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Gage Roads Brewing Co Ltd  
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Western Australia 6169

ABN 22 103 014 320  
ASX: GRB

Gage Roads Brewing Co Limited has been one of Australia's leading craft breweries for over 12 years.

The Gage Roads craft range includes Atomic Pale Ale, Sleeping Giant IPA, 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.

31 July 2015

Company Announcements Office  
Australian Stock Exchange  
Exchange Centre  
Level 6, 20 Bridge Street  
SYDNEY NSW 2000

#### **Appendix 4C & Progress Update – 4th Qtr FY15**

In lodging the Appendix 4C - quarterly (attached), **Gage Roads Brewing Co Ltd (ASX: GRB)** is pleased to report to the market on the ongoing progress of the Company.

#### **4<sup>th</sup> QTR FY15 Highlights (3 months)**

- Total carton sales 261,000 (up 9% on prior year Q4 comparative period).
- New craft range gains traction, GRB carton sales up 17% over prior year comparative period.
- WA on-premise gains traction, GRB draught up 71% over prior year comparative period.

#### **Full Year FY15 Summary (12 months)**

- Total sales volume 1.4 million carton equivalents\* (down 17% on prior year comparative period).
- Revenue \$24.4 million (unaudited, down 11% on prior year comparative period).
- GRB products down 7% over prior year comparative period, however, new brands are gaining traction and an 18% uplift (carton and kegs) achieved in Q4.
- GRB draught sales up 134% over prior year comparative period.
- Gross Profit of 51% (unaudited) in line with expectations (up from 47.5% in FY14)

\* One carton equivalent = 7.92L = 24 x 330mL bottles = 0.16 X 50L kegs.

#### **Sales Results**

Q4 total carton and keg sales have improved by 6% over the same period last year (PYCP). The Company is pleased to report increased traction of the new Gage Roads Craft Range (an uplift of 18% over PYCP) was a significant

contributor to improving sales following the rebranding and increased promotional and marketing efforts during the last 6 months.

FY15 total carton and keg sales decreased 17% to 1.4 million carton equivalents, in comparison to FY14, and has provided a corresponding 11% drop in revenue. These results are in accordance with guidance provided in April 2015 that total sales were expected to be down approximately 15%-20% for the full year.

#### *Australian Quality Beverages*

During the quarter sales to contract brewing customers from our contract brewing division Australian Quality Beverages improved by 4% over the PYCP.

During the last 6 months Australian Quality Beverages has worked with its committed partners to refresh and reposition existing brands, introduce a number of new brand opportunities and line extensions and increase promotional activity. We expect these efforts to continue to improve sales with an ensuing uplift in sales to fall into summer FY16.

To provide certainty over longer term sales outlook, the Company is in discussions with its major contract partners to extend the term of its supply agreements beyond FY17.

The Company is also actively working to secure additional contract production both domestically and internationally to take advantage of latent capacity and contribute to FY16 and FY17 earnings growth.

#### *Gage Roads' Proprietary Brands*

Carton and keg sales of Gage Roads' proprietary brands in Q4 improved by 18% in comparison to the PYCP. Although full year results were down 7% on FY14, the last quarter has seen a reversal of the trend as the new range gained traction in consumer awareness resulting from increased marketing and promotional activity.

During the last quarter the Company's West Australian draught strategy also performed well, exhibiting 71% growth in proprietary branded keg sales in comparison to the PYCP. The Company expects to execute its on-premise draught strategy and marketing activation in Sydney and Melbourne commencing September 2015.

### **Cash Flow/Finance**

The Company has achieved an uplift in its gross profit to 51% (unaudited), up from 47.5% in FY14. This is a result of price increases and a change in mix towards higher margin craft products during the financial year.

Net operating cash flows were \$524,000 for the quarter. This was assisted by a reduction in inventory of \$477,000 and an increase in creditors of \$298,000. During Q4 the Company collected \$8.8 million in receipts from customers, which is comparable to receipts from the PYCP.

Investing cash outflows have been reduced to \$243,000 during the quarter and relate to our continuous improvement program.

Net cash outflows from financing activities were \$28,000 and relate mainly to equipment and insurance financing. Our existing \$9.7 million debt facility is now drawn to \$9.6 million. This facility has been extended by 12 months to expire on 1 October 2016. The Company's \$2 million overdraft facility remains in place and is currently undrawn.

