

19 October 2011

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

### INVESTOR PRESENTATION Gage Roads Brewing Co Ltd (Company) (ASX Code: GRB)

Please find attached an investor presentation provided by the Managing Director at the 2<sup>nd</sup> Annual Australian Microcap Conference in Melbourne on 19<sup>th</sup> October 2011.

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For further information please contact:

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Gage Roads Brewing Co Limited

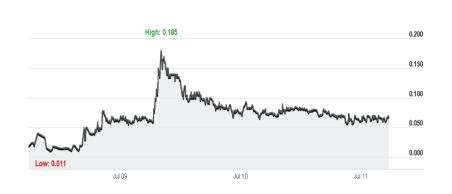
2<sup>nd</sup> Annual Australian Microcap

Conference

19<sup>th</sup> October 2011

# **GRB Corporate Snapshot**

### 12 Month Share Price



### **Directors**

Ian Olson – Chairman

Robert Gould – Non Executive Director

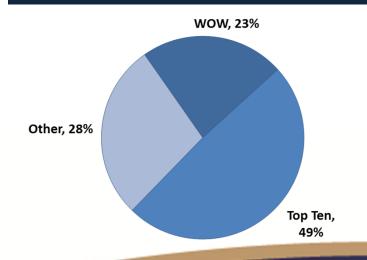
Steven Greentree – Non Executive Director

Bill Hoedemaker – Director Of Operations

John Hoedemaker – Managing Director

### **Top Shareholders**

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### **Market Info**

(as at 17.10.11)

Previous Close	\$0.07	
Shares On Issue	329,043,545	
Market Cap	\$23 million	
52 week high	\$0.095	
52 week low	\$0.055	
53 week ave vol	230,000	

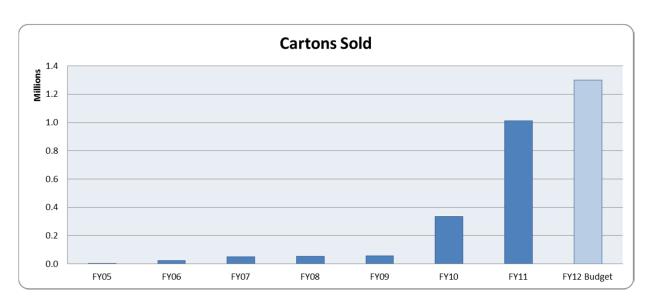
- Commencing operations in FY 2004, Gage Roads was conceived to operate as a low volume high margin niche brewery
- Strength of AUS \$ drives a very competitive and price sensitive market based on cheap imports, high price point niche market diminishes
- High marketing, sales and distribution costs spread over a low volume erode the high margin model
- Led to a change in strategy from low volume high margin niche brewer to high volume lower margin contract brewer
- Achieved operating profitability FY 11

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# Background cont..



# Background cont..



- FY11 over 1,000,000 cartons sold
- Total volume growth of 200% for the year
- Break Even Point achieved
- FY11 maiden full year profit based on operations of \$122,000

## **Current Operations**



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- Current capacity 1.2 million cartons per annum
- 5000m2 brewing, packaging and warehouse facility
- 45 employees
- Comparable in production volumes to Independent Distillers, Little Creatures

# **Key Business Strategies**

- Work with key strategic partners "Woolworths" and other contract customers to "sell direct" private label brands and proprietary brands and thereby reduce costs of distribution, sales representation and marketing
- Meet the growing demand for high quality contract brewing in Australia
- Reduce operating costs per litre through improved production efficiencies, line automation and reduced variable and raw material costs

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 Expand capacity and improve productivity using low cost capital inputs (good worldwide market for quality pre used brewing & packaging machinery)

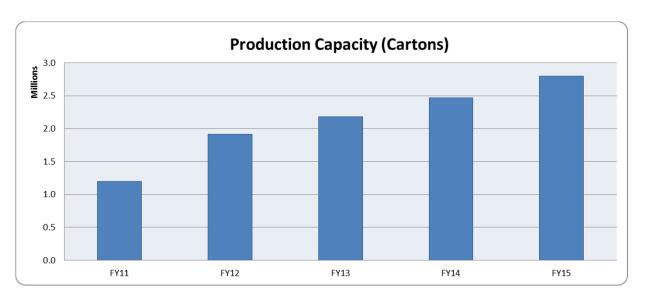
# Competitive Advantage

- Gage Roads' strategic partnership with Woolworths provides direct access to ~39% of the total liquor market and a growing "Private Label" beer market
- Gage Road's contract brewing model provides for a low (and competitive) total operating cost per litre as a result of very low marketing, distribution, sales representation and head office costs in comparison to traditional proprietary brand focused brewers

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 Gage Roads' size and commitment to small batch high quality brewing provides timely and market reactive product innovation for its contract brewing customers

## Next 4 Years – Future Growth



- "5 in 5": be Australia's 5<sup>th</sup> largest brewery in 5 years (Ending FY 15)
- Woolworths Liquor Group partnering the growth with ~39% share of the Australian liquor market
- Required \$9.6 m capital expenditure to build capacity and improve operating cost efficiencies

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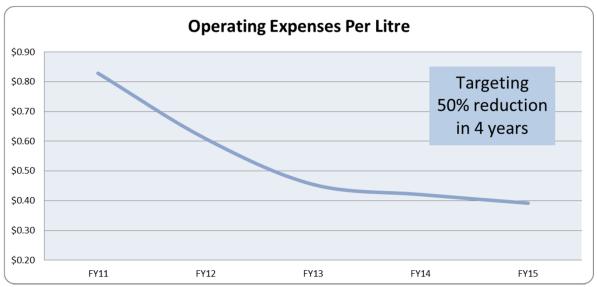
# 4 Year Capital Expansion Project

Project	Completion	Cost
General Brewery Upgrade	October 2011	\$0.8 M
Bottling Line Speed Upgrade	October 2011	\$1.7 M
General Brewery Upgrade	October 2012	\$2.2 M
Brew House Upgrade	October 2012	\$2.8 M
Fermentation & Filtration Upgrade	September, 2013 & 2014	\$2.1 M

### **Objectives**

- Increase production capacity to 3 million cases per annum by FY15
- Reduce operating costs per case by 50%
- \$4.1 million self funded, \$5.5 funded via ANZ facility

# Reducing Operating Costs By 50%



- Volume growth drives improved fixed cost utilisation
- CAPEX targeted to improve variable costs such as gas, electricity, water in, waste water out and CO<sup>2</sup>
- CAPEX targeted to improve packaging line speed and line operating efficiencies improving man-hour per case
- CAPEX on new brew house provides larger brew lengths and automation, improving man-hour per litre

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# **Earnings Outlook**

The Directors are confident that the Company's 4 year plan should deliver strong earnings growth

- Forecast strong production and sales volume growth
- Participation in the strongly growing Private Label segment
- Improving operating cost efficiencies

Further Growth Outlook (beyond 3 million cases)

- Geographical expansion
- East Coast capacity step change, either greenfields or acquisition