



**BiG ROCK**  
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# Annual Meeting of Shareholders Management Presentation

May 11, 2017



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# Cautionary Statement

## Caution Regarding Forward-Looking Statements

Certain statements contained in this presentation constitute forward-looking statements. These statements relate to future events or Big Rock's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "plans", "expects", "intends" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Big Rock believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this presentation not be unduly relied upon by investors as actual results may vary materially from such forward-looking statements. These statements speak only as of the date of this presentation and are expressly qualified, in their entirety, by this cautionary statement. In particular, this presentation contains forward-looking statements pertaining to the expected ability of the Ontario brewpub to expand distribution of the Corporation's products in Ontario; and the success of new packaging and logo in the future. With respect to the forward-looking statements listed above and contained in this presentation, management has made assumptions regarding, among other things, the Ontario brewery will enable increased distribution of the Corporation's volumes in Ontario; and new packaging introduced will result in incremental sales volumes. Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking information and statements contained herein include, but are not limited to the inability to secure additional listings and distribution channels for sale of its products in Ontario; and the inability to generate additional demand or brand loyalty through packaging and logo redesign.

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## Caution Regarding Non-GAAP Financial Measures

These slides and the accompanying verbal presentation reference non-GAAP financial measures, including "total capitalization", "net debt to total capitalization ratio", "earnings before interest, taxes, depreciation and amortization ("EBITDA") to net debt", and "EBITDA to interest, debt repayments and dividends ("fixed charges")". These are non-GAAP financial measures and should not be considered as an alternative to net income, operating income, or any other measure of financial performance calculated and presented in accordance with GAAP. These non-GAAP measures have inherent limitations and therefore undue reliance should not be placed on them. Total capitalization is calculated by adding shareholders' equity, total debt and cash balances. EBITDA is calculated by adding back to net income, interest, income taxes and depreciation and amortization. EBITDA to net debt is calculated by dividing EBITDA by net debt (debt minus cash) and EBITDA to fixed charges is calculated by dividing the combined interest, debt repayments and dividend amounts by EBITDA. Management uses these ratios to evaluate the Corporation's operating results. **For additional commentary and a full reconciliation of non-GAAP financial measures to their most comparable GAAP measures, please refer to <http://bigrockbeer.com/connect/investors> (2016 Financial Results – 2016 4<sup>th</sup> Quarter Report).**

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## Key Accomplishments

- Commissioning of the Ontario brewery in Etobicoke
- Opening of Liberty Commons brewpub restaurant in Toronto
- Renegotiation of credit facilities
- Sale of unused land in Calgary
- Rebranding and packaging redesign

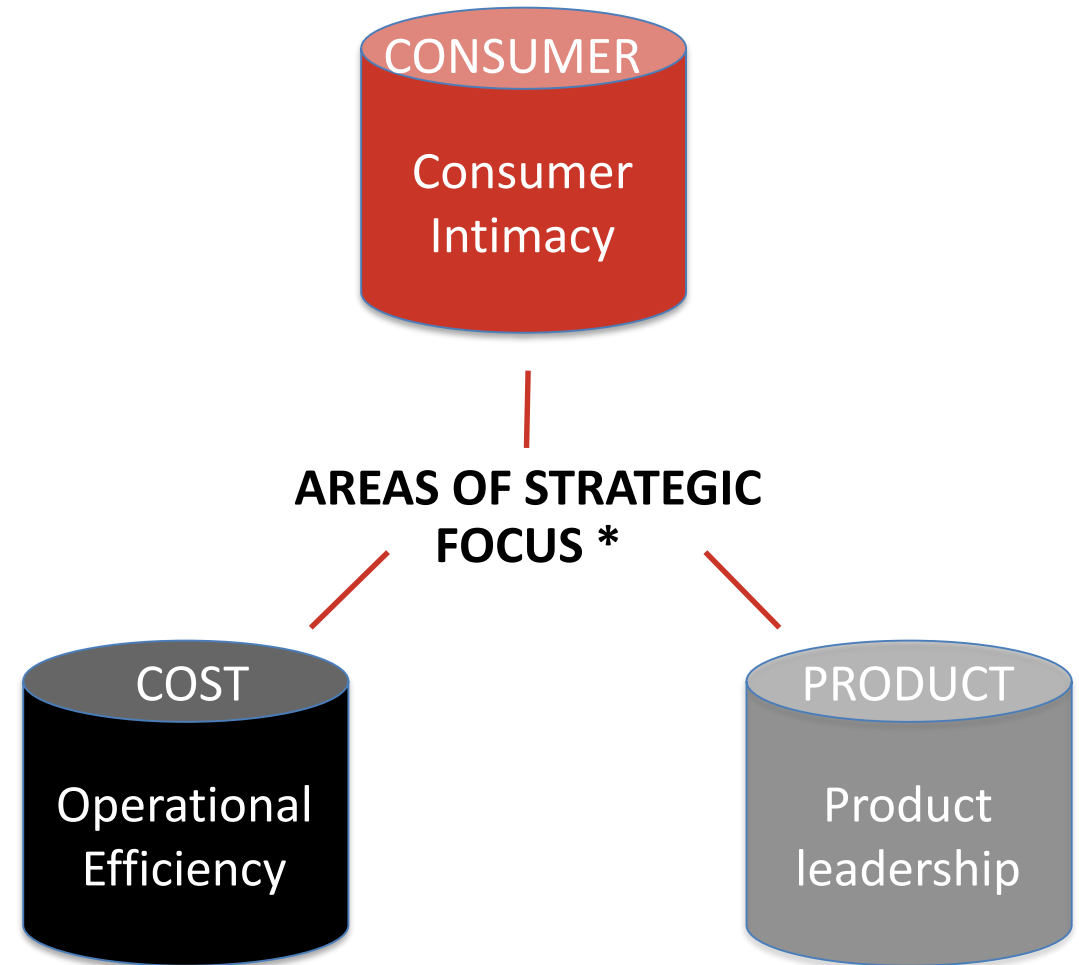


## Key Challenges

- Government policy
- The continued flight to lower priced beer – particularly in Alberta
- Sustained, intense competition

