



ASX ANNOUNCEMENT

28 November 2018

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**MANAGING DIRECTOR'S PRESENTATION – ANNUAL GENERAL MEETING
2018**

Gage Roads Brewing Co Ltd
14 Absolon St, Palmyra
Western Australia 6157

Please find attached Managing Director John Hoedemaker's presentation to shareholders at today's Annual General Meeting.

PO Box 2024 Palmyra DC
Western Australia 6169

ABN 22 103 014 320
ASX: GRB

- END -

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

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.

GAGE ROADS BREWING CO LTD

Annual General Meeting

28 November 2018

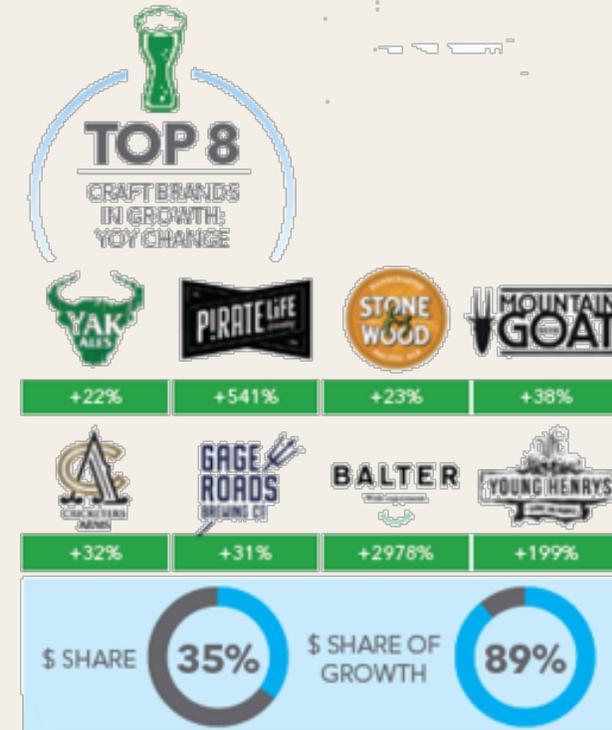


PROPRIETARY BRAND STRATEGY: FY17-FY21

- Independence
- Build national sales capability
- “Brand-in-Hand” marketing strategy, utilise latent capacity
- Unlock independent retail market
- Unlock on-premise market
- Maintain National Chains Volumes
- Increasing proportion of GRB proprietary brands



(Source: IRI MarketEdge, MAT To 03/06/18)



(Source: IRI MarketEdge, MAT To 31/12/17)

FINANCIAL RESULTS FY18

- Total volume up 20% to 12.8m litres[^]
- EBITDA \$4.5 million, up 28% over adjusted FY17 EBITDA (\$3.5 million)
- Revenue up 22% to \$33.2 million
- Gross profit margin up to 61% (FY17: 58%)
- Sales of Gage Roads' brands grow to 39% of overall sales mix (up from 32% FY17)
- Sales to independent retailers up 181%[^]
- Gage Roads draught sales up 218%[^]
- Total Gage Roads brands volume up 47%[^] to 5 million litres

[^] in comparison to FY17

	FY18
Revenue	\$33.2m
Cost of Goods	\$13.1m
Gross Profit \$	\$20.1m
Gross Profit %	61%
Operating Costs	\$15.6m
EBITDA	\$4.5m
NPAT	\$2.1m
EBITDA/Litre*	\$0.39

* Excludes litres sold as part of marketing events and Optus Stadium

OPERATIONS

- 70%+ plant operating efficiencies
- Zero stock-out scenarios
- Optus Stadium demand met in full
- Awarded WorkSafe Gold Certificate
- 4 gold medals won
- Expanded tank capacity
- Flash pasteuriser commissioned
- Installed and commissioned craft canning line
- Canning line expansion set for summer 2019
- Operational costs in line with the 5-year strategy



