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MARKET SUMMARY

LICENSED MARKET
OUTLOOK 2017

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OUR SUCCESS IN THE LICENSED SECTOR

2016 was a successful year for licensed sales at Bruce and Company and Kings Business Transfer. In a tough time for the sector as a whole, we were delighted to see so many first time buyers come to the market and fulfil their ambitions of owning a business.

Likewise, there were continued acquisitions from Corporate Buyers, as highlighted by the recent sale of The Wee Barrel in Renfrewshire to Publine Ltd.

Demand for pubs remains consistent, despite the challenges of an uncertain market. Licensed business of all types are coming on to the market, from locally-supported village pubs to larger businesses.

Our teams at Bruce & Co and Kings Business Transfer are market leaders with a track record for achieving the best possible price for their business. We have a strong database of potential buyers who are eager to view what could potentially be their next acquisition.

Despite a challenging 2016, the sector is offering vendors and buyers of all kinds significant opportunities across the market.

We have noticed that buyers are currently seeking distressed properties and renovating them to a high standard, and as always they are on the lookout for the best possible prices and locations.

Robin Gower, Manager at Bruce & Co comments: **“Our pipelines for the licensed sector in 2017 are strong, and we anticipate announcing a good number of deals in the coming months.”**

Alistair Watt, Senior Sales Negotiator at Bruce & Co comments: **“What was pleasing about 2016 was seeing so many first time buyers join the market alongside corporate buyers. We expect to see many vendors to continue to utilise our expertise in the sector.”**



MARKET OVERVIEW

2016 was another challenging year for the licensed sector, with continued pub and bar closures across the country, and a drop in the number of pubs coming to the market.

Brexit, Cost Pressures and government legislation (such as the Pubs Code and introduction of the National Living Wage) have played their part in stalling the pub market.

With potential increases to the National Living Wage coming in future, as well as continued uncertainty over the UK's withdrawal from the EU, 2017 may also prove to be a difficult year for pub owners.

In addition, there has been a squeeze on consumers' disposable income, which naturally puts increased pressure on the industry.

However, there are significant reasons to be optimistic. At the beginning of 2017, Britain's managed pub and restaurant sector saw January like-for-like sales grow by 1.9% nationally. Gastropubs continue to perform well.

We have noticed that many buyers are looking to introduce a food menu to pubs and bars that previously relied primarily on wet sales, as was the case with the sale of the Gauldry Arms in Fife.

This is not only true of small individual acquisitions, but of the larger companies as well, with Fuller's acquisition of a 51% in craft pizza and cider company Stable.

Big brand names in the pub trade are looking to diversify in testing times for the industry.

The craft beer revolution continues, with new bars opening around the country. Companies like Brewdog continue to expand by adding new sites. From October 2015 to October 2016, the number of UK breweries rose by 8% to around 1,700 in no small part due to this craft boom.

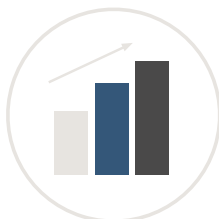
Despite the squeeze on spending, drinkers seem to be willing to pay a little bit more for a luxury product.

The December sale of Punch Taverns, which has more than 3,000 pubs across the UK, to Heineken and Patron Capital, has been greeted by many as a huge vote of confidence in the British pub sector.

7,029 pubs were advised on, valued or sold in 2016, but despite the difficulties of last year there are still signs of optimism in the licensed sector and a diverse range of buyers are looking to make their next acquisition.

2016 HIGHLIGHTS

7,029 pubs advised on,
valued, or sold



Sale of punch taverns a
vote of confidence to
the licensed sector



Craft boom sees
number of breweries
rise by 8%

2016 HIGHLIGHTS



Buyer demand for
distressed properties



Gastropubs
performing well

ADVANTAGES OF USING A BUSINESS BROKER

We believe that using a business broker is certainly the best course of action to take for anyone who wants to sell their business effectively. Although there are opportunities to sell direct, selling a business is not always a straightforward process and going it alone may offer various disadvantages including; negotiation experience, price achieved, time management, lack of evaluation and legality expertise etc. We strongly believe that business owners who decide to sell should place confidence in working alongside an experienced and well-knowledge broker to offer support and advice in making all important decisions for these essential reasons;

Advertising & Marketing

When selling a business, the way the business is perceived by potential buyers is crucial. Experienced brokers know exactly where to advertise your business to maximise interest and more significantly how to market your business so that it gets noticed by serious, potential investors.

Negotiation Expertise

Business brokers are skilled negotiators who are driven to maximise your sale price. The role of a business broker is to bring “serious” buyers and sellers together with a view to achieving the best deal and sale price possible.