## Strategic Differentiator

- Three components of strategic value creation:
  - Cost / Operational Efficiency
  - Consumer Intimacy
  - Product leadership / Innovation
- All three are important, but only one can be the overarching strategic differentiator

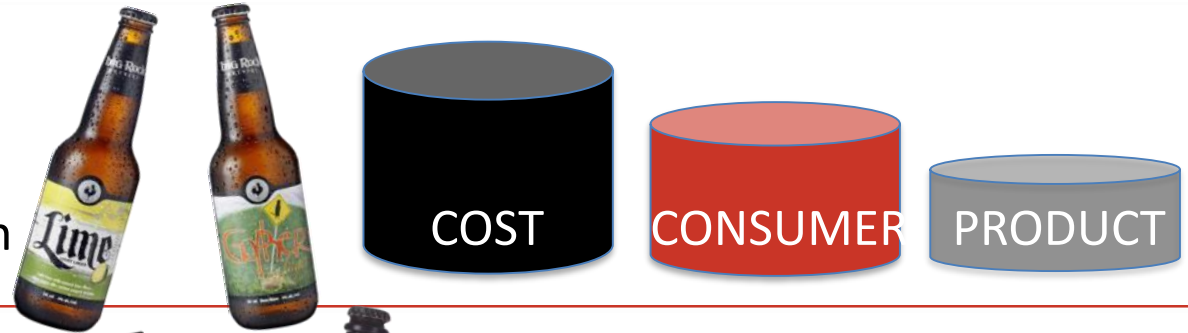


*\* Treacy & Wiersema*

# Big Rock – Yesterday and Today

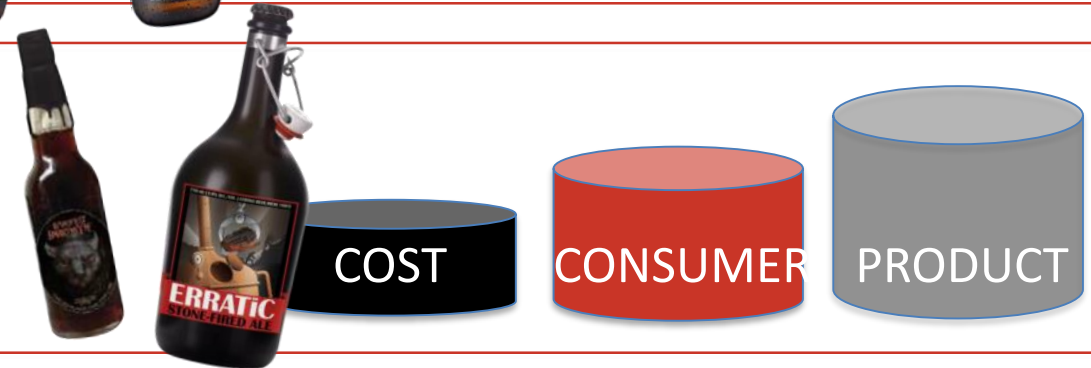
## 2009-2011 – MACRO “BIG BEER”

- Few product lines
- Focus on cost, efficiency, volume
- Centralized, highly efficient production



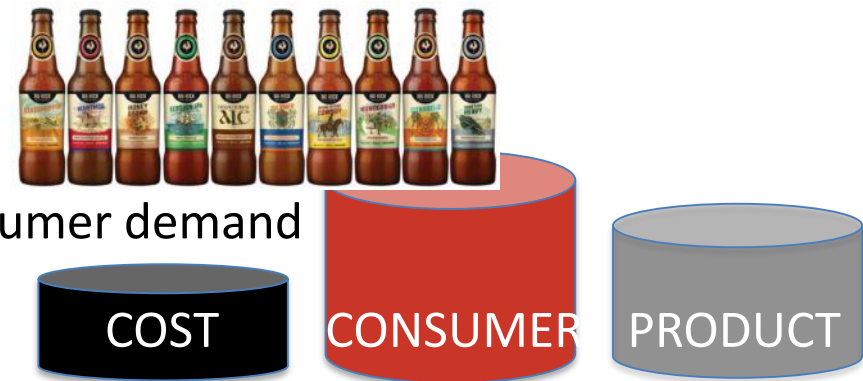
## 2012-2014 – MICRO

- Experiment with trends – ‘bleeding edge’
- Emphasize creativity & constant innovation
- Fast to market - in and out



## 2015-Today – CRAFT

- Consumer driven
- Requires segmenting and targeting markets precisely
- Continuously shape product assortment to meet consumer demand
- Timely focus on consumer awareness in new markets
- Focus on efficiency in mature markets



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## Target Segment – “Taste Seeker”

| Segment Size | Beers per month | Spend per month | Brands drank last 3 months | Categories           | Alcohol Preference | Demographics  | Self Described                                       |
|--------------|-----------------|-----------------|----------------------------|----------------------|--------------------|---|--|
| 23%          | 21              | \$106.80        | 5.2                        | More craft & Premium | 50% prefer beer    | Younger, professional, urban males with University degree | Professional<br>Active<br>Social<br>Quiet<br>Relaxed |



Consumers drink across categories & preferences are changing...