### **Outlook for FY16**

Although disappointed with the slowdown in sales and the loss of shareholder value during the year, we feel the contributing factors have been resolved and the strategy to turn around this trend has been well executed to date. The Company is confident that the improving fortunes as evidenced during the last quarter are indicators of the outlook for FY16. The business is in a better position to deliver near-term earnings growth than was previously the case.

1. Top line growth is underpinned by Gage Roads' proprietary brand refresh and repositioning, coupled with improved support from our retail partner.
2. Australian Quality Beverage's major customers have also worked to refresh and reposition existing brands, introduce a number of new brands and line extensions and increase promotional activity. Furthermore, enquiries from other potential contract brewing customers remains strong.
3. The business through its products, marketing strategies and retail partners is well placed to take advantage of the continuing growth of the domestic craft beer market.
4. The Company has worked to retain its 50% gross profit margin target and expects that to continue.
5. New export opportunities are emerging.
6. Although the cost structure of the business has remained largely fixed in line with our ambitions, allowing for leveraged earnings growth as incremental sales are achieved, we are actively working on an organisation-wide review targeting reduced operating expenditure.

Managing Director John Hoedemaker said: "FY15 was a tough year for Gage Roads, a year of significant challenges and declining sales. The Company, in conjunction with our contract customers has worked extremely hard to identify and overcome these challenges, to re-position our products and to re-evaluate our marketing and promotional strategies. It is exciting to see the last quarter's turn around in sales as a result of those efforts, I fully expect that trend to continue and for FY16 to bear the fruits of our hard labour during this year."

- END-

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

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Name of entity

GAGE ROADS BREWING CO LIMITED

ABN

22 103 014 320

Quarter ended ("current quarter")

30<sup>th</sup> June 2015

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date
		\$A'000	(12 months) \$A'000
1.1	Receipts from customers	8,754	39,881
1.2	Payments for (a) staff costs	(1,292)	(5,835)
	(b) advertising and marketing	(179)	(622)
	(c) research and development	--	--
	(d) leased assets	--	--
	(e) other working capital	(6,549)	(34,488)
1.3	Dividends received	--	--
1.4	Interest and other items of a similar nature received	0	6
1.5	Interest and other costs of finance paid	(210)	(514)
1.6	Income taxes paid	--	--
1.7	Other	--	--
	<b>Net operating cash flows</b>	<b>524</b>	<b>(1,572)</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	524	(1,572)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	--	--
(b) equity investments	--	--
(c) intellectual property	--	--
(d) physical non-current assets	(243)	(1,864)
(e) other non-current assets	--	--
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	--	--
(b) equity investments	--	--
(c) intellectual property	--	--
(d) physical non-current assets	--	--
(e) other non-current assets	--	--
1.11 Loans to other entities	--	--
1.12 Loans repaid by other entities	--	--
1.13 Other (provide details if material)	--	--
<b>Net investing cash flows</b>	(243)	(1,864)
<b>1.14 Total operating and investing cash flows</b>	281	(3,436)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	--	--
1.16 Proceeds from sale of forfeited shares	--	--
1.17 Proceeds from borrowings	72	4,293
1.18 Repayment of borrowings	(100)	(267)
1.19 Dividends paid	--	--
1.20 Other (provide details if material)	--	--
<b>Net financing cash flows</b>	(28)	4,026
<b>Net increase (decrease) in cash held</b>	253	590
1.21 Cash at beginning of quarter/year to date	1,364	1,027
1.22 Exchange rate adjustments to item 1.20	--	--
1.23 <b>Cash at end of quarter</b>	1,617	1,617

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	192
1.25	Aggregate amount of loans to the parties included in item 1.11	--

1.26 Explanation necessary for an understanding of the transactions:

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

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows:

NIL

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest:

NIL

**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	9,811	9,712
3.2 Credit standby arrangements	2,000	--

+ See chapter 19 for defined terms.

## Reconciliation of cash

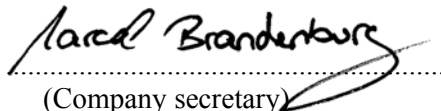
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	1,617	1,364
4.2	Deposits at call	--	--
4.3	Bank overdraft	--	--
4.4	Other (provide details)	--	--
<b>Total: cash at end of quarter</b> (item 1.23)		1,617	1,364

## Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	NIL
5.2	Place of incorporation or registration	
5.3	Consideration for acquisition or disposal	
5.4	Total net assets	
5.5	Nature of business	

## Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
2. This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 31 July 2015.  
 (Company secretary)

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below:
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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