



ASX ANNOUNCEMENT

30 October 2018

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

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

The Gage Roads proprietary range includes ALBY Draught, ALBY Crisp, Atomic Pale Ale, Sleeping Giant IPA, Little Dove New World Pale Ale, Narrow Neck Session Ale, Breakwater Australian Pale Ale and Single Fin Summer Ale 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.

APPENDIX 4C & PROGRESS UPDATE – 1st QUARTER FY19

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.

1st QTR FY19 HIGHLIGHTS (3 MONTHS)

- Sales to national chains up 208%*
- Sales to independent retailers up 165%*
- Gage Roads draught sales up 142%*
- Total proprietary brands volume up 176%*
- Matso's Broome Brewing acquisition completed
- Launch of Good Drinks

**in comparison to Q1 FY18*

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 of the 5-Year proprietary brand strategy, which commenced in 2016. In summary, this strategy seeks to increase the awareness of its proprietary brands and expand those brands into broader markets, driving incremental sales from the independent retail and on-premise channels to market.

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

Q1 SALES RESULTS (3 months)

The business has recorded a strong Q1, lifting sales of Gage Roads proprietary brands by 176% compared to the same quarter in the previous year. The uplift in sales was driven by a 208% increase in sales to the national retail chains, a 165% increase in sales to the independent retail channel and a 142% increase draught keg sales, which excludes keg sales to Optus Stadium.

LAUNCH OF GOOD DRINKS

The Company also recently announced that it has rebranded its expanding sales and marketing team to Good Drinks.

The Company's various brands including *ALBY*, *Hello Sunshine*, the *Gage Roads craft range* as well as *Matso's* products will be represented by Good Drinks in the retail and on-premise trade. As the Company's portfolio of brands expands, this structure will provide a framework that can house and represent these brands, maintaining each brand's meaningful and unique characteristics.

Good Drinks will be a platform that allows Gage Roads to expand our national sales capabilities and bring new or additional brands into the portfolio in the future.

MATSO'S ACQUISITION COMPLETE

The Company announced on 20 September 2018 that it has formally completed the acquisition of Matso's Broome Brewing Pty Ltd.

As previously disclosed, the Matso's business is expected to generate incremental EBITDA of \$2.5 million per annum. Given the timing of the completion of the acquisition the Company expects \$1.8 million of these additional earnings to contribute positively towards FY19 earnings.

The \$13.25 million cash settlement was fully funded through a \$10 million placement, a \$2 million Share Purchase Plan as well as the Company's existing cash reserves.

Leveraging the strength of people, sales, marketing and distribution expertise of Good Drinks, we anticipate outperforming current volumes and growing the Matso's brands to their full national potential.

Good Drinks is currently working on a brand refresh and exciting brand extensions to the Matso's portfolio that are expected to be unveiled later in the year.

Q1 CASH FLOW AND BALANCE SHEET

Net operating cash outflows were \$1.4 million for the quarter compared to outflows of \$2.4 million for Q1 FY18. Improved sales have delivered an additional \$2 million in cash receipts from customers. Consistent with our 5-year plan an additional \$1 million (compared to Q1 FY18) has been invested in marketing during the quarter.

The business invested \$0.9 million in capital infrastructure, predominantly for alternative pack formats and additional tank capacity. The settlement of Matso's Broome Brewing resulted in investing cash outflows of \$13.3 million.

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

During the September quarter, the Company also concluded a \$2 million shareholder share purchase plan that was undertaken in connection with the Matso's acquisition.

With additional headroom in our credit facility the business is in a strong financial position, providing an excellent platform from which to continue to execute the remainder of the 5-year plan.

