every sale in every channel. Revenue is critical for the next 6 weeks
- Christmas bookings need to maximise service and spend for retail
- Cost control for year end and January
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FINANCIAL UPDATE

October:

- 6% rise in revenue from last month, 4% behind on budget but slightly ahead from where we were last year.
- Multiple challenges, in Retail missing sales numbers and especially in Ellon as the team still recover from the quality challenges.

EBITDA:

- Missed budget last month but still stronger than last year
- A lot of brilliant work gone into good cost control and good management of overheads
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IT'S PEAK FOR RETAIL

Andy Simmons (Retail Ops Director):

It's Retails golden quarter, we're into the second week of the festive 51, a crucial trading period for us. During this period we will serve:

- Over £1.2m BrewDog beers
- 150,000 portions of wings
- 60,000 Patriot burgers

December is worth 25% of our annual profit contribution. It is so crucial that we get the next 6 weeks right, because it just shapes our year particularly from a revenue contribution but also for EBITDA.

Our aim is to increase our spend per head by 7.5% versus last year. A lot has gone into the campaign around making sure it's aligned with the brewery and what we're doing there. Quite a fun PR twist and how we appeal to different audiences. There is a lot around menu engineering and pricing to make sure we cater for everyone whether they come for a 3 course meal, a snack or just for drinks. We have streamlined our web and sales team conversion, as we get a lot of queries, it's about how we convert them as quickly as possible and push spend.

Globally we are targeting 310,000 covers over the Festive 51. This is 2% increase on last years in terms of volume booked. A lot has been done from the marketing team on social media to make our bars look like a fun place to spend the festive period.

Confirmed covers:

- Current confirmed: 161,149
- Target as of today: 164,417
- Last year as of today: 143,484

We are just over halfway through our overall target. Every booking now counts.

From a food perspective:

- New premium 3 course menu offer in Waterloo, Towerhill & DogTap
- Lots more add-on dishes available for upselling this year

- New dynamic pricing structure introduced this year with “minimum pricing” so bookings managers can negotiate pricing with customers on booking-by-booking basis
- Regional Xmas menu cook offs to get our teams prepared
- Product volumes given to suppliers
- New specifications built for this year’s menus

From a drink perspective:

Beer – We have got lots of amazing dark beers and lots of good breweries on taps. We want to push the BrewDog beers because that’s what we produce.

- Live with Month of Darkness – great showcases from Nerd, Omnipollo showcase in select bars, Garage MASH beers to follow later this month in select bars
- Killer Thanksgiving USA showcase to launch w/c 25th- Aslin, Finback, Equilibrium, Alesmith(1), The Bruery(1), Superstition Meadery
- 12 Beers of Christmas from 1st Dec

Menus

- New drinks menu launched in bars in October
- New drinks menu launched in pubs last week (w/c 11th Nov)
- Dublin to launch this week (w/c 18th Nov)
- USA, Germany, Brussels and Sweden also imminent

We have our Christmas incentive where we will give the top 3 performing bar teams the opportunity to earn extra cash:

- 1st prize – an extra £2 p/hr for the entire team over the Festive 51 period
- 2nd & 3rd prize – earn an extra £1 p/hr for the entire team over the Festive 51 period

On top of this we have 5 weekly mini-incentives up for grabs and one Rob Woolford special!

USA UPDATE POST SLINGSHOT

John Graham (CEO, USA):

As a reminder, project Slingshot is our ‘shrinking to grow’ strategy in the US where we moved ourselves from 33 states to 14 states.

US market review – summary:

Tailwinds:

- Q3 was the first EBITDA positive quarter in BrewDog US brewing history.
  - Delivered record volume with record effort from brewing, quality, packaging and warehouse teams
  - Exceeded Quality and Customer Service KPIs
- October continued positive trends with EBITDA growth that was 3X last year and > budget.
  - Winter Staycation stout launch and strong Ohio Pilsner trends
  - Retail Improvement has continued into November (+23% vs last year)
- SLIGHSHOT implementation and return management has been stellar.

- Elvis (Juice) has not left the building
  - Top two box preference from craft beer drinkers

Headwinds:

- Craft beer segment down in each state we serve
  - Ohio, NI, PA all down >5% in craft
- Our core business is responding well although more growth needed from EJ and others to offset LY launches
- Sales spots tough to fill in some critical markets, but making huge progress and getting the right people on the team
- US Retail business softens as we get colder

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I am pleased to share that a business update will be going live next week. It will be posted on the forum by Michael and shared via email for your convenience.

Thank you for your attention,

James

24 Likes

LennardRamone 2 29 November 2024 13:47

Hi James,

Thank you for the detailed update, ahead of the Christmas period.

One question- could you give us some more detailed information about ‘dynamic pricing’?

There was quite a lot of noise about this on the BWWC Facebook group and on social media in general. People seem to be confused about what this means exactly, and want clarity. This was mainly fuelled by the absence of drink prices on the cinema board at Waterloo.

I think we can take away a lot of (negative) rumours when it is clarified what this means exactly.

Thanks!

7 Likes

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Thanks for the Update as always.