Qualified Buyers

Business brokers qualify all prospective buyers at the primary stage of the sales process. When a broker qualifies a buyer, they will ensure that the buyer is serious about purchasing the business and will also identify if the potential buyer has the realistic financial capacity to complete the transaction.

Time Management

By using a business broker, you can concentrate on running your business instead of answering enquiries about the business sale. You ensure the business is still running optimally, and let the broker take care of the rest.

Confidentiality & Discretion

When selling a business, you may not want your competitors, employees or customers knowing that you are selling your business.

A broker will keep all details of a sale completely confidential. All potential buyers will sign a legal confidentiality agreement and then be ‘qualified’ as a serious buyer. It is only then, that the potential buyer will be presented with details of a business for sale.

Business Appraisals

Experienced business brokers possess the knowledge, skills and on-hand information directly related to your business, industry and location. This gives the broker the ability to accurately appraise your business.

Risk

Achieving the best possible deal, out of the transaction is the most essential aspect of the process. The knowledgeable broker will work to their greatest ability to ensure that you get the most realistic sale possible, taking the risk out of you receiving a below market value sale for your business.

Legalities

If you are considering a sale within the near future, then it is crucial that you consider your exit strategy. Tax planning and legal advice are a must and will ensure that the path to the exit is smoother and less costly than leaving everything to the last minute. It is essential that you have a strong professional team who are all working on your behalf.

We believe that each Licensed business is unique, and that individual owners have different needs, requirements and aspirations – that is why we offer a free, no obligation appraisal, to show you what we can do for the sale of your business.

RECENT SALES



THE WEE BARREL, RENFREWSHIRE

Bruce & Co. are delighted to announce the sale of The Wee Barrel, a long established, traditional Public House in Paisley, Renfrewshire.

One of the oldest pubs in Paisley, The Wee Barrel is extremely well known locally for its friendly welcome, and was an occasional haunt of Rod Stewart.

The popular pub has been extremely well run by the vendor, Mr Ian Mcleod, who decided to sell due to his wish to retire. Following a number of viewings, the business was sold to Publine Ltd on a Freehold basis.

Mr Mcleod said: "I am very pleased with Bruce and Co, they helped me every step of the way. I would recommend them to others."

A spokesperson from Publine Ltd commented: "I was kept up to date with the progress of the purchase very regularly. Bruce and Co did everything they could do to get the deal over the line."

Lucy Doherty from Bruce and Co said: "I am happy that the sale of The Wee Barrel is now complete, and wish both buyer and seller all the best."

RECENT SALES



COLLIERS BAR, RENFREWSHIRE

Bruce & Co. are delighted to announce the sale of Colliers Bar; an excellent corner pub in Johnstone, Renfrewshire.

The pub boasts a great established clientele and prime location, on a corner of Johnstone's High Street.

Much of its trade comes from the local community, with a varied income from both wet and dry sales.

The business is easily managed and unlike many other licensed businesses, is currently seeing turnover increase year on year.

Colliers had been under the ownership of the vendor, Mr Docherty, who decided to sell due to his wish to retire. Following 5 viewings and 2 offers, the business was sold to private buyers.

Safa Sultan, Sales Negotiator at Bruce and Co, comments: **"I'm very happy that this sale was completed, allowing Mr Docherty to retire knowing his pub is in safe hands."**



RECENT SALES



GLENLEE BAR, LANARKSHIRE

Bruce & Co. are pleased to announce the sale of Glenlee Bar; a popular locally supported pub in Hamilton, Lanarkshire.

Glenlee Bar was purchased by the vendors, Mr and Mrs Campbell, 5 years ago and has been trading successfully ever since. They have now sold the business in order to enjoy a peaceful retirement.

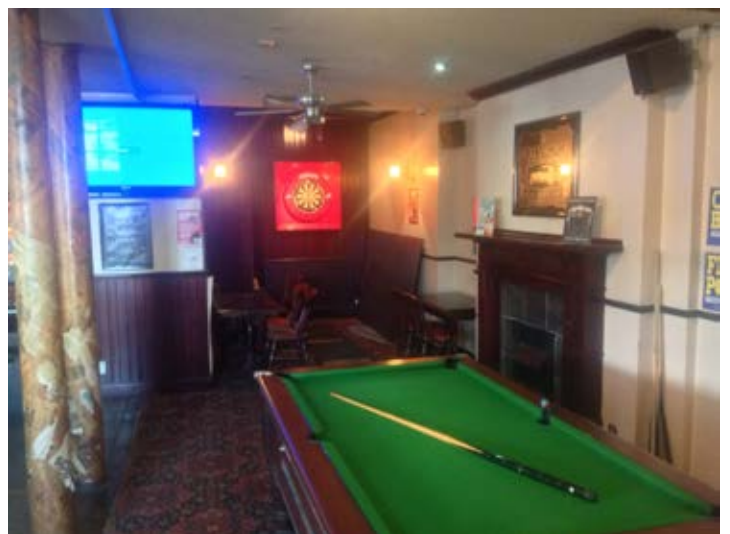
Situated in the centre of Hamilton, the pub enjoys tremendous local custom, and benefits from a pool area which overlooks the main bar.

