



# BREWDOG

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**BREWDOG PLC SUMMARY**

**5 APRIL 2019**

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# BREWDOG PLC SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A to E.

This summary contains all the Elements required to be included in a summary for this type of securities and this type of issuer. The securities are being issued pursuant to the prospectus (constituted by this summary, the Securities Note and the Registration Document) issued by BrewDog plc (the “**Prospectus**”) containing an offer for subscription (“**Offer**”) of B Shares of £0.001 each in the Company (“**New B Shares**”). Some of the Elements are not required to be addressed and, as a result, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in this summary, it is possible that no relevant information can be given regarding that Element. In these instances, a short description of the Element is included, together with an appropriate ‘Not applicable’ statement.

## A. Introduction and warnings

### A1 Warning

This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.

### A2 Consent for intermediaries

The Company and the Directors consent to the use of the Prospectus, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of securities by financial intermediaries, from the date of the Prospectus until the closing date of the Offer which is expected to close on 5 July 2019 (or earlier if fully subscribed or later if extended at the discretion of the Directors). There are no conditions attaching to this consent.

**In the event of an offer being made by a financial intermediary, financial intermediaries must give investors information on the terms and conditions of the Offer at the time they introduce the Offer to investors.**

## B. Issuer

### B1 Legal and commercial name

BrewDog plc (the “Company” or “BrewDog”).

### B2 Domicile / Legal form / Legislation / Country of incorporation

The Company is a public limited liability company which is registered in Scotland with registered number SC311560. The principal legislation under which the Company operates is the Companies Act 2006 (the “Act”) and the regulations made thereunder.

### B3 Key factors of the Company’s current operations and principal activities

BrewDog has been one of the fastest growing food and drinks manufacturers in the UK over the last seven years. It is primarily a brewer of craft beers but also operates some 75 bars in the UK and internationally (which includes those operated under franchise) and one craft beer hotel. Over the last five years, BrewDog’s revenues have grown by an average annual rate of 66.56% and since 2009 the Company and its US subsidiary BrewDog USA Inc. have raised over £67 million through its Equity for Punks crowdfunding offers and crowdfunded bond issues.

In April 2017, in a deal worth £213 million TSG Consumer Partners (through two Cayman Islands registered partnership vehicles) acquired approximately 23.5% of the Company (based on the number of shares issued at the time), with £100 million in proceeds going into the business for continued expansion, and the balance to create early shareholder liquidity. The transaction valued the Company at a £1 billion enterprise value and is designed to deliver long term capital with 7-year time horizon.

### B4a Significant recent trends affecting the Company and its industry

The number of pubs in the UK has declined steadily over the last few years and Britons are consuming less alcohol, however, the craft beer industry has grown rapidly over the last few years as craft beers are becoming more popular in the UK and globally. In the UK, more pubs are stocking craft beers and the number of breweries has increased significantly, reported at a rate of one every three days<sup>1</sup>. Due to the increasing popularity of craft beer and its faster growth than the wider beer industry, a number of large multinational beer companies have been acquiring craft breweries in an effort to share in this growth market. Despite the strong growth of the Company’s business and the craft beer market as a whole over the last seven years, there is no certainty that this will continue.

### B5 Group description

The Company is the main trading company of the Group and has seven wholly owned UK subsidiaries, BrewDog Retail Limited, which is the operating company in respect of the Group’s UK bars, Lone Wolf Spirits Limited, which is the operating company in respect of the Group’s whiskey, gin and vodka distillery operations, BrewDog Admin Limited, which is dormant, BrewDog International Limited, which is the holding company for the international bars business, Draft House Holding Limited, which is the holding company for a UK craft beer bar business, Overworks Limited, which is dormant and Hawkes Cider Limited, which is a cider production business acquired by the Company in April 2018.

The Company has two US subsidiaries, BrewDog USA Inc and BrewDog Media Inc, an Australian subsidiary, BrewDog Group Australia Pty Ltd, a Belgian subsidiary BrewDog Belgium SPRL, a Brazilian subsidiary, BrewDog do Brasil Comércio de Alimentos e Bebidas Ltda, a German subsidiary, BrewDog GmbH, a Hong Kong subsidiary, Brewdog Group HK Limited, a 70% owned South Korean subsidiary Brewdog Bar Korea, a Spanish subsidiary BD Casanova SL.

### B6 Material Shareholders / Different voting rights / Control

All Shareholders have the same voting rights in respect of the existing share capital of the Company.

