



## ASX ANNOUNCEMENT

25 July 2017

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P +61 8 9314 0000  
F +61 8 9331 2400  
info@gageroads.com.au

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

PO Box 2024 Palmyra DC  
Western Australia 6169

ABN 22 103 014 320  
ASX: GRB

### APPENDIX 4C & PROGRESS UPDATE – 4<sup>th</sup> QUARTER FY17

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

**Gage Roads generates record net profit after tax for FY17, up 229% to \$2.0 million (unaudited)**

**\$3.9 million cash generated from operating activities during FY17**

**\$7 million cash at bank provides excellent financial platform**

#### 4<sup>th</sup> QTR FY17 Highlights (3 months)

- Total sales of Gage Roads' proprietary craft beer products up 57% compared to Q4 FY16
- Sales to independent retailers up 315% compared to Q4 FY16
- Gage Roads draught sales up 196% compared to Q4 FY16

#### Full Year FY17 Highlights (12 months, unaudited)

- Net Profit After Tax up 229% to \$2.0 million (FY16: \$0.6 million)
- EBITDA up 63% to \$4.4 million (FY16: \$2.7 million)
- Revenue up 7% to \$27.2 million (FY16: \$25.5 million)
- Gross profit margin improved to 58% (FY16: 52%)
- Total sales of Gage Roads' proprietary craft beer products up 23% to 3.4 million litres (FY16: 2.8 million litres)
- Sales from Australian Quality Beverages division down 13% to 7.2 million litres (FY16: 8.3 million litres)
- Total sales volumes 11 million litres, in line with prior year volumes

One year into executing its 5-Year "Returning to Craft" strategy, the Company has continued to deliver solid results. At its core, this strategy seeks to increase the awareness of Gage Roads' proprietary 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 and access to these channels is expected to continue to increase volumes of the Gage Roads proprietary brands, delivering improved margins and sustained earnings growth.

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.

## Sales Results

The Company was extremely satisfied with the increase in consumer awareness during the first 12 months of the “*Returning to Craft*” strategy. A national sales and marketing capability was created and successfully implemented during the year and has delivered real growth in distribution and consumer awareness, accelerating new sales in the independent and on-premise channels.

*Single Fin Summer Ale* sales have grown 62% over the prior year to become the Company’s second highest selling individual brand and has proven to be a high performer with the Company’s new channels to market. *Little Dove New World Pale Ale*, 2016 Australian International Beer Awards Champion Beer of Show, continues to impress and is contributing strongly to new sales and new distributions.

Sales to national independent retailers were up 270% over FY16. The increase in sales is a result of an increase in the number of distribution outlets, being a key driver of revenue growth and benchmarks of the Company’s strategy.

Sales volumes to the national retail chains were in line with those achieved in FY16. Maintaining volumes in this channel is a strong result given the Company’s products underwent a price increase during the year to reposition price points with those offered in the other channels to market.

The Company is pleased to see that the sales growth in new independent channels to market has not come at the expense of our existing channels, but rather, the increased consumer awareness has supported Gage Roads’ brands in all markets.

Higher-margin, on-premise draught sales have also performed strongly, delivering a sales uplift of 172% over FY16.

Consistent with our strategy, contract brewing volumes are being unwound in an orderly fashion and converted to higher margin proprietary brand sales. Accordingly, sales volumes of the Company’s contract-brewing division, Australian Quality Beverages (AQB), were down 13% compared with FY16 and total volumes were maintained at 11 million litres.

The deliberate shift in sales away from contract brewing volumes towards higher-margin proprietary brand volumes continues to deliver an uplift in revenues and gross profit margins. The proportion of proprietary brands in the sales mix has improved 7% to 32% (FY16: 25%) and has provided an overall increase in gross profit margin to 58% (FY16: 52%).

This shift in sales mix and improvement in margin are key performance indicators of the “*Returning to Craft*” strategy and are well on track to deliver our expectations for FY18 and FY19.