Big Rock is well-positioned ...

Macro

Premium

Craft

Micro





# Big Rock Today

- Multi-province footprint
  - Alberta
  - Ontario
  - British Columbia
- Consumer-driven
  - Building brand awareness
  - Acting on consumer feedback
- Focused on improving profitability
- Positioned for profitable growth
- Product innovation and industry leadership
  - Three brewmasters, three geographies



# Multi-Province Footprint



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## Consumer Driven

- Building brand awareness
  - National rebrand
  - Beer awards
  - Folk music festivals
  - Brewery as a destination
  - Random acts of Big Rock
  - Strut your stuff campaign
- Acting on consumer feedback
  - Social media and website debates and surveys



## Focused on Improving Profitability

- Continue to grow sales volumes
- Increase profit margins
- Reduce operating costs
- Increase brewery efficiencies



## Positioned for Profitable Growth

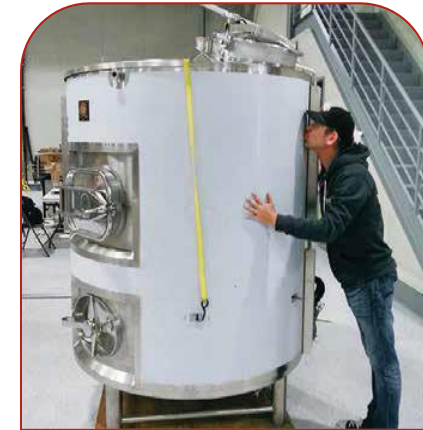
|                          | Hectolitres | % of<br>Production |
|--------------------------|-------------|--------------------|
| 2016 production (hl)     | 199,454     |                    |
| Spare capacity (hl)      | 53,346      |                    |
| Current capacity (hl)    | 252,800     | 126.75%            |
| Potential additions (hl) | 187,200     |                    |
| Potential capacity (hl)  | 440,000     | 220.60%            |
| Cap Ex required (\$000s) | \$ 4,070    |                    |
| Incremental cost per hl  | \$ 21.74    |                    |

# Product Innovation and Industry Leadership

## ➤ Alberta

Brewmaster Paul Gautreau

- Nano and pilot breweries
- Barrel beer
- Custom built sour room
- Alberta Unity Brew event



## ➤ British Columbia

Brewmaster Jody Hammell

- Pilot brewery
- Bee hives
- Citradelic



## ➤ Ontario

Brewmaster Connor K. Patrick

- Restaurant brewery



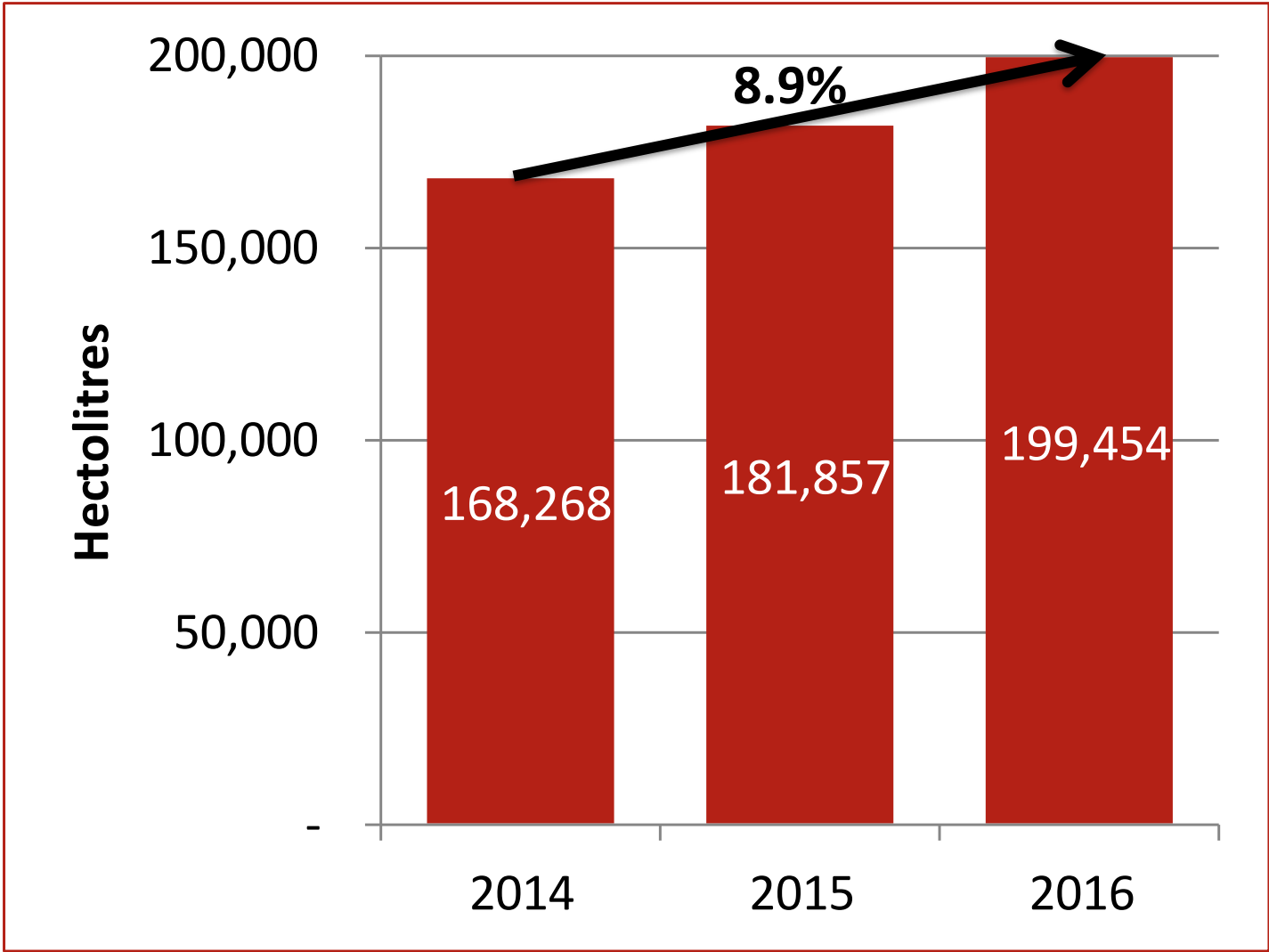
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# Financial Update