As at 4 April 2019, TSG Consumer Partners, through two limited partnership vehicles registered in the Cayman Islands, hold 16,160,849 Preferred C Shares and 891,383 A Shares (representing approximately 23.4% of the Company’s issued share capital).

As at 4 April 2019, the following key members of the Company’s management hold, in aggregate, A Shares representing approximately 52.58% of the total shares in issue as follows:

<sup>1</sup> <https://www.ft.com/content/9397c49c-88c1-11e6-8cb7-e7ada1d123b1>

SHAREHOLDER	NUMBER OF A SHARES HELD	PERCENTAGE OF ISSUED SHARE CAPITAL*
James Watt	18,004,237	24.74%
Martin Dickie	15,744,233	21.64%
Charles Keith Greggor*	3,822,039	5.25%
Neil Simpson	597,736	0.82%
Allison Green	45,450	0.06%
David McDowall	45,450	0.06%
Frances Jack	-	-
James O'Hara	-	-
Jason Keith Marshall	-	-
Andy Shaw	-	-

\* Held through Griffin Group LLC and Kelso Ventures LLC.

#### B7 Selected financial information and statement of any significant changes

The Company's annual accounts for the years ended 31 December 2016, 2017 and 2018 were prepared in accordance with International Financial Reporting Standards (IFRS).

	Audited year ended 31 December 2018	Audited year ended 31 December 2017	Audited year ended 31 December 2016
	£000	£000	£000
<b>GROUP STATEMENT OF INCOME</b>			
Gross revenue	171,619	110,870	71,850
Cost of sales + Duty	(113,878)	(73,244)	(47,075)
Gross profit	57,741	37,626	24,775
Operating profit	832	2,704	4,377
(Loss) / Profit after Tax	(1,493)	870	3,169
<b>CONSOLIDATED BALANCE SHEET</b>			
Fixed assets	141,493	82,527	62,267
Current assets	91,706	120,697	24,340
Current liabilities	46,743	29,933	30,408
Non-current liabilities	21,462	26,468	18,594
Net assets	(1,493)	870	3,169

	Audited year ended 31 December 2018	Audited year ended 31 December 2017	Audited year ended 31 December 2016
	£000	£000	£000

#### CONSOLIDATED CASH FLOWS

Net cash inflow/(outflow) from operating activities	(6,029)	4,865	2,265
Net cash outflow used in investing activities	(57,208)	(25,216)	(20,711)
Net cash flow used in financing activities	13,717	105,690	22,420
Net (decrease) / increase in cash	(49,520)	85,339	(556)
Cash and cash equivalents at end of year	38,978	88,498	3,159

The Group's revenues have risen from £44,730,000 at 1 January 2016 to £171,619,000 at 31 December 2018. Gross profit has increased from £16,954,000 at 1 January 2016 to £57,741,000 at 31 December 2018. After-tax profits for the year ended 31 December 2017 of £870,000 reversed to an after-tax loss of £1,493,000 for the year ended 31 December 2018 as the Company made heavy investments into future growth plans. Net assets have increased from £26,806,000 at 1 January 2016 to £164,994,000 at 31 December 2018.

The key factor in driving these increases in 2017 and 2018 has been the continued growth of the UK business. We have also raised more than £66 million from crowdfunded equity and mini-bond issues since incorporation which has significantly increased our net assets and allowed us to invest to expand the business, including the opening of our US brewery in Columbus, Ohio.

As a result of shares issues pursuant to the fifth round of Equity For Punks offer between January 2018 and November 2018, the Company raised £26.2 million through the issue of B Shares of £0.001 each.

On 29 March 2017, the Board resolved that the Company's share capital be subdivided by dividing each A Share of £0.01 into 10 A Shares of £0.001 and by dividing each B Share of £0.01 into 10 B Shares of £0.001 and 8,383,915 of the Company's newly subdivided A Shares were converted into Preferred C Shares. On 6 April 2017, the holders of the converted A Shares sold their Preferred C Shares to two US-managed private equity vehicles, TSG AIV and TSG LL, who also subscribed for a further 7,776,934 Preferred C Shares respectively, investing a total of £102,499,990.10 in the Company and leaving them with a final aggregate holding of 16,160,849 Preferred C Shares and 891,383 warrants (equal to approximately 23.4% of the Company's issued share capital at the time of investment and on a fully diluted basis). The warrants have subsequently been exercised in full and converted into A Shares.

