



## ASX ANNOUNCEMENT

30 April 2018

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ASX: GRB

### APPENDIX 4C & PROGRESS UPDATE – 3RD QUARTER FY18

Gage Roads Brewing Co Ltd (**ASX: GRB**) is pleased to report to the market on the ongoing progress of the business. Please find Appendix 4C – Quarterly attached.

#### 3RD QTR FY18 HIGHLIGHTS (3 MONTHS)

- \$2.1 million in cash generated from operations
- Sales to independent retailers up 183%\*
- Gage Roads draught sales up 445%\*
- Total proprietary brands volume up 153%\*
- Extended exclusive Fringe World supply contract to 2021
- Appointed former Little Creatures senior marketing executive

*\*in comparison to Q3 FY17*

#### YTD FY18 HIGHLIGHTS (9 MONTHS)

- Sales of Gage Roads' brands comprise 39% of overall sales mix (up from 32% YTD FY17)
- Sales to independent retailers up 184%^
- Gage Roads draught sales up 275%^
- Total Gage Roads brands volume up 56%^
- Total volume up 27%^

*^in comparison to YTD FY17*

We are pleased to present another quarter of strong growth, continuing the trend set by previous quarters that have driven increased earnings and ultimately higher value for our shareholders.

Gage Roads continues to deliver on key leading indicators in the second year of the 5-Year proprietary brand strategy. In summary, this strategy seeks to increase the awareness of the Gage Roads family of brands and expand those brands into broader markets, driving incremental sales from the previously untapped independent retail and on-premise channels to market.

Greater consumer awareness combined with expanded access to these channels is expected to continue to increase annual volumes of our brands, delivering further improved margins and sustained earnings growth through the shift in sales mix towards higher-margin Gage Roads products.

#### Q3 SALES RESULTS (3 months)

The business has recorded a remarkable Q3, lifting sales of our brands by 153% compared to the previous year. The uplift in sales was driven by a 183% increase in sales to the independent retail channel and a 445% increase draught keg sales, which was partially driven by the commencement of keg sales to Optus Stadium during the quarter. Pleasingly, we also improved the sales of our brands through the national retail chains, up 58% on the same quarter last year.

Gage Roads Brewing Co Limited has been one of Australia's leading craft breweries for over 14 years.

The Gage Roads craft range includes Atomic Pale Ale, Sleeping Giant IPA, Little Dove New World Pale Ale, Narrow Neck Session Ale, Breakwater Australian Pale Ale, Single Fin Summer Ale, Pils 3.5% and Small Batch Lager which have grown to become one of Australia's most popular suite of brands.

Through its contract brewing services division, Australian Quality Beverages, the Company also provides specialist contract brewing and packaging services to brand owners throughout Australia.

## **YTD FY18 SALES RESULTS (9 months)**

Sales to the independent retail channel - a key driver of growth for our brands - were a solid contributor to the YTD result, up 184% over YTD FY17. The YTD growth of our brands in that market is similar to the growth rate recorded in Q3, indicating a sustained and steep growth trajectory. *Single Fin Summer Ale* continues to outperform in this market and has delivered an increase of 248% over the previous year.

Strong sales in Q3 to the national retailers have offset the softer sales of Q1 and Q2. The large inventory balances held by the retailers at the beginning of the financial year have now normalised and we expect full year sales to the national chains to meet expectations.

Higher-margin, on-premise draught sales have continued to perform well, delivering a sales uplift of 275% over YTD FY17. Excluding draught sales to Optus Stadium and other marketing events, draught volumes are up 121%, representing underlying sales growth to on-premise retailers.

Strong growth across all channels resulted in total Gage Roads brands sales for the half-year being up 56% to 3.52 million Litres in comparison to YTD FY17 (2.26 million Litres).

The combined Gage Roads brand sales and contract brewing volumes resulted in a total throughput of 8.9 million litres.

We expect to meet our full year sales target of at least 11 million Litres of underlying sales.