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# Annual Results – Sales Volumes

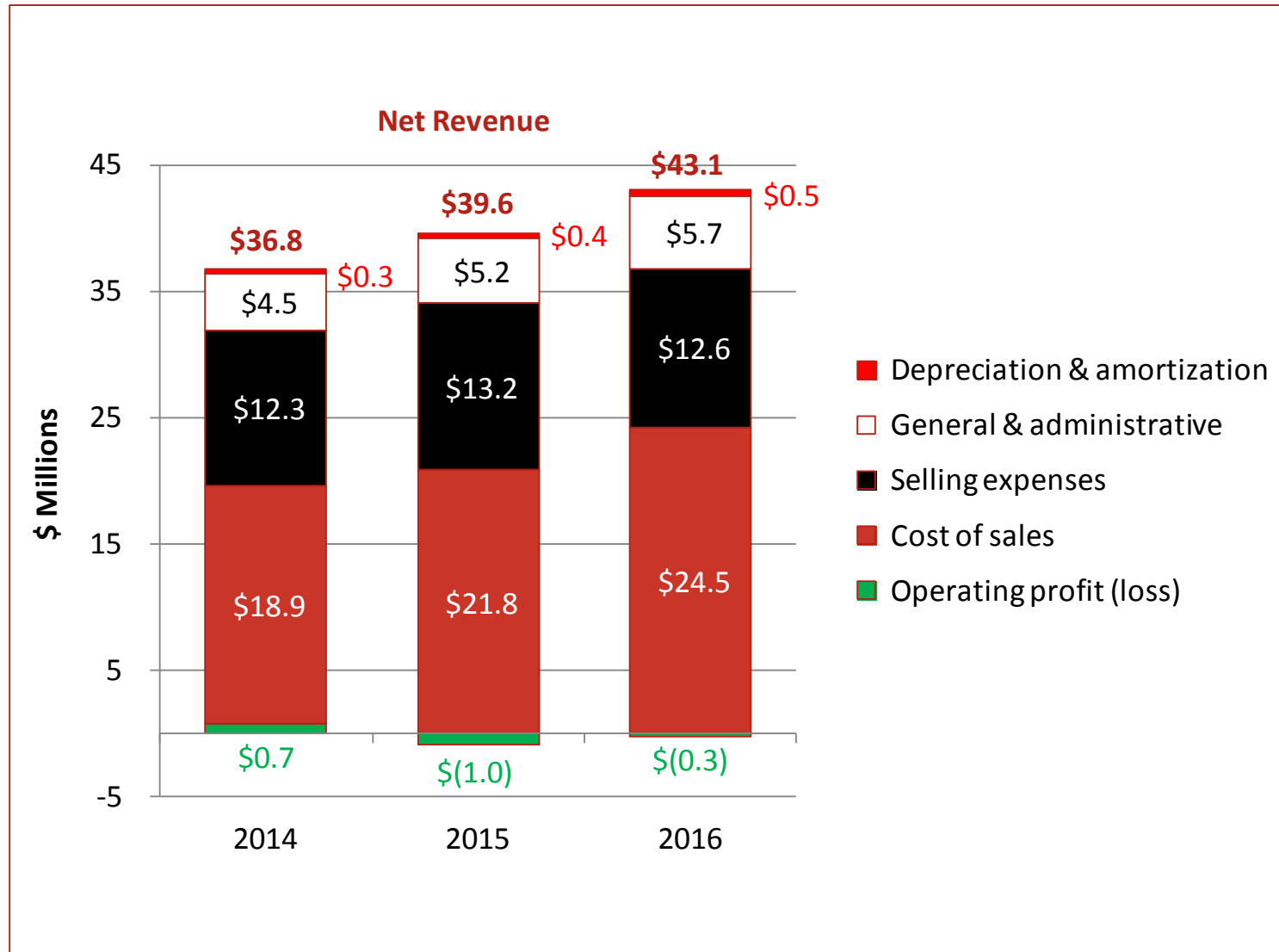


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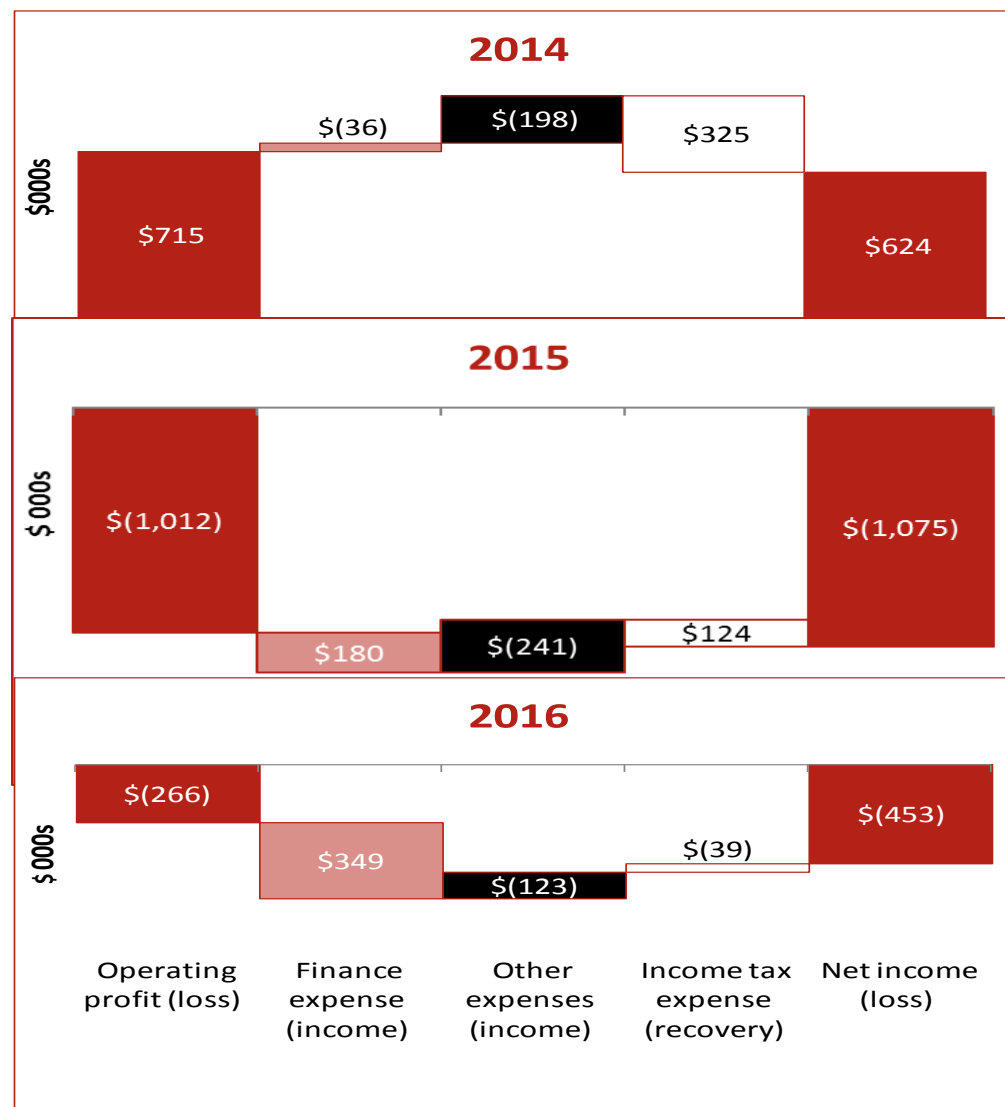


