



## ASX ANNOUNCEMENT

28 October 2016

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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 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.

### APPENDIX 4C & PROGRESS UPDATE – 1<sup>ST</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 for the three months to 30 September 2016. Please find Appendix 4C – Quarterly attached.

#### 1st Quarter FY17 Highlights

- Sales of Gage Roads proprietary products from Woolworths retail stores to consumers up 19% on Q1 FY16 ("previous corresponding period" or "pcp");
- Independent retail channel sales of Gage Roads' proprietary brands up 110% (pcp);
- Draught sales of Gage Roads' proprietary products up 241% (pcp); and
- Gross Profit margin (pcp) improved from 51% to 54%.

#### Sales Results

Gage Roads has experienced strong demand for its proprietary brands through the Woolworths retail store network during Q1 FY17, with sales from Woolworths stores to consumers increasing by 19%, compared with the previous corresponding period.

Despite the improvement in sales out of Woolworths stores, the Company recorded lower sales into Woolworths during Q1 FY17. This well-anticipated 36% reduction in quarterly sales is a temporary inventory adjustment and, on an annualised basis, the Company expects to see growth in sales of its proprietary products to Woolworths.

In line with its 5-year '*Returning to Craft*' strategy to diversify its channels to market, the Company's sales to the independent retail channel were up 110% (pcp).

Sales of Gage Roads' draught products, being the most profitable component of the sales portfolio, have improved 241% when compared with the same period last year. This is also a strong indicator that the on-premise sales and distribution efforts that were applied to the Company's brands are proving successful.

Sales made through the Company's contract brewing division, Australian Quality Beverages (AQB), declined 24% (pcp), but are expected to recover in the coming quarters to be in line with FY16 total annual volumes.

Overall, the Company's gross profit margins improved from 51% to 54%, reflecting its strategy to diversify its sales mix from lower-margin, contract-brewed products, to higher-margin proprietary craft products.

Despite the lower comparative sales in Q1 FY17, the Company is on track to deliver on its strategy to achieve at least 11 million litres in sales per annum whilst achieving improved earnings through a shift to increased volumes of higher-margin products.

### **Operations update**

As announced on 12 October, the Company achieved a major milestone by adding Australian Liquor Marketers and 100Proof to its list of major wholesalers and distributors. Further progress has since been made by establishing core ranging through the Liquor Barons group, which operates 65 liquor retail outlets in Western Australia.

The Company has continued to establish its national sales force by appointing representatives in key markets, including New South Wales (2 appointments), Victoria (2) and Queensland (1). Western Australia's sales team has also received support through two additional brand ambassadors to meet growing demand for the Company's products.

Gage Roads has received an overwhelming response from customers and consumers following the first bottle packaging of its award-winning '*Little Dove*' product. Despite only being launched in September, the product has performed extremely well in-store with surging demand exceeding supply.

To capitalise on the existing growth in consumer awareness of the Gage Roads brands, the Company has also partnered with a number of major event organisers to secure exclusive pouring rights at several events to be held over the 2016/17 Australian summer.

### **Cash Flow and Balance Sheet**

Net operating cash outflows were \$0.8 million for the quarter and were a result of an increase in finished goods inventory required to meet anticipated demand during the upcoming summer period.

As at 30 September Gage Roads had received \$1.6 million of its \$10.1 million capital raising. Net of costs, the Company generated \$1.5 million from financing activities. The remaining \$8.5 million and associated costs will be recorded in Q2 FY17.

The Company finished the quarter with strong cash reserves of \$4.2 million.

### **1st Quarter FY17 Outlook**

Managing Director John Hoedemaker said the Company was well-positioned leading into the Australian summer period:

“On several measures Gage Roads is meeting its stated objectives and, following the recent capital raising, the Company has a strong foundation from which to continue to execute on our ‘Returning to Craft’ strategy.

“With the busy summer season ahead of us we expect to continue to deliver on the Company’s key milestones and to capitalise on our new distribution relationships and access to new markets,” Mr Hoedemaker concluded.

**- END -**

**Further information:**

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

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Media/Investor Relations  
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# 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> September 2016

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	9,802	9,802
1.2 Payments for		
(a) staff costs	(1,377)	(1,377)
(b) advertising and marketing	(239)	(239)
(c) research and development	--	--
(d) leased assets	--	--
(e) other working capital	(8,875)	(8,875)
1.3 Dividends received	--	--
1.4 Interest and other items of a similar nature received	--	--
1.5 Interest and other costs of finance paid	(140)	(140)
1.6 Income taxes paid	--	--
1.7 Other	--	--
<b>Net operating cash flows</b>	<b>(829)</b>	<b>(829)</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 (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	(829)	(829)
<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	(50)	(50)
(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>	(50)	(50)
<b>1.14 Total operating and investing cash flows</b>	(879)	(879)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	1,492	1,492
1.16 Proceeds from sale of forfeited shares	--	--
1.17 Proceeds from borrowings	--	--
1.18 Repayment of borrowings	(52)	(52)
1.19 Dividends paid	--	--
1.20 Other (provide details if material)	--	--
<b>Net financing cash flows</b>	1,440	1,440
<b>Net increase (decrease) in cash held</b>	561	561
1.21 Cash at beginning of quarter/year to date	3,559	3,559
1.22 Exchange rate adjustments to item 1.20	--	--
1.23 <b>Cash at end of quarter</b>	4,120	4,120

+ 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	159
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	9,721	9,634
3.2	Credit standby arrangements	2,000	--

+ See chapter 19 for defined terms.

**Appendix 4C**  
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**Reconciliation of cash**

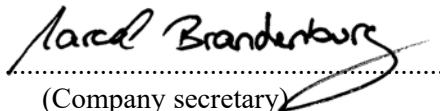
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	4,120	3,559
4.2 Deposits at call	--	--
4.3 Bank overdraft	--	--
4.4 Other (provide details)	--	--
<b>Total: cash at end of quarter (item 1.23)</b>	<b>4,120</b>	<b>3,559</b>

**Acquisitions and disposals of business entities**

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	NIL	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: 28 October 2016.  
 (Company secretary)

Print name: Marcel Brandenburg

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## 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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