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GAGE ROADS

BREWING CO

Annual General Meeting

18 November 2014

11.30am WST, The Esplanade Hotel Fremantle



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FY 14 Review

- Revenue up 21% on prior year to \$27.4m
- Total production volume up 20% on prior year to 1.7m carton equivalents
- Keg production volume up 49% on prior year to 13.6k x 50L kegs
- Gross Profit margin of 47.5% achieved
- EBITDA down 67% to \$0.85m
- NPAT down 144% to (\$0.38m)
- Production fault had significant impact on FY14 profitability, now fully resolved

GRB Opportunity at a glance

- Craft market in Growth, significant momentum – craft is at an inflection point
- Competitive advantage in craft and contract customers in growth
- Retail partners to support sales growth
- Successful proprietary brands redeveloped and extended to support growth
- A flexible brewing facility that can produce a wide variety of beer, cider and other beverages without re-tooling
- GRB is a readily scalable business, with an expectation for increased volume over the next few years
- Applied to strong and sustainable gross profit margins at 50%
- Combined with a relatively fixed cost structure
- Provides the opportunity for sustained and substantial earnings growth for Shareholders

Gage Roads' Growth Plan

GRB Growth Plan

Production

- Triple production capacity to 3 million cartons
- Target full utilisation of existing plant by FY17
- Reduce operational risks

Costs

- Reduce operating costs per case by 50% at full utilisation.
- Maintain GP at 50% or higher

Sales

- Continue partnering the growth of Woolworths' exclusive brands strategy
- Continue as Australia's # 1 contract craft brewery
- Increase Gage Roads brand awareness and value
- Increase alternative channels to market, draught, on premise

Productivity

Building a Better Place to Work: improving performance culture, improving work environments and amenities, focusing on core values and cultural change to improve behaviours and improve productivity.

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Key Objectives and Strategies

1. Deliver Volume Growth

- Three Tier Growth Strategy
- Focus on craft market in growth

2. Maintain gross profit margin

- Sustainable gross profit margin through focus on craft segment and diversification of product mix and customer base

3. Keep a lid on operating costs

- Operational focus on driving improvement of plant efficiencies
- Continuous improvement program (CAPEX)
- Improving performance culture via measurable objectives

4. Reduce risks

- Warehousing strategy
- Continuous improvement program (CAPEX)
- Increase alternative channels to market, draught, on premise

Earnings Growth

1. Deliver Volume Growth: Three-tier growth strategy

Plan

- Continue to support the Woolworths ' exclusive label strategy
- Organic growth of existing products (mainstream, craft and ciders)
- 1m minimum annual case commitment in place
- New Product development that meet margin models of both businesses

- Taking advantage of the rapid growth in the craft market
- Investing in increasing the value of our brands
- Increasing draught presence in WA
- Remain "Australia's #1 Craft Brewery"

- Maintain competitive advantage through continuous improvement and high quality, efficient craft beer production
- Organic growth of customer's products
- Target existing successful brands in growth
- Remain "Australia's #1 Craft Brewery"

Update

- Achieved 17% growth in FY14
- Developed new beer products
- Developed new cider products

- Brand refresh completed
- 3 new SKU's provide incremental sales
- Good momentum in WA on-premise strategy, achieved ranging in 30 venues.
- Products fully ranged in Woolworth's retail channels and are well-positioned in rapidly growing craft market

- 67% growth achieved for FY14
- Strong growth anticipated from existing customers

2. Maintain 50% Gross Profit Margin

- New price increases put forward to customers to achieve re-alignment of our gross profit to 50%
- Price increases will take effect from September to February

3. Keep a lid on Operating Costs:

- Additional Capital Expenditure Currently Under Consideration To Meet Targeted 50% Reduction In Operating Costs
- Continue To Invest In Increasing Efficiencies As Part Of Our Continuous Improvement Program
- Warehousing Strategy To Provide Greater Operational Efficiencies, Thus Driving Down Operating Costs

4. Reduce risks

- Warehousing strategy

 - Provides buffer between operational risks and revenue stream

 - Improves customer service and logistical efficiencies (DIFOT)

 - Enables longer pack-runs to take advantage of higher efficiencies to drive down operational costs

- Continuous improvement program (CAPEX)

 - Continuous maintenance and improvement program to retain our competitive advantage