# Annual Financial Results – Operating Profit (Loss)



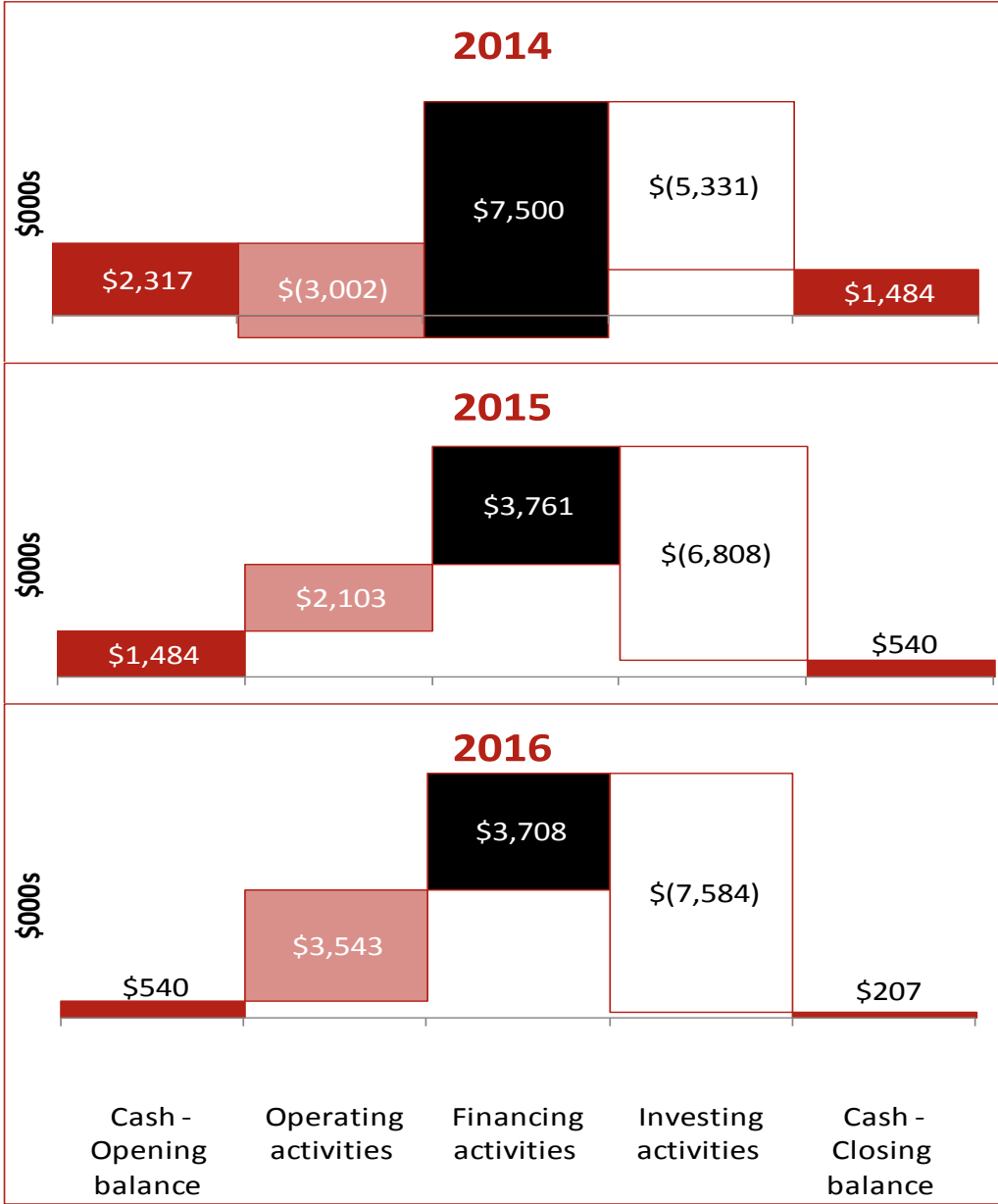
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# Annual Financial Results – Net Income (Loss)