The pub is presented in walk-in condition, meaning new owners wouldn't need to undertake any new work before starting trading.

The freehold business was sold to an experienced buyer who cited the business' location and reputation as what attracted them to the business.

Mr & Mrs Campbell commented **"Bruce & Co did a good job in keeping us updated and we would gladly recommend them to others."**

Safa from Bruce & Co. comments **"I'm glad that the sale has completed and that it now allows Mrs Campbell to retire peacefully."**



MAJOR TRANSACTIONS

| | Vendor | Purchaser | Transaction |
|-------|----------------------|--------------------|--|
| April | J D Wetherspoon | Haworth Leisure | Hawthorn acquires 11 pubs for c. £7.5m |
| June | Living Ventures | Graphite Capital | New World Trading Company purchased for £50m |
| June | Enterprise Inns | Shepherd Neame | Deals includes 13 pubs for £13.4m |
| June | Enterprise Inns | UK institution | Private buyer purchased 22 properties for £20m |
| July | Caledonia Investment | Liberation Group | 94 assets in the Channel Islands and South West, price £118m |
| July | Bath Ales Ltd | St Austell Brewery | Purchase of portfolio of beer brands and 11 pubs |

MAJOR TRANSACTIONS

| | Vendor | Purchaser | Transaction |
|-----------|--------------------------|-----------------------------|---|
| August | Aprirose | Lasalle Investment | Portfolio of pubs investments for £17.8m, locations across London |
| September | Greene King | Various | Greene King selling 90 assets |
| November | Chapman Group | Dominion Hospital | Portfolio of 28 hotels and pubs in South of England |
| November | Village Green Restaurant | Shepherd Neame | 5 assets bought by Shepherd Neame for £11.9m |
| December | Intertain | Stonegate | Enterprise value of £39.5m |
| December | Punch Taverns | Heineken and Patron Capital | £400m deal to buy Punch Taverns, which has more than 3,000 pubs across the UK |

#SALES

@PubandBarMag

January like-for-like sales in pubs up 1%, with London and casual dining leading the way

@SunPolitics

Government urged to take another penny off beer duty to protect jobs with tax on a pint 10 times what it is in Spain

@peg_justice

After years in the doldrums, are things starting to pick up for the pub industry?

@craftbrewtique

Plain packaging and graphic warnings will 'crush' craft drinks, says gin master

@TheSLTN

Operators, trade groups and local councillors are imploring the Scottish Government to intervene on business rates.

#RESTAURANTS

@gastroficionado

Heston Blumenthal Wins The Diners Club Lifetime Achievement Award

@BigHospitality

A Syrian chef and refugee is to launch his first pop-up restaurant

@BigHospitality

Jamie Oliver is to close his final Union Jacks pizza restaurant in Covent Garden

#TOURISM

@PubandBarMag

It was a record-breaking year for in-bound tourism for English regions (12.2m visits) and Wales (856,000 visits)

@HCPLtd

Nobu Hospitality confirms more details on London's first Nobu Hotel

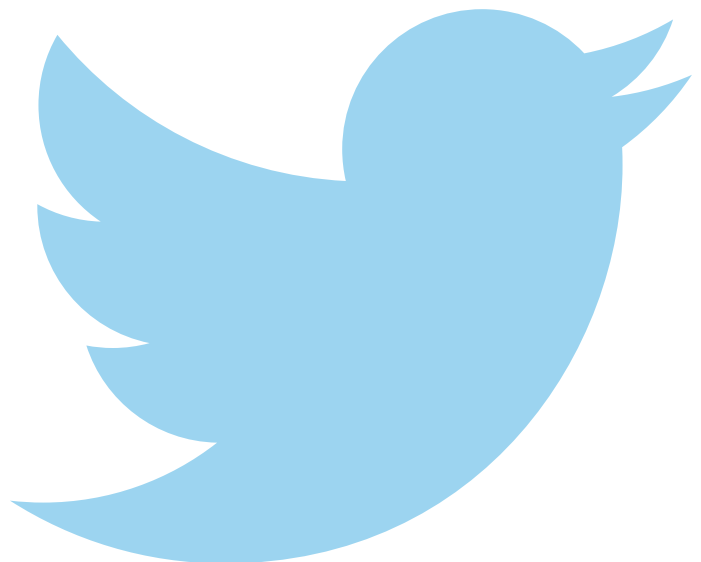
@ukhoteldir

Stephanie Beresforde wins the 2017 Gold Service Scholarship

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