- Increase alternative channels to market, draught, on premise

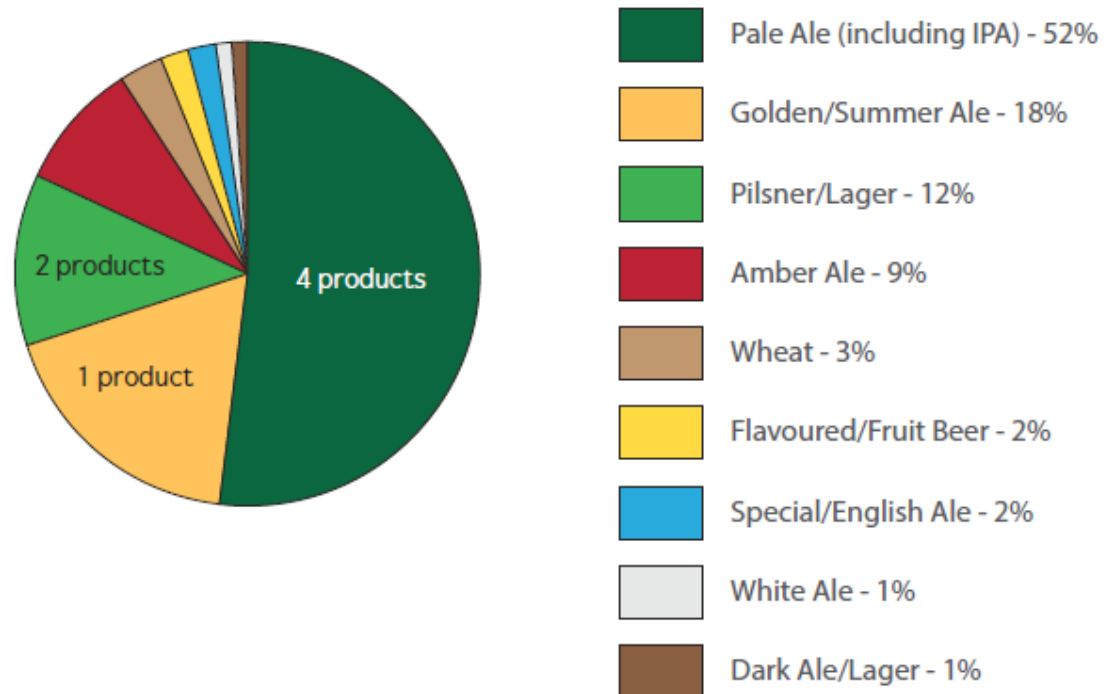
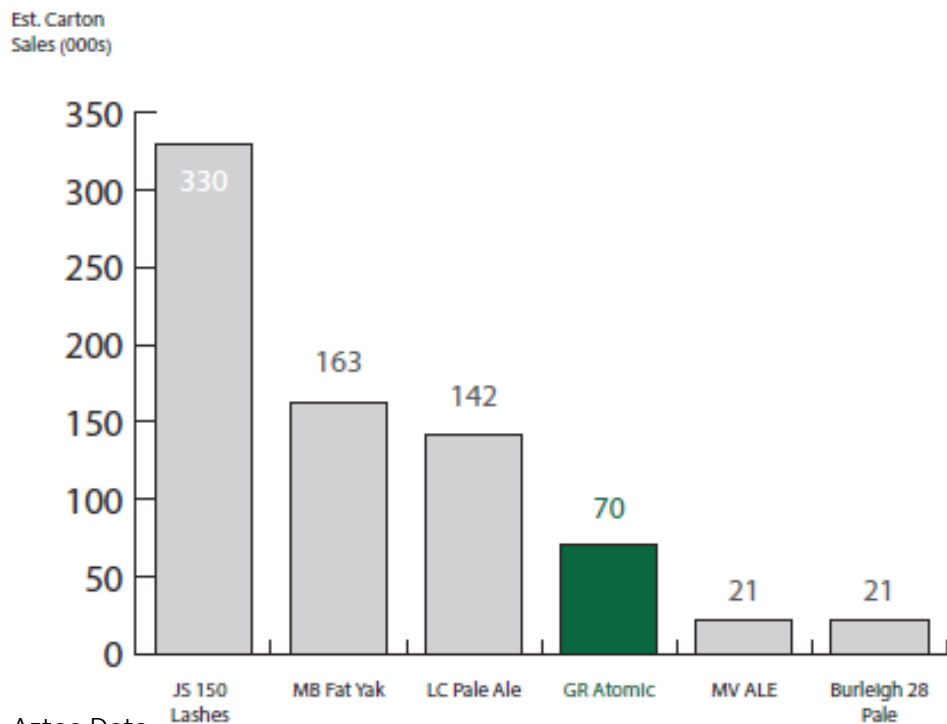
 - Enter on-premise markets in draught and packaged product in WA to prove up business case for national distribution