NEW PRODUCT DEVELOPMENT

- Launch of Alby & Alby Crisp
 - Very positive feedback from Optus Stadium attendees
 - Growing to 25% of WA sales profile
 - Expanding into cans
- Limited release beers
 - Red Rye IPA
 - IIPA
 - VHA (Very hoppy ale)
- Alby, Alby Crisp, Single Fin and Hello Sunshine launched in cans this summer
- Cans are the fastest growing segment in craft beer



"The ALBY" bar at Optus Stadium



MATSO'S ACQUISITION

- Natural accelerant of our 5-year proprietary brand strategy (as previously disclosed)
- Unique high quality and high margin brands
- Strong brand equity and consumer loyalty
- Diversifies GRB's revenue streams into new categories
- Complimentary (non-competitive) to the existing GRB craft beer and ALBY range
- Leverages GRB's national sales, marketing and distribution capabilities
- Limited integration risk or impact on brewing operations or cost structure as GRB has produced the brands under contract for the last 10 years
- Strong potential to grow the brands
- Expected to deliver additional \$2.5m EBITDA on current volumes





With the acquisition of the Matso's Broome Brewery Brand, Gage Roads introduced its new national sales & distribution division Good Drinks.

Good Drinks provides the platform to consolidate and capitalise on the strengths of each of the group's core brands and allow brands the freedom to further develop and concentrate their distinctive brand essences, strengthening their position in their individual target consumer markets.

GOOD DRINKS 



National craft beer retail market share

Brand	Brewer	MAT 16	MAT 17	MAT 18
James Squire	Lion	26%	24%	19%
Yak Ales	AB Inbev	10%	12%	14%
Little Creatures	Lion	11%	9%	8%
Good Drinks	Gage Roads	2%	3%	7%
Stone & Wood	Stone & Wood	4%	6%	6%
Cricketers Arms	Asahi	3%	3%	3%
Mountain Goat	Asahi	2%	3%	3%
4 Pines	AB Inbev	3%	3%	3%

Source: IRI MAT Data to 01/04/18. Note: MAT 18 for Gage Roads/Good Drinks includes Matso's market share

BRAND ACTIVATION WA

- Brand-in-hand volumes (event volumes combined with draught volumes) are driving retail sales in WA
- Optus Stadium first 12 months has been an extremely successful partnership with over 1 million fans exposed to our brands
- Other partnerships including NIB Stadium, Fringe Festival and many more have significantly increased consumer awareness in WA



WESTERN AUSTRALIA



Annual draught volume WA Annual events volume WA L Retail sales value WA

Source: IRI MAT Data to 01/04/18 & Internal Data

EAST COAST POTENTIAL

- The east coast is a significant contributor to revenue for the business, representing 54% of national sales by value
- Replicate the success achieved in WA in key markets NSW, VIC & QLD
- If we can achieve meaningful brands in hand and draught volumes in the order of 0.5 million L to 1.5 million L, we expect a significant uplift in retail sales.
- Successful activation in those key states will deliver higher earnings beyond those of the current 5-year proprietary brand strategy and provides room to outperform our targets