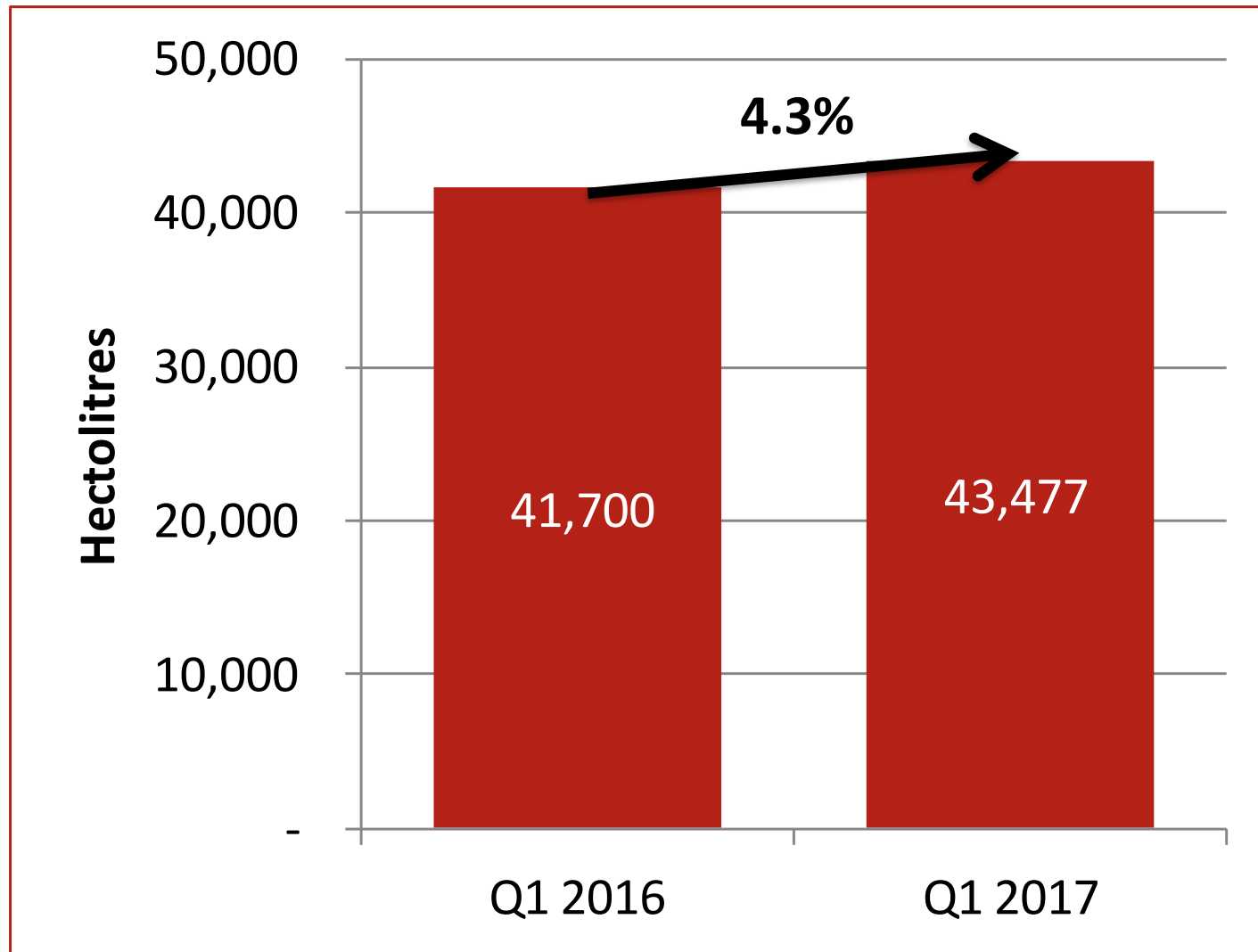


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# Annual Financial Results – Cash Flow