 - Good momentum achieved with GRB products currently being ranged in 47 bars, restaurants and independent bottleshops

Marketing update

- Craft market growing at 11%
- Gage Roads is the 4th biggest selling craft brewer in Australia
- Sleeping Giant IPA - More people consume Sleeping Giant IPA than any other IPA in Australia
- Atomic Pale Ale is 4th most popular Pale Ale in Australia

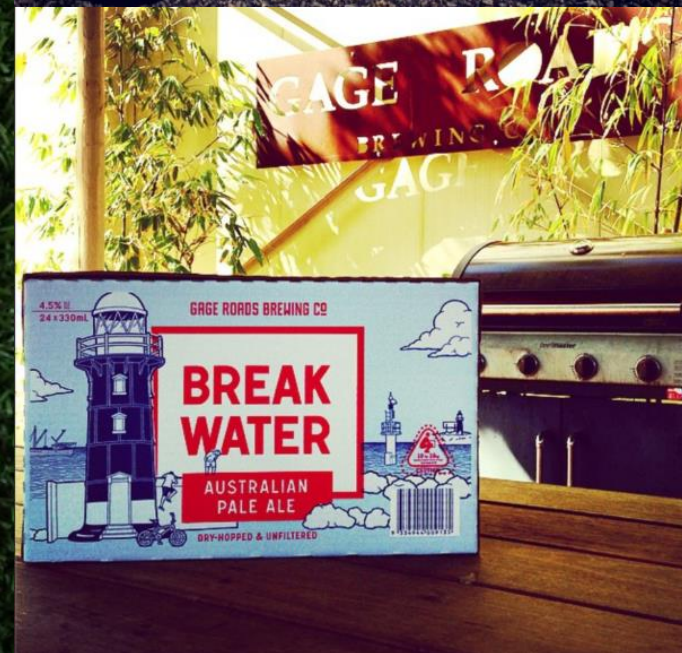
EST. CARTON SALES FY 14 - PALE ALE CATEGORY



Brand refresh of proprietary brands now complete

3 new products launched into craft range – *Breakwater Australian Pale Ale, Narrow Neck Session Ale, Summer Ale*

2 existing products refreshed – *Atomic Pale Ale, Sleeping Giant IPA*



Sub-brands to distinguish between craft and premium lager products

2 existing products refreshed – *Small Batch Lager* and *Premium Mid Pils 3.5*



Wahoo Summer Lager has also been launched

Shipping to store shelves of all new and refreshed products has commenced



Outlook for FY15

- Continuing growth in demand from other contract brewing customers
- Good growth for GRB proprietary products expected with re-freshed brands and 3 new SKU's
- Woolworth's sales growth in line with market category expectations of 10%
- Gross Profit Margin of 50% (FY14: 47.5%)
- Softer earnings expected for H1FY15. Short-term sales will be affected as customers drive down their inventory levels to take advantage of our warehousing offering
- Provided underlying consumer demand growth remains strong, the impact of changes in customer's warehousing positions on earnings is a timing-related issue and is not expected to impact on FY15 full-year earnings
- Warehousing strategy expected to improve production efficiencies and improve DIFOT capabilities

The Gage Roads Crew

Gage Roads is “Building a Better Place to Work” by:

- Improving the working environment, improving amenities, ensuring safety
- Focusing on core values and cultural change to improve behaviors and improve productivity
- Making Gage Roads a fun place to work
- Improving performance Culture

Gage Roads Core Values

- To stay true to our obsession with quality
- To continuously improve productivity and profitability
- To make it easy for our customers and suppliers to do business with us
- To show respect for and value our people, our community and our environment
- Be honest and transparent with the people we work with
- To have fun doing it!



Thank you to our partners

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