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Gage Roads Brewing Co Ltd  
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ABN 22 103 014 320  
ASX: GRB

13 April 2015

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

### **Appendix 4C & Progress Update – 3rd 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.

#### **YTD Summary (9 months)**

- Total sales volume 1,128K carton equivalents\* (down 21% on prior year comparative period)
- Revenue \$19.3 million (unaudited, down 18% on prior year comparative period)
- GRB products down 13% over prior year comparative period, however, ranging completed and uplift achieved late in Q3
- GRB draught sales up 211% over prior year comparative period
- Gross Profit of 51% in line with expectations (up from 47.5% in FY14)

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

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.

#### **Sales Results**

Year-to-date (9 months to 31 March 2015) total carton and keg sales have declined by 21% over the same period last year (PYCP) with corresponding revenue decreasing by 18%.

#### ***Australian Quality Beverages***

Sales to contract brewing customers from our contract brewing division Australian Quality Beverages declined by 22% over the PYCP. As previously announced in the 31 December 2014 half-year financial report there are two main factors to this result. A number of our customer's products are in decline and are currently facing challenging competition, market conditions or changes in brand strategy. The quarter also saw Woolworths continue to drive reduction in inventories as part of its working capital strategy. This resulted in approximately 56,000 cases of lost sales for the quarter. The Company feels that that Woolworths inventory levels have reached a sustainable point and are unlikely to be significantly reduced further.

Australian Quality Beverages is working with its major customers to re-define their brand portfolio strategies to help grow sales in line with our expectations over the coming years. Some of these strategies will include the refresh, repositioning or deletion of existing brands and the introduction of a number of new brand opportunities. We expect the impact of these redefined strategies and ensuing uplift in sales to fall into FY16.

The Company is 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 brands*

Sales of Gage Roads' proprietary brands declined by 13% year-to-date in comparison to last year. As discussed in previous announcements, the Company experienced ranging issues at retail level during the initial launch which meant the full benefits of the traditionally strong Christmas trading period were not realised. Although down on PYCP, the last quarter has seen a reversal of the trend as sales improved post the completed ranging with Woolworths. This ranging issue has now been fully addressed and the decline was reversed late in Q3 FY15.

During the last quarter the Company's West Australian draught strategy also performed well, although off a low base, exhibiting 211% growth in proprietary branded keg sales in comparison to PYCP. The Company looks forward to executing the draught strategy in Sydney and Melbourne this upcoming summer.

March sales for Gage Roads' products was one of the stronger performing months on record with 23% growth over the March 2014 and a 68% improvement over preceding calendar month.

The lower Australian Dollar combined with our work on identifying new channels has also identified opportunities for export markets. The Company has commenced sales to Japan and Singapore and is furthering opportunities in the UK and China.

#### **Cash flow**

Net operating cash outflows were \$123K for the quarter. During the quarter, the Company collected significant receipts from sales made in December and the resulting movement in the debtor balance generated \$4.3m of positive cash flow. This was fully applied to creditors and the net current asset position remains largely unchanged.

The Company is currently challenging its fixed cost structure and is undergoing an organization-wide cost review. Recently the business has adjusted its shift structures to suit the seasonal production profile.

Investing cash outflows have been reduced to \$361K during the quarter and relate to our continuous improvement program.

Cash inflows from financing activities were \$961K and 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 remainder of FY15

The Company's share price has declined significantly over recent months. This is as a result of lower than expected sales and earnings results and a large parcel of shares undergoing a sales process in a reasonably illiquid market.

Although disappointed with the loss of shareholder value, we feel the business model remains unchanged and the business is in a better position to deliver near-term earnings growth than before.

1. Top line growth is underpinned by the fact that our brands are re-freshed, re-positioned and are getting good support from our retail partner.
2. Pinnacle Drinks have re-confirmed their support of the business through a recently extended supply agreement and debt guarantee. They are also working to improve their beer strategy to which we are a major partner. Furthermore, demand from other 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 will be a year of consolidation for us as our customers re-position their products for the next summer selling period. With that in mind, total volume expectations for the full FY15 are expected to be down approximately 15%-20% in line with the year-to-date results.

The business has weathered some significant challenges over the last 12 months, however, I strongly feel that the fundamentals of our business model are in a better position than ever before and we are working hard to deliver an uplift in sales and earnings for shareholders in FY16.

In line with our current outlook, the Company does not expect to engage in a near-term capital raising to support operations."

- 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")

31<sup>st</sup> March 2015

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
1.1	Receipts from customers	11,555	31,095
1.2	Payments for (a) staff costs	(1,284)	(4,530)
	(b) advertising and marketing	(174)	(436)
	(c) research and development	--	--
	(d) leased assets	--	--
	(e) other working capital	(10,110)	(27,963)
1.3	Dividends received	--	--
1.4	Interest and other items of a similar nature received	1	5
1.5	Interest and other costs of finance paid	(111)	(302)
1.6	Income taxes paid	--	--
1.7	Other	--	--
	<b>Net operating cash flows</b>	<b>(123)</b>	<b>(2,131)</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 (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(123)	(2,131)
<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	(361)	(1,520)
(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>	(361)	(1,520)
<b>1.14 Total operating and investing cash flows</b>	(484)	(3,651)
<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	1,000	4,154
1.18 Repayment of borrowings	(39)	(166)
1.19 Dividends paid	--	--
1.20 Other (provide details if material)	--	--
<b>Net financing cash flows</b>	961	3,988
<b>Net increase (decrease) in cash held</b>	477	337
1.21 Cash at beginning of quarter/year to date	887	1,027
1.22 Exchange rate adjustments to item 1.20	--	--
<b>1.23 Cash at end of quarter</b>	1,364	1,364

+ 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	189
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	9,771	9,684
3.2 Credit standby arrangements	2,000	--

+ See chapter 19 for defined terms.

## Reconciliation of cash

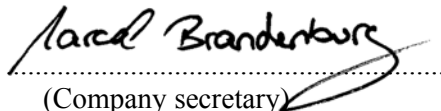
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	1,364	887
4.2	Deposits at call	--	--
4.3	Bank overdraft	--	--
4.4	Other (provide details)	--	--
<b>Total: cash at end of quarter</b> (item 1.23)		1,364	887

## 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: 13 April 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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