The Company has implemented proposals whereby 10% of its profits are distributed evenly amongst its staff each year and a further amount of up to £1 million each year is given to the BrewDog Foundation, which will give the money to the charities that it selects, with £207,774 paid out to date.

Save as set out above in respect of the period covered by the historical financial information and in the period between 31 December 2018 and the date of publication of the Prospectus, there has been no significant change to the Company's financial condition and operating results.

#### B8 Key pro forma financial information

There is no pro forma information contained in the Prospectus.

#### B9 Profit forecast

There are no profit forecasts contained in the Prospectus.

#### B10 Qualifications in the audit report

Not applicable. There were no qualifications included in any audit report on the historic financial information included in the Prospectus.

#### B11 Insufficient working capital

Not applicable. The Company is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve-month period from the date of this document.

## **C Securities**

### **C1 Description and class of securities and authority**

The securities being offered pursuant to the Offer are B Shares of £0.001 each ("New B Shares").

### **C2 Currency**

The Company's share capital currently comprises A Shares of £0.001 each, B Shares of £0.001 each and Preferred C Shares of £0.001 each.

### **C3 Shares in issue**

As at the date of this document 43,697,247 A Shares, 12,901,173 B Shares and 16,160,849 Preferred C Shares are in issue (all fully paid up).

The maximum number of New B Shares to be issued pursuant to the Offer is approximately 280,000 if the Offer is fully subscribed at £7 million. If the full stretch goal of £50 million is reached, approximately 2,000,000 New B Shares will be issued. A further 40,000 B Shares will be issued pursuant to the BrewDog Millionaire competition.

### **C4 Description of the rights attaching to the securities**

The New B Shares will rank equally in all respects with each other and with the existing B Shares.

### **C5 Restrictions on transfer**

The Board may, in its absolute discretion, refuse to register any transfer of a Share.

### **C6 Admission**

The New B Shares will not be traded on any regulated market nor are the New B Shares the object of any application for admission to trading on any regulated market.

### **C7 Dividend policy**

It is the Company's current policy not to pay dividends but to reinvest profits to fuel the growth of the Company.

## **D Risks**

### **D1 Key information on the key risks specific to the Company or its industry**

The Company

- Whilst the Company completed construction of a brewing facility in the US in 2017 and has commenced construction of a further facility in Australia, its UK and European brewing business is highly concentrated on one site at Ellon and a prolonged disruption to brewing activities (e.g. due to fire or industrial action) at its brewing site could have a negative effect on the Company's ability to brew its products. This could have a negative effect on the Company's operating results, financial condition and prospects.
- Some or all of the BrewDog bars could lose their licences to sell alcoholic beverages or have their hours of operation curtailed as a result of hearings of the licensing boards in the relevant councils or borough areas where each of the bars is located or as a result of any changes in legislation governing licensed premises in the various jurisdictions in which bars in which BrewDog has an interest are or may be located. This could have a negative effect on the Company's operating results, financial condition and prospects.

- The Company may undertake further equity financing which may be dilutive to existing Shareholders or result in an issuance of securities whose rights, preferences and privileges are senior to those of holders of B Shares, reducing the value of B Shares subscribed for under the Offer and the Company may take such actions without the specific consent of the holders of B Shares.
- The Company has implemented proposals whereby 10% of its profits are distributed evenly amongst its staff each year and a further amount up to £1 million per year is given to the BrewDog Foundation, which will distribute the money to the charities that it selects. As such, the Company will have reduced profits with which to pay dividends in future and reinvest in the Company.
- The Company has agreements with its key suppliers and is reliant on positive and continuing relationships with its suppliers. Termination of those agreements, variations in their terms or the failure of a key supplier to comply with its obligations under these agreements (including if a key supplier were to become insolvent) could have a negative effect on the Company's profitability.
- It is important that the Company has the ability to maintain and enhance the image of its existing products. The image and reputation of the Company's products may be impacted for various reasons including litigation, complaints from customers/regulatory bodies resulting from quality failure, illness or other health concerns. Such concerns, even when unsubstantiated, could be harmful to the Company's image and the reputation of its products.

