SINCE 1875
WADWORTH
TRADITIONS WORTH HOLDING ON TO

December 2024
Shareholder Newsletter



Trading update

As at the end of November, as per our management accounts, we are 16% above our EBITDA from prior year. Although we have made great progress this year, the trading environment from 1st September has been exceptionally tough. The reasons for this could be partly due to the huge amounts of wet weather we have had or a general economic nervousness leading up to and after the October budget. The difficult environment has been seen across the industry with most companies reporting challenging trading.

We undertook a comprehensive review of our tenanted estate earlier this year, and concluded that whilst the division was performing robustly, we believe there is still much opportunity to go after, albeit this will require investment into the estate if we are to accelerate growth and outperform the market in the medium term. In the immediate term, we are addressing poorly performing pubs and have had to combat a number of tenants struggling financially. This has led to some temporary pub closures which unfortunately have a significant impact on our profitability. That said, we are still getting a lot of interest in our pubs to let, and the calibre of new and prospective tenants has increased substantially and bodes well for the future. We have two pubs identified for disposal, both now under offer, and we have transferred one managed house into the tenanted division.

Our managed houses have faced a challenging trading environment over the last few months but are still significantly up on prior year. We have a very hard working and engaged team of general managers that have delivered significant sales growth and conversion to profit. Our Christmas bookings are 10% up on 2023 and we are cautiously optimistic that this will convert into good Christmas trading figures. With the cost head winds increasing in 2025 we are looking at every opportunity to mitigate these so that we are as efficient and productive as possible whilst delivering the experience our customers expect.

The Labour Government October 2024 Budget

It will come as no surprise that the Chancellor's decisions in the most recent budget are likely to be particularly harmful to the hospitality sector.

Whilst all businesses have been hit with the increase in Employers' NI contribution, the lowering of the banding at which NI contributions apply from £9.1k to £5k is especially damaging to businesses like ours which employ many part-time workers, particularly 20-24 year-olds. Our pubs are also facing a reduction in Business Rates Relief from 75% to 40%.

The rhetoric from the Government before the budget had been to support the hospitality industry and to push for growth in the wider economy. What was announced at the budget in October was in complete contradiction to these statements, and the reduction in beer duty by a penny a pint is a drop in the ocean compared to the tsunami of costs we now face.

Notwithstanding my shared frustration at this Government's approach, we are well-advanced in our plans to mitigate as much of these damaging proposals as possible, through a combination of productivity improvements and an inevitable increase in prices to our customers.

Alongside this sits an attack on the business property relief (BPR) rules. As Wadworth is a private company, our shares do qualify for BPR, however the implications for shareholders will depend on individuals' personal circumstances. The government's proposals will go out to consultation in early 2025, but we thought it might be helpful to attach a schedule (see below) which sets out the current facts on the BPR changes.

Beer and Beyond

Our session IPA Evolution and helles style lager To Helles and Back are now listed in around 95 of our pubs across the estate and have had fantastic feedback. We have just relaunched Corvus stout back into the estate and it has been installed in 21 pubs in time for Christmas. This follows the enormous surge in popularity of stout over the past 12 months, with volumes up over 15%. Corvus allows us to offer a high quality stout at a price which is highly competitive for both consumers and tenants.

2025's focus will be on ensuring these new brands are embedded further into the estate, creating a competitive point of difference for our pubs and greater margin for our publicans. The cask market continues to be a challenge for all producers, but we are pleased to report that 6X has outperformed the cask ale market and held its volume in our own estate and also in the national and wholesale channels. Alongside this, we have re-launched 6X 1923 for the winter season, following its huge success last winter, and it is selling well in cask, bottle and can.











Northgate Brewery Update

The ongoing planning application is showing some light at the end of a very long tunnel.

We are hoping that the application will be put before the Eastern Area Planning Committee on the 23rd January 2025 in Devizes. If successful there are still a few more months of legal work before the deal is completed. This will then unlock some additional cashflow to reinvest back into the estate where we can clearly see huge opportunities for significant return.

The second part of the scheme, being undertaken by Trevor Osbourne Ltd, has now been submitted for planning. If successful, the scheme will encompass flats on the upper floors and commercial/retail units on the ground floor. As part of the scheme Wadworth will lease back a portion of the ground floor for a brewery tap, shop and micro brewery on a 999 year lease.

Wadworth 150 Years Old in 2025

2025 is Wadworth's 150th year of trading which is a fantastic achievement. We are heading into our anniversary year with a calendar of celebratory events ranging from charity bike rides and competitions to a special 150th brew. Please follow us on our social media channels to keep up to date with what is happening.

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150 YEARS



Outlook

With the Government-imposed cost headwinds on the horizon we are looking at an extremely challenging few months. The 2020s seem to be very good at producing year after year of challenging environments! We have had a complete review of all costs in the business and tough decisions are being made to ensure we are in the best possible shape to continue our growth within the business. There is no doubt that our prices will have to be increased, but underlying it all we need to get more people into our pubs as price alone will not be enough to get us to where we want to be. Quality, consistency and top customer service will be the winners in what will be an even more competitive environment and I have every faith in the team that we can succeed.

Please note for your diaries that the AGM will be held at The Bear Hotel, Devizes on Friday 23rd May 2025.

I hope you have a great Christmas and New Year.
With best wishes

Toby

Toby Bartholomew
Managing Director

Schedule 1

Business Property Relief

- This memo gives a very brief overview of inheritance tax (IHT) business property relief (BPR) as it applies to shares in unquoted companies like Wadworth, and how this relief is expected to change following announcements at the October 2024 Budget.

- This memo does not pass comment on the availability of BPR for any shareholder of Wadworth and cannot be relied upon as such. We recommend that shareholders seek their own tax advice on this point, as and when required.

- **Current rules regarding IHT BPR**

- The BPR headlines currently applying to unquoted shares in trading companies are:

- Qualifying shareholdings can benefit from up to 100% relief on an unlimited amount of value. Minority and majority shareholders alike are able to benefit from this relief. In many cases, this means that no IHT is paid in respect of BPR-qualifying shares.

- The relief can apply on IHT events arising on death, failed potentially exempt transfers (i.e. death within seven years of a lifetime gift), chargeable lifetime transfers (lifetime transfers into many kinds of trust), and on trust ten-year anniversary and exit charges.

- **BPR changes announced at the October 2024 Budget – applying from 6 April 2026**

- The following significant changes to BPR were announced and are expected to apply from 6 April 2026:

- The amount of combined 100% BPR and agricultural property relief (APR) available to a taxpayer will be capped at £1 million, with relief beyond this amount given at a rate of 50%. As IHT is charged at a headline rate of 40%, this could mean that BPR assets could suffer IHT at an effective rate of up to 20%. This is expected to apply in respect of IHT on death, and on chargeable lifetime transfers.

- Anti-forestalling provisions mean that lifetime transfers made on or after 30 October 2024 could still be caught by the restriction, if the donor dies on or after 6 April 2026.

- The £1 million 100% relief restriction will also apply to shares held in trust, for example on IHT ten-year anniversary charges occurring from 6 April 2026.

A consultation will take place in early 2025 and draft legislation is yet to be released. We recommend that shareholders with APR/BPR assets which are worth, or may in the future be worth, more than £1 million seek tax advice well in advance of April 2026.

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