We continue to see success with our cost-neutral “brand-in-hand” marketing strategy, achieving increased sales through greater brand awareness. Sales to Optus Stadium, Fringe World, Rugby 7s and other events are on track to deliver earnings that fully offset the costs of the strategy.

Accordingly, we are on track to deliver growth in earnings and margins through the shift in sales mix towards higher-margin Gage Roads brands as the management team delivers on year 2 of our 5-year strategy.

## **RED RYE IPA**

We have recently launched our award-winning *Red Rye IPA* into the independent retail market. *Red Rye IPA* is an American-style beer, characterised by citrus hop flavour, rich malt flavour and a dry finish courtesy of the malted rye.

In September 2017 it won “Best in Show” and “Champion Draught Beer” at the highly regarded Sydney Royal Beer and Cider Competition.

Pleased with the award, Managing Director John Hoedemaker noted: “The Sydney Royal Beer and Cider Competition is one of the toughest in the country. This level of success is a ringing endorsement of the quality of beer we are producing. Releasing this product in bottle into the retail market will introduce more consumers around the country to the Gage Roads family of beers.”

## **FRINGE WORLD PARTNERSHIP EXTENSION**

In early April, the Company announced that it has extended a key agreement that secures its status as exclusive beer and cider provider to Perth FRINGE WORLD for a further three years until 2021.

This agreement complements the Company's existing partnerships with Optus Stadium and Rugby Australia which are key components of Gage Roads' events-based "brand-in-hand" marketing strategy. These partnerships are an effective way to activate the Company's products in the market. The first two years of the FRINGE WORLD partnership have markedly increased Gage Roads' brand awareness in Western Australia.

FRINGE WORLD is the largest annual event in Western Australia and the third largest fringe-style event in the world and attracts up to 750,000 visitors annually. Each year, it features more than 750 events at 130 venues all over the Perth metro area.

### **APPOINTMENT OF NATIONAL MARKETING EXECUTIVE**

Recently, we have appointed Miles Hull as our National Marketing Executive. Miles is a fantastic fit for Gage Roads, a talented marketer and brand driver with real time experience in the beer industry.

Miles has gained significant experience at Little Creatures where he led the Creative Development and Marketing department for six years and was the architect behind successful and innovative brand extensions such as White Rabbit and Pipsqueak Cider. He was responsible for the expansion of Little Creature's marketing strategy on the east coast and was instrumental in developing their dining hall concept in Fitzroy, Victoria as well as the establishment of the White Rabbit Brewery in Healesville, Victoria.

Miles understands the foundations of great beer brands and is able to deliver distinct and individual branding concepts. Providing strong leadership in operational management, marketing and cultural development, Miles has successfully delivered brands and products in the beer market which have set new industry bench marks.

Miles' appointment underlines our increased marketing efforts at a time where consumer momentum continues to grow behind our brands.

### **Q3 CASH FLOW AND BALANCE SHEET**

Net operating cash inflows were \$2.1 million for the quarter resulting from strong Q3 sales.

The business invested in \$0.6 million in capital infrastructure, predominantly increasing the keg float required to support growing draught sales. This also includes one-off permanent signage and bar fit-outs at Optus Stadium.

We remain in a debt free position and debt facilities (to an approved limit of \$6 million) remain in place and undrawn.

We finished the quarter with cash reserves of \$5.6 million. With additional headroom in our credit facility we are in a strong financial position, providing an excellent platform from which to continue to execute our 5-year plan.

### **OUTLOOK**

- Gage Roads brands growth and 5-year strategy on track to deliver margin growth and earnings targets for FY18
- Continuing distribution and sales growth opportunities in the independent channel
- National chain volumes in line with expectations and commitments
- Opportunities to continue to shift Gage Roads brands beyond 39% of sales mix to drive margin growth

- Focus on east coast partnerships and events to complement growing east coast distributions
- Increasing national marketing visibility and consumer awareness
- Annual volumes in line with expectations and commitments

With a flexible balance sheet, a management team strongly-aligned to shareholders, existing revenue streams secured and enhanced ability to drive revenue and margin growth, Gage Roads is well placed to deliver growth in earnings and sustained value for our shareholders.