Source: IRI MAT Data to 01/04/18 & Internal Data

EAST COAST ACTIVATION

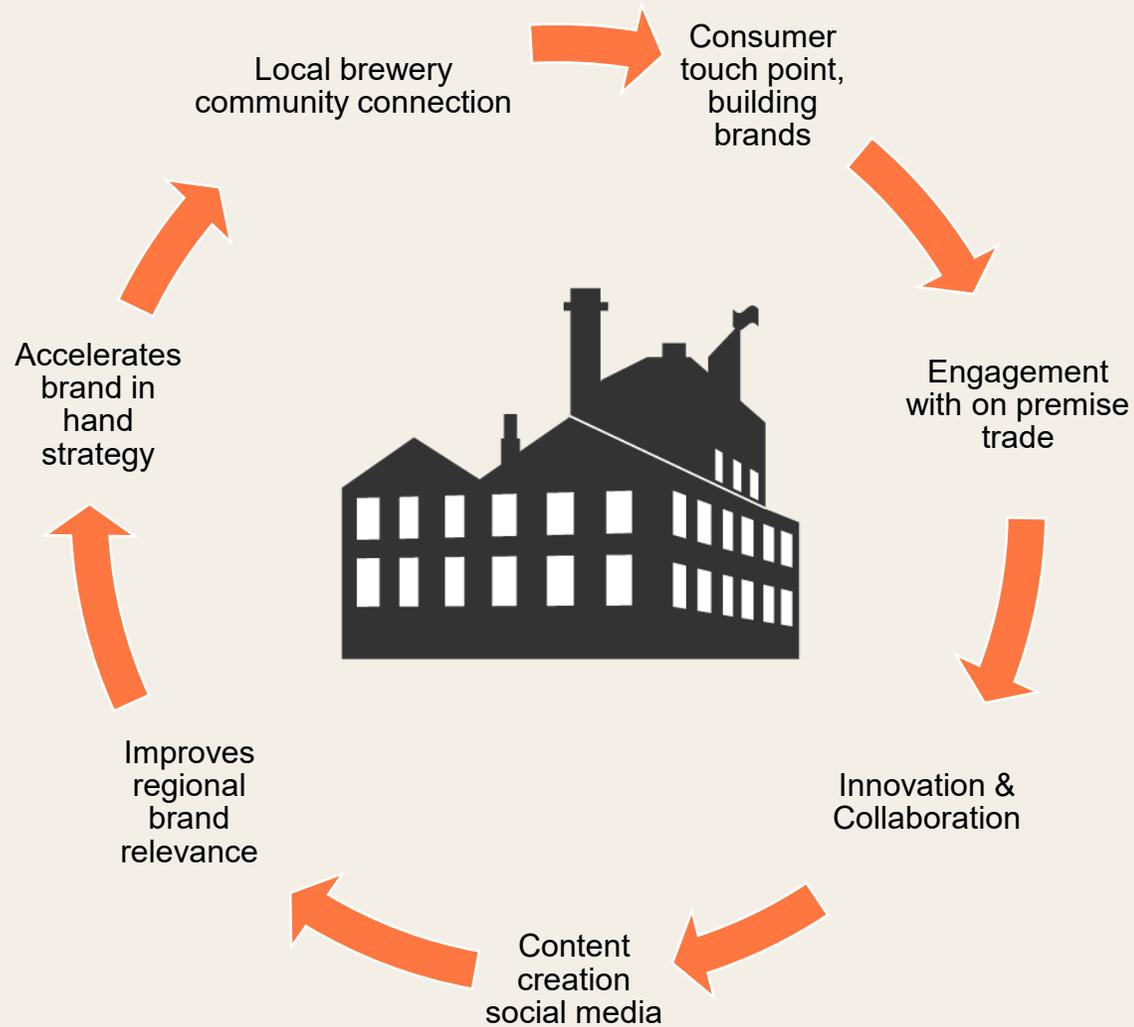
1. Relocate sales head office to either Melbourne or Sydney
2. Establish consumer and trade facing branded taproom and brewery venues in key states
3. Execute Brand in Hand Strategy
 - significantly increase events, sponsorships, and community engagement significantly increase draught beer sales

Venue earnings support growing sales team.

Targeting growth in retail sales similar to those achieved in WA.



BREWERY AND TAPROOM



BREWERY AND TAPROOM METRICS

- Currently evaluating first site
- Targeting \$3m development cost
- First taproom funded via existing cashflows and credit facilities
- Expected build time 15-18 months
- Expected to generate positive operating cash flows upon completion
- Excess capacity used to facilitate expanding draught sales and brand-in-hand activation
- Expandable strategy into key states