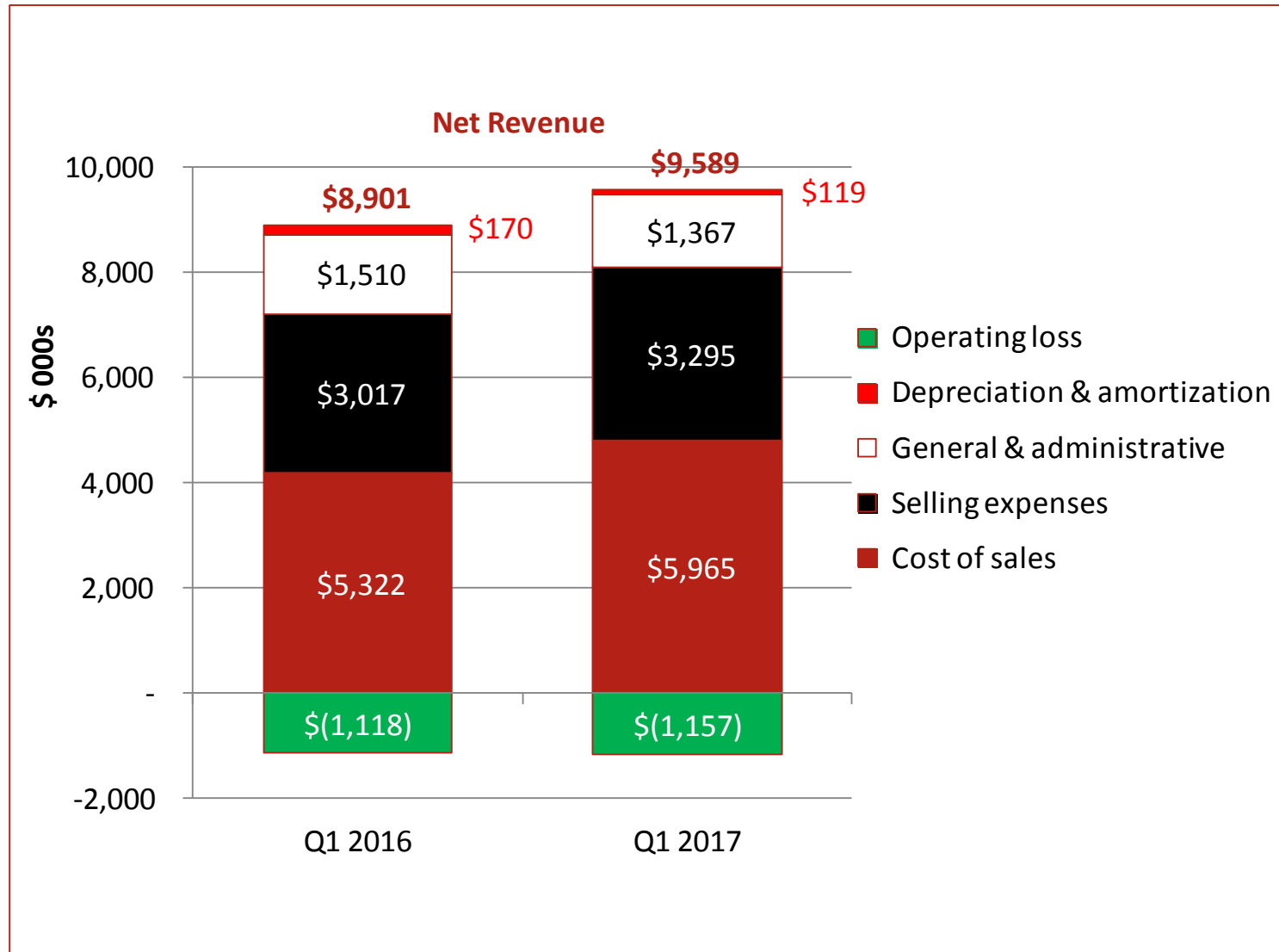


## First Quarter Results – Sales Volumes



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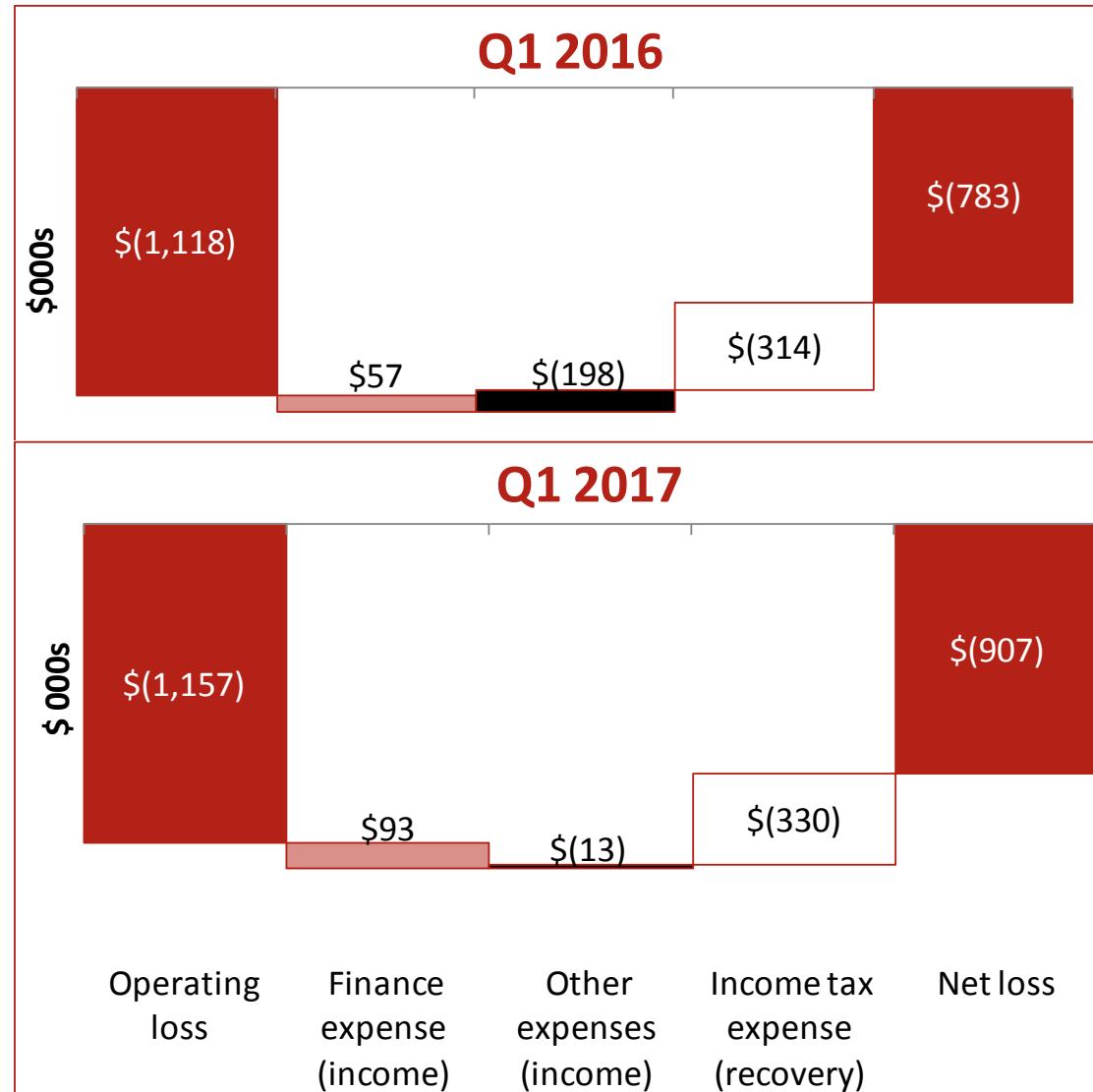
# 1<sup>st</sup> Quarter Financial Results – Operating Loss