OUTLOOK FOR FY19

- Proprietary brands growth and 5-year strategy on track to deliver margin growth and earnings targets for FY19 and beyond
- Continuing distribution and sales growth opportunities in the independent channel
- National chain volumes in line with expectations and commitments
- Opportunities to continue to shift proprietary brands beyond the current sales mix to drive margin growth
- Matso's brands provide a natural accelerant to the 5-year strategy, bringing forward earnings targets
- Good Drinks provides a great framework in which to house current and future brands and presents a platform for growth
- Focus for Good Drinks on the east coast:
 - Increasing national marketing visibility and consumer awareness

- Increasing partnerships and events to complement growing east coast distributions
- Creating on-premise consumer and trade touchpoints
- Increasing sales force

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 first quarter provided a strong foundation for the remainder of the year:

“We’re off to a great start in the new financial year 2019. The key leading indicators of our 5-year proprietary brand strategy are being met or exceeded and the results are validating our direction.

“The formation of Good Drinks as our sales and marketing vehicle was a logical step in the evolution of our business as we have developed and acquired more brands beyond just the Gage Roads craft range of products. During FY19 Good Drinks will be focussed on continuing the momentum already achieved on the east coast.

“The 5-year strategy is on track to deliver growth of our proprietary brands, improved profit margins and incremental earnings for our shareholders.”

FINAL APPENDIX 4C

The Company has received notice from the Australian Stock Exchange (ASX) that it is no longer required to lodge Appendix 4C – Quarterly reports under ASX Listing Rule 4.7B. Accordingly, this will be the Company’s final Appendix 4C.

Under Guidance Note 23 of Listing Rule 4.7B, this requirement is lifted when a Company has achieved four consecutive quarters of positive operating cash flows. Due to the seasonal nature of beer and cider consumption the Company, along with the industry, records lower sales in winter which are offset by stronger sales in the summer months. Accordingly, the Company’s Q1 operating cash flows have historically been negative and may be negative in future September quarters. Given that this is due to cyclical industry factors which do not represent the long-term performance of the business, the ASX has waived the requirement for the Company to lodge the Appendix 4C – Quarterly.

The Company will continue to update the market on the progress of its strategy on a regular basis.

- 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")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8,613	8,613
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(6,738)	(6,738)
(c) advertising and marketing	(1,361)	(1,361)
(d) leased assets	-	-
(e) staff costs	(1,827)	(1,827)
(f) administration and corporate costs	(121)	(121)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	14
1.5 Interest and other costs of finance paid	(23)	(23)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,443)	(1,443)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(878)	(878)
(b) businesses (see item 10)	(13,301)	(13,301)
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property	(12)	(12)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(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)	-	-
2.6 Net cash from / (used in) investing activities	(14,191)	(14,191)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	2,030	2,030
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	(17)	(17)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other	-	-
3.10 Net cash from / (used in) financing activities	2,013	2,013

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	16,889	16,889
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,443)	(1,443)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(14,191)	(14,191)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,013	2,013

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(25)	(25)
4.6	Cash and cash equivalents at end of quarter	3,243	3,243

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,243	3,243
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,243	3,243

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. Financing facilities available <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 Loan Facility
<ul style="list-style-type: none"> \$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. The Company a letter of offer from the Commonwealth Bank of Australia on 4 July 2018, offering to increase this facility by \$6,000,000 to \$11,000,000. As of the date of this report, the Company has not yet accepted this offer.
8.2 Credit standby arrangements
<ul style="list-style-type: none"> \$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 \$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.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(9,118)
9.3 Advertising and marketing	(621)
9.4 Leased assets	-
9.5 Staff costs	(2,298)
9.6 Administration and corporate costs	(174)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(12,211)

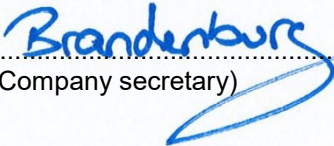
The company is an operating business that generates cash inflows each quarter, including receipts from customers. The above summary of anticipated cash outflows does not fully reflect the anticipated net cash flows for the following quarter, as it excludes cash inflows (such as receipts from customers).

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Matso's Broome Brewing Pty Ltd	-
10.2 Place of incorporation or registration	Australia	-
10.3 Cash consideration for acquisition or disposal	\$13.1 million	-
10.4 Total net assets	\$13.1 million	-
10.5 Nature of business	Sale and Marketing of alcoholic beverages	-

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 October 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.