### **D2 Key information on the key risks specific to the securities**

The Securities

- The value of BrewDog shares can go down as well as up and, if you invest, you might not get your money back. Past performance is not necessarily a guide to future performance.
- Before making a decision, think about whether investing is right for you and don't invest more than you can afford.
- BrewDog is an unlisted company and there can be no guarantee that it will become listed or on what timescale. As such, for the time being our shares can only be sold once a year (provided we don't have an offer open) via our trading platform. Also, as we are not yet listed we are also not currently subject to all the rules and regulations which apply to listed companies.
- The Offer is dependent on the approval of Shareholders at our AGM. In the unlikely event the resolutions are not passed, the Offer will not go ahead.
- It is our current policy not to pay any dividends but to reinvest profits to fuel further growth. BrewDog distributes 10% of its annual profits evenly amongst its staff and each year a further amount up to £1 million per year is given to the BrewDog Foundation, to be distributed to the charities that it selects. As such, the Company will have reduced profits, which will be reinvested in the business.
- Over half of the shares in BrewDog are owned by our founders and staff. As such, they can vote decisions through at general meetings, even those which investors in the Offer, as minority shareholders, might disagree with.
- Just over 22% of the issued shares of BrewDog are Preferred C Shares which carry a liquidation preference over the A Shares and B Shares meaning B Shareholders could find their entitlement to the proceeds of a liquidation or total capital return reduced or nil.
- The Directors have the right to refuse to register any transfer of shares. This means we can prevent multinational monolithic beer companies from buying shares in BrewDog.
- The discounts and other benefits to which Investors are entitled may be changed (including being removed or replaced) at the discretion of the Company from time to time.

## E Offer

### E1 Offer net proceeds

The Company is proposing to raise up to £7 million pursuant to the Offer. The total initial expenses of the Offer are estimated to be £500,000. The Offer may be increased at the discretion of the Directors to no more than £50 million and it is estimated that the expenses will be approximately a further £100,000 for each additional £10 million raised.

### E2a Reasons for the Offer and use of proceeds

The Directors believe that the Offer will provide additional capital to support the further growth of the Company. The Company intends to use the net proceeds of the Offer for general corporate purposes and as more specifically set out below.

If the full stretch goal of £50 million is achieved the Company will look to fund the following projects:

Head of Cost	Estimated Funding Requirement
Brewpubs in France, Germany, Italy & Spain	£4 million
Increase to production capacity in Ellon	£1 million
'Hop Drop' chilled beer delivery service	£1 million
Initial planning for The DogHouse hotel, London	£1 million
Five additional bars in France, Germany, Italy & Spain	£16 million
Further investment in The DogHouse Hotel, Brewery & Craft Beer Museum in London	£9 million
Further increase to production capacity in Ellon	£8 million
US Distillery and Events space on USA Campus	£4 million
Bars and Brewpubs in Asia	£6 million
<b>TOTAL</b>	<b>£50 million</b>

If the Offer raises less than our full stretch goal of £50 million, we will still progress with these projects, but they may shift in order of priority. The projects above are listed roughly in order of priority but this may change.

### E3 Terms and conditions of the Offer

The Offer comprises B Shares in the Company offered at a price of £25.00 each. Applications must be submitted no later than 5 July 2019 (unless the Offer has closed earlier due to reaching full subscription or extended at the discretion of the Directors). The minimum subscription is £25.00 for one New B Shares. The maximum subscription via online application is £4,975 for 199 New B Shares. There is no maximum subscription when investing by cheque with a paper Application Form. Pending the issue of the New B Shares, subscription monies will be held by the Receiving Agent in a non-interest bearing account.

### E4 Description of any interest that is material to the issue

Not applicable. There are no interests that are material to the issue.

### E5 Name of persons selling securities

Not applicable. No person is selling securities in the Company.

### E6 Amount and percentage of immediate dilution

Approximately 280,000 B Shares will be issued pursuant to the Offer if fully subscribed at its initial target of £7 million, along with an additional 40,000 to be issued at their nominal value to the winner of the BrewDog Millionaire competition. The New B Shares issued under the Offer and these additional shares would therefore represent approximately 0.44% of the total Shares in issue at the close of the Offer if the Offer is fully subscribed (but not increased).

If the full stretch goal of £50 million is reached, approximately 2,000,000 New B Shares, along with 40,000 additional BrewDog Millionaire shares as noted above, will be issued together representing 2.73% of the total Shares in issue at the close of the Offer.

### E7 Expenses charged to the investor

Not applicable. No expenses will be charged to the investor by the Company in respect of the Offer.

5 April 2019