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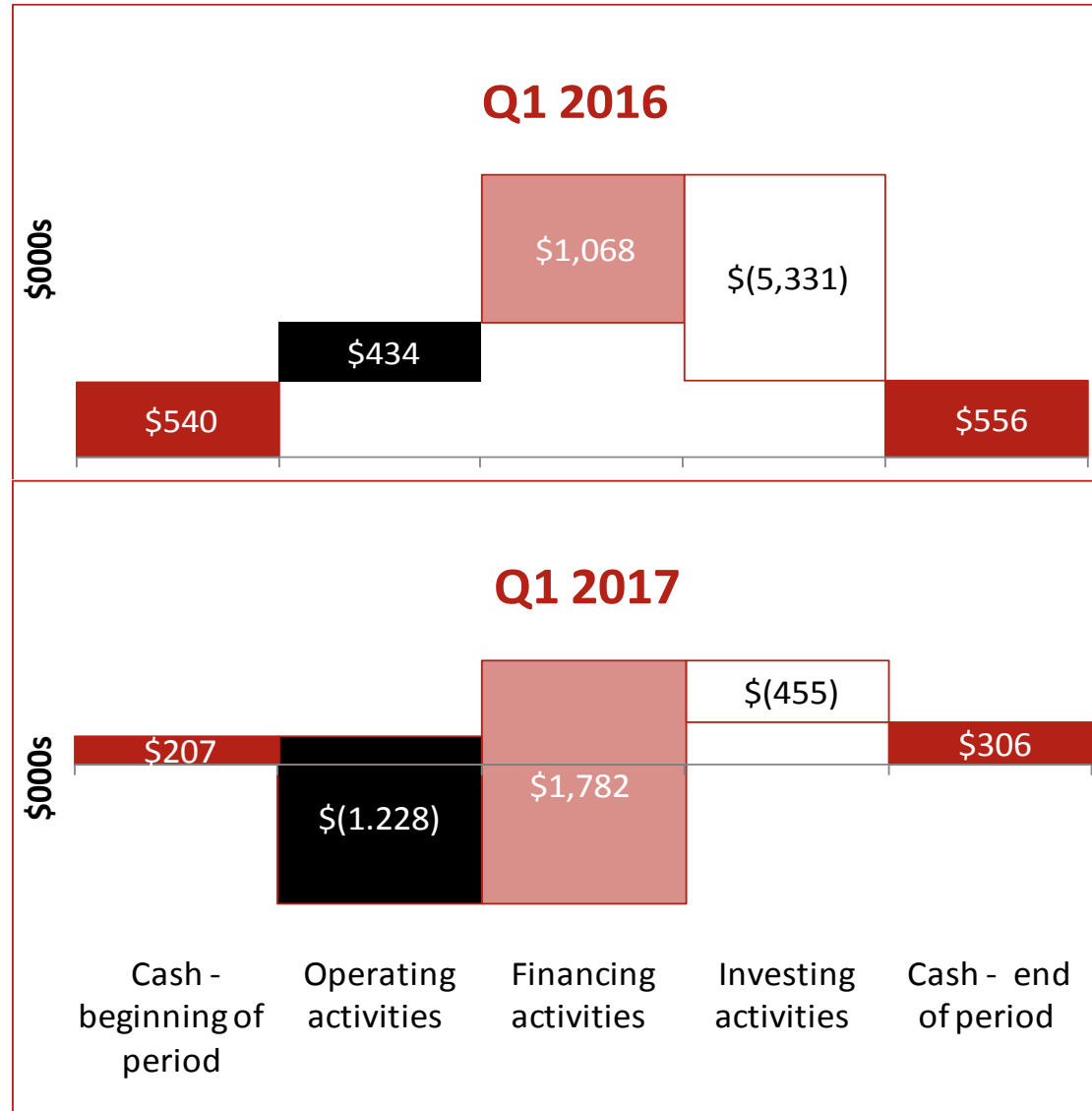


# 1<sup