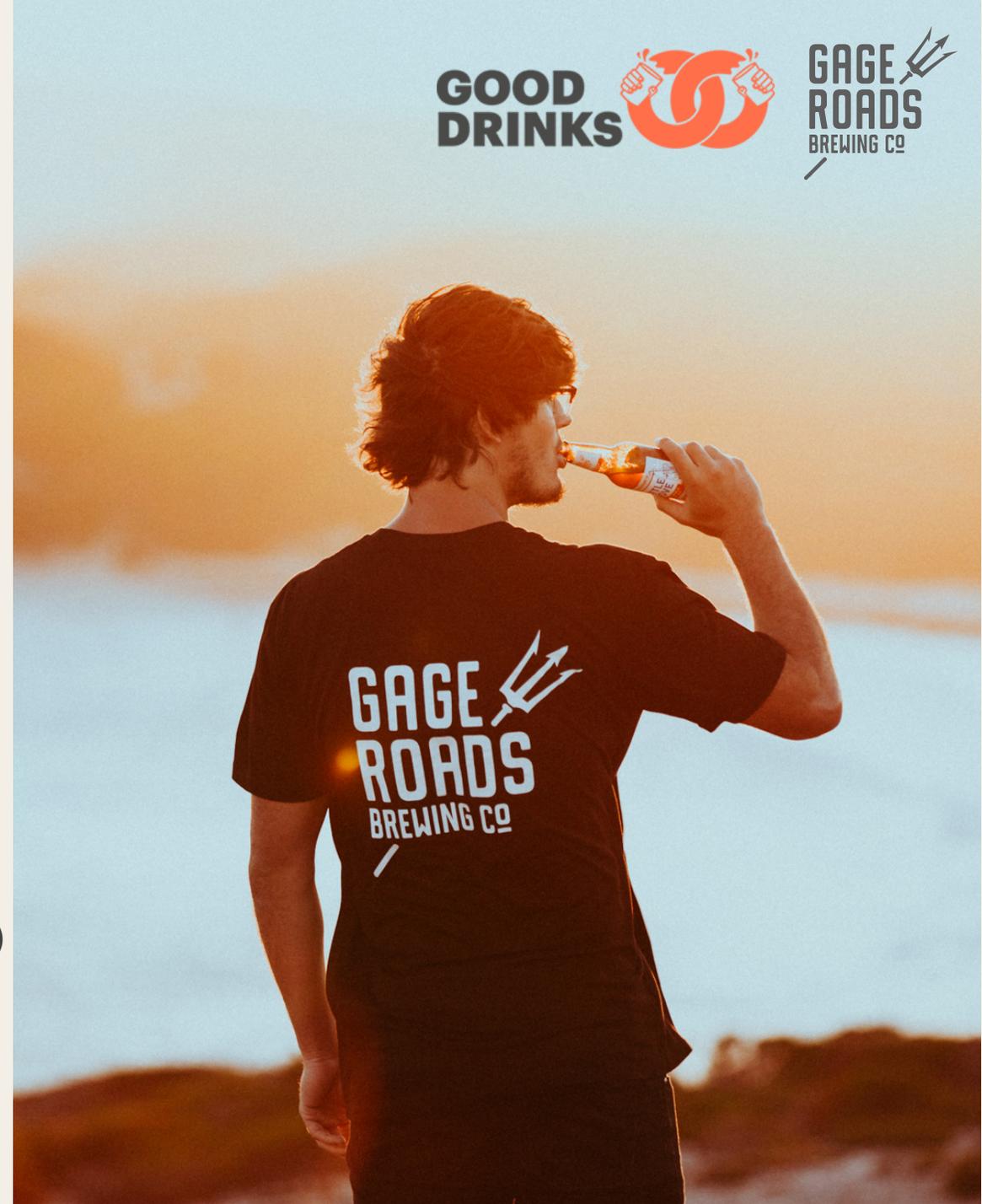


EVOLUTION OF PROPRIETARY BRAND STRATEGY...

- Matso's (improved margins, existing volumes)
- Alby (lower margins, additional volumes)
- Output up to 14 million litres per annum
- Shift gross profit margin to 70%
- Maintain current variable cost structures
- Increased sales & marketing investment
- \$1/litre EBITDA

... AND BEYOND

- Venue operations
- Additional capacity (up to 2 million litres per taproom)
- Increased brand-in-hand and draught sales
- Driving step-change in retail sales





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