Managing Director John Hoedemaker said the successful quarter is indicative of the momentum of our business:

“The impressive Q3 and year-to-date sales results are testament to the increased brand awareness that our brands are attracting and are validating the strategies behind our 5-Year Plan. Miles’ appointment will help us accelerate those strategies into key markets on the east coast of Australia whilst maintaining and growing the fantastic momentum we have in Western Australia.

“Given the success of the “brand-in-hand” partnerships such as Fringe World, we are actively working on securing additional opportunities locally and on the east coast to continue to drive brand awareness and sales of our brands that will continue to deliver increased earnings for our shareholders.”

- END-

**Further information:**

Marcel Brandenburg  
Company Secretary  
Gage Roads Brewing Co Ltd  
Tel: (08) 9314 0000

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Gage Roads Brewing Co Ltd

**ABN**

22 103 014 320

**Quarter ended ("current quarter")**

31 March 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	15,314	35,678
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(9,910)	(25,674)
(c) advertising and marketing	(1,369)	(2,467)
(d) leased assets	-	-
(e) staff costs	(1,892)	(5,352)
(f) administration and corporate costs	(110)	(351)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	(22)	(74)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	125	375
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>2,137</b>	<b>2,137</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(558)	(1,408)
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
(d) intellectual property	(3)	(23)
(e) other non-current assets	-	-
<b>2.2</b> Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3</b> Cash flows from loans to other entities	-	-
<b>2.4</b> Dividends received (see note 3)	-	-
<b>2.5</b> Other (provide details if material)	-	-
<b>2.6</b> <b>Net cash from / (used in) investing activities</b>	<b>(561)</b>	<b>(1,431)</b>

<b>3.</b> <b>Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(2)
3.5 Proceeds from borrowings	-	6
3.6 Repayment of borrowings	-	(2,051)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (Woolworths Limited share buy-back)	-	-
<b>3.10</b> <b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>(2,047)</b>

<b>4.</b> <b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	4,006	6,986
4.2 Net cash from / (used in) operating activities (item 1.9 above)	2,137	2,137
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(561)	(1,431)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	(2,047)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(13)	(76)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>5,569</b>	<b>5,569</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	5,569	4,006
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,569</b>	<b>4,006</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

181

-

Payments include directors' fees for non-executive directors and salaries for executive directors

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

-

-

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	5,000	-
8.2 Credit standby arrangements	1,000	-
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

8.1 <b>Loan Facility</b>
<ul style="list-style-type: none"> <li>\$5,000,000 Cash advance facility, Commonwealth Bank of Australia, Base Rate + 1.25% p.a. Margin + 1.5% p.a. Line Fee on the Commitment, secured against company assets.</li> </ul>
8.2 <b>Credit standby arrangements</b>
<ul style="list-style-type: none"> <li>\$800,000 Working Capital Facility, Commonwealth Bank of Australia, Base Rate + 1.25% p.a. Margin + 1.5% p.a. Line Fee on the Commitment, secured against company assets</li> <li>\$200,000 Bank Guarantee Facility, Base Rate + 0.75% p.a. Margin + 1.00% p.a. Line Fee on the Commitment, secured against company assets.</li> </ul>

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(10,936)
9.3 Advertising and marketing	(1,025)
9.4 Leased assets	-
9.5 Staff costs	(1,777)
9.6 Administration and corporate costs	(171)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(13,909)</b>

The company is an operating business that generates cash inflows each quarter, including receipts from customers. The above summary of anticipated cash outflows does not fully reflect the anticipated net cash flows for the following quarter, as it excludes cash inflows (such as receipts from customers).


10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-



### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:

  
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(Company secretary)

Date: 30 April 2018

Print name: Marcel Brandenburg

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.