



ASX ANNOUNCEMENT

24 March 2020

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MARKET UPDATE - COVID-19, OPERATIONS AND OUTLOOK

Gage Roads Brewing Co Ltd (ASX:GRB, Gage Roads, the Company) provides the following update regarding the potential impact of COVID-19 on operations and the short term outlook for the business.

Highlights:

- The Gage Roads brewery and supply chains remain fully operational
- Current production is operating at 80% higher than average output to meet recent surge in demand for packaged product
- New 400 can-per-minute canning line fully operational
- New 400 bottle-per-minute bottle filler fully operational
- Gage Road's own WA based cold-store facility currently holds several months stock on hand
- COVID-19 action plan in place with operations, suppliers and customers to mitigate supply chain risk
- Redfern venue construction to complete mid-April however opening delayed until August
- Previous H2 and full year earnings outlook unclear however the Company is experiencing a spike in demand for packaged product.
- Gage Roads expects to be able to meet its working capital needs

The Company has formulated a plan to manage the impact of COVID-19 focusing on the health and well-being of our people and the community and supporting our customers and their shoppers by maintaining operations and continuity of supply.

We are committed to ensure supply during this time. The Prime Minister has urged us all to "keep the economy going" and we intend to do our bit by maintaining production and supply. This commitment helps our customers so they can support their shoppers and our consumers.

People

To ensure the health and wellbeing of our people, we have implemented a range of measures to minimise the risk of infection and rate of transmission of COVID-19. These measures include health monitoring, increased hygiene practices, restrictions on non-essential travel, establishing strong infection control systems and protocols across the business and encouraging and facilitating remote working arrangements where practicable.

We have moved all non-production staff off-site to work from home and have also modified the structure of our brewing and packaging rosters to limit the risk of any potential COVID-19 spread. These changes ensure staff availability and flexibility to support production.

Operations

Our brewing, packaging and warehousing functions continue to operate effectively in compliance with the most recent government COVID-19 guidelines.

Gage Roads Brewing Co Limited is one of Australia's leading craft breweries. Since commencing brewing operations in 2004, Gage Roads Brewing Co Limited has been at the forefront of the thriving craft beer industry, producing some of Australia's most popular beer and cider brands including Alby, Hello Sunshine, Atomic Beer Project, Matso's Broome Brewery and the Gage Roads range of craft beers.

Gage Roads Brewing Co's distribution extends across Australia through its national sales and marketing team, Good Drinks Australia, providing its portfolio of award-winning beer and cider to Australia's leading retailers and hospitality venues.

Commissioning of our new high efficiency bottling and canning lines is complete and they are operating at full production capabilities. We are currently producing at a rate 80% higher than our average weekly output to meet strong recent demand for packaged product.

Earlier this year, Gage Roads established a 3,500sqm cold storage facility to ensure that once our products are stored in the best quality conditions until delivery to customers. This initiative significantly improves shelf-life and ensures our products taste great for longer. The Company currently has several months of stock on-hand in this facility to meet current spikes in demand.

We have engaged with our key suppliers to bring forward critical supplies of brewing and packaging materials to secure production capabilities for at least the next 2-3 months.

Gage Roads is also working with the replenishment teams of our key retail and wholesale partners to prioritise delivery of extra stock required in the near term.

The Company is confident these measures will maintain regular supply of our full range of products and avoid any out-of-stock scenarios for our customers.

Hospitality

We recognise our customers and partners in the hospitality sector are faced with difficult trading conditions and empathise with their situation. With the closure of the on-premise channel Gage Roads is adjusting production to accommodate lower draught sales in the near term. The Company is also committed to support customers in the on-premise trade when they are permitted to recommence trading.

Sales to Optus Stadium are currently on hold as there is no content scheduled at this venue for the foreseeable future. The Company has been in discussions with the Stadium operator and have reached an in-principle agreement on a pro-rata reduction in the fee structure, which minimises the potential financial impact on our business.

Whilst construction for our own hospitality venue for the Atomic Beer Project in Redfern is on track to be completed by mid-April, we have taken the decision to delay its opening and minimise operating expenditure. Without a clear view on when the hospitality sector will be permitted to re-open, we are tentatively planning for an opening in August 2020.

Outlook and Capital Flexibility

The COVID-19 situation is evolving and unpredictable and its impact on our business is uncertain. Accordingly we are unable to rely on previous earnings expectations for the remainder of the financial year.

Gage Roads is however fortunate that we are a business that can expect continued demand and we have the ability to service it.

We have a number of levers to ensure the business maintains its capital flexibility, including:

- Cashflows from on-going sales;
- Pre-existing flexible credit facilities with the Commonwealth Bank;
- Unwinding of seasonably high inventory balances;
- Utilising the stimulus programs provided by the ATO; and
- Adjustments to the cost base of the business.

At this point in time, with the above options at our disposal, the Company is able to support its capital needs.

Managing Director's Comment

“As the spread of COVID-19 continues, we are focused on the health and safety of our people, while supporting our customers and doing our bit to keep the economy going.

“We've been investing in high quality, high volume brewing and packaging capabilities for some time now. This scale and capability positions us well to support the craft category better than most.

“Our intention is to use it and bottle off every last drop in the brewery. If consumers want our beers during these extraordinary times then we'll be ready to supply.”

This announcement has been authorised by the Managing Director.

- ENDS-

Further information:

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