

## A site visit to York – 28<sup>th</sup> January 2019

Dear Fellow Shareholder,

As I hope you will have read in my previous letter to you, posted on our [www.buildingabetterblacksheep.com](http://www.buildingabetterblacksheep.com) web-site earlier this month, I offered my cautious congratulations to chairman Andy Slee on Black Sheep's opportunistic acquisition of **York Brewery** just before Christmas.

Having done so sincerely, and excited by the new retail opportunity afforded by the acquisition of four of York Brewery's outlets, I and a colleague set off yesterday morning for York in eager anticipation of drinking good beer and discovering noisy, humming, happy pubs showcasing Black Sheep's excellent beers.

We arrived on the 9.06 from London's Kings Cross and were greeted by a cold but brilliant sunny day showing off the beautiful city of York to best advantage, and in a jolly mood we set off for the close-by Brewery and its **Tap Room**.

### **The Brewery**

Our first disappointment was to discover that the Brewery – a small, underwhelming brand-home in a dead area – is closed to tour visitors on Mondays. Although odd, I hold up my hand that I'd failed to spot this information beforehand on the York Brewery web-site. We then asked to be directed to the Tap Room instead, but disappointingly found the same response. The Tap Room was also closed, which seems like a strange lost opportunity to sell beer and gifts to enquiring customers and to generate brand recognition and precious revenues.

### **The Pubs**

With the brewery behind us, we set off, hopes still high, across the River Ouse towards the glorious York Minster, to frequent the two pubs that Black Sheep have now taken ownership of in the city. Unfortunately, things didn't get much better.

First up was the **Three Legged Mare**, apparently known locally as the "Wonky Donkey". Once we found the easily missed entrance (remember we hadn't touched any beer yet), we were disappointingly welcomed by a dated establishment, in serious need of a complete renovation. Whilst the York Brewery's beers were delicious, just one other customer sat lonely at the bar nursing a half pint for the entirety of our stay. Worryingly given it was lunchtime, we then discovered this pub "doesn't do food" and could only offer crisps or two types of nuts - commercial suicide for a pub these days. It was unsurprising then to see the Sam Adams pub (The York Arms) opposite bustling for lunch with its warm décor and hearty lunch menu.

Sadly, the Wonky Donkey deserves its name, lacking energy, atmosphere, jollity or any sense that it's the right place to be.

No sustenance, an unattractive offer to young working people who certainly don't want to only drink alcohol during the working week at lunchtime, no imagination, no screen(s), a poorly thought through "muzak" offer and sadly no reason ever to return.

Second up was the **Last Drop Inn** further towards the city centre. By now we were getting rather peckish, so the "Good Food" signage outside the some-what more impressive pub front, was warmly received. That was until they told us that they'd "lost" their chef and there was no lunch on offer there either. Not even a sandwich. Amazing.

The Last Drop Inn, though in better physical condition than the Three Legged Mare, which isn't saying much and doesn't cover the upstairs loo!, is also in need of some serious TLC. That said it had at least attracted a dozen or more customers while we were there, so we turned to concentrate on the beer.

Here disappointment turned into disbelief. Astoundingly, after four weeks plus of Black Sheep ownership, we discovered that the Last Drop Inn, while offering other top-brand names, Peroni, etc., besides York Brewery's beers, isn't yet serving our own Black Sheep beers!

What on earth are the Theakston boys up to, if they can't even see the commercial necessity of using their newly acquired outlets to sell their own brewery's beers and as quickly as possible? If you ask me, they seem lazy, incompetent, lacking in urgency and unable to comprehend and action the retail opportunity they've been offered.

### **What lessons are to be drawn?**

- 1. Lack of urgency:** any efficiently run retail business, would have closed these newly acquired pubs for a week immediately after New Year, for a freshening-up refurb and commercial repositioning, and already by now have implemented a clearly planned marketing strategy, with well-trained and motivated staff determinedly selling our brewery's beers.
- 2. Lack of experience:** the Theakston boys to date show little sign of displaying the timeliness and slick commercial determination required to make a success of either of their newly acquired pubs in this highly competitive environment.
- 3. Competitive weakness:** worryingly the several other local pubs we looked into as we walked between the Three Legged Mare and the Last Drop Inn all had significantly more drinking customers inside.

## **But the elephant in the room**

The ultimate truth underlying our disappointment and the real reason for the Black Sheep management's lack of investment in their new retail outlets, is they simply don't have the money to invest, because of our Board's, in my view, irresponsible refusal to recognise the need to properly re-capitalise our Company with equity in a timely manner.

As, as I strongly suspect, we head inevitably for another loss-making year to 31<sup>st</sup> March 2019, financed only on ever expanding debt, our Board are betting the farm at our expense, and continue, with virtually no equity interest themselves, to support the incompetent Theakstons' lifestyles.

One way to help, will be if you and all our fellow shareholders will please try to visit our newly acquired outlets for a jolly day out, some excellent beers and to keep the Black Sheep tills ringing! We really need you.

But of course, we cannot go on like this, and you will again hear further from me in the near future. So please keep keeping an eye on our [www.buildingabetterblacksheep.com](http://www.buildingabetterblacksheep.com) web-site. Thank you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Nabarro', with a stylized flourish at the end.

David Nabarro

Activist and deeply concerned shareholder in Black Sheep Brewery PLC