## Operations update

The establishment of an independent sales, distribution and marketing capability, a key component of the “*Returning to Craft*” strategy is now complete with the recent hiring of an industry-leading state sales manager and an additional experienced brand ambassador.

On the East Coast, the Company’s expanding sales team has been complemented with a dedicated partnerships and events manager to continue to drive distribution and brand presence. The team is delivering results with West Australian and East Coast sales and growth of distributions on track to meet the Company’s targets of the 5-year strategy.

The Company is also working on a number of new product development projects designed to complement the existing product portfolio and provide exposure to new segments of the beer and cider market to leverage the strength of our new sales and marketing capability. A number of these products are expected to be launched during FY18.

## Q4 Cash Flow and Balance Sheet

Net operating cash inflows were \$4 million for the quarter and were a result of both an improvement in EBITDA as well as a reduction of inventory balances held.

The Company has ended the quarter with record cash reserves of \$7 million. With an additional \$4 million in its credit facility (\$6 million facility drawn to \$2 million) the Company is in a strong net cash position (\$5 million), providing an excellent financial platform from which to continue to execute its “*Returning to Craft*” strategy.

## Outlook

- Continued growth into the independent retail and on-premise channels to market
- Increasing national marketing visibility and consumer awareness
- Total Australian craft market expected to continue to grow at more than 20% per annum
- Similar to FY17, sales into the national retail chains are expected to be seasonally soft in Q1 FY18 as stock levels are being cleared, however, annual volumes expected to be unaffected

With a flexible balance sheet, a management team strongly-aligned to shareholders, existing revenue streams secured and our 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 Company is delivering on its 5-year strategy:

“I am pleased to see that the “*Returning to Craft*” strategy is being well executed by the team here at Gage Roads, delivering a record \$2 million in earnings during the first year of its five-year horizon. With \$7 million

cash at bank and ample credit facility headroom, the next four years of the strategy have a solid financial foundation to continue to deliver a swing in sales towards our higher margin craft and draught products and the delivery of incremental earnings and value to our shareholders.”

**- END-**

**Further information:**

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

John Gardner  
Media/Investor Relations  
Citadel-MAGNUS  
0413 355 997

## 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")**

30 June 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	13,291	42,585
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(6,797)	(30,802)
(c) advertising and marketing	(787)	(1,507)
(d) leased assets	-	-
(e) staff costs	(1,656)	(6,123)
(f) administration and corporate costs	(119)	(497)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	7
1.5 Interest and other costs of finance paid	(41)	(279)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	131	500
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>4,022</b>	<b>3,884</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(61)	(416)
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
(d) intellectual property	-	(26)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	3
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(61)</b>	<b>(439)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	10,124
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	-	(832)
3.5 Proceeds from borrowings	-	5,170
3.6 Repayment of borrowings	(51)	(12,810)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (Woolworths Limited share buy-back)	-	(1,563)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(51)</b>	<b>89</b>

<b>4. 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	3,116	3,559
4.2 Net cash from / (used in) operating activities (item 1.9 above)	4,022	3,884
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(61)	(439)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(51)	89

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(33)	(100)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>6,993</b>	<b>6,993</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	6,993	3,116
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>6,993</b>	<b>3,116</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

<b>Current quarter \$A'000</b>
179
-

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

<b>Current quarter \$A'000</b>
-
-

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	2,000
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.		

<b>8.1 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>	
<b>8.2 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	(7,108)
9.3 Advertising and marketing	(321)
9.4 Leased assets	-
9.5 Staff costs	(1,746)
9.6 Administration and corporate costs	(228)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(9,403)</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).

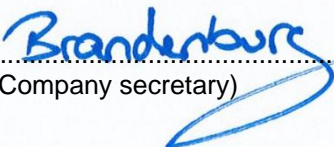
10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-



### 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: 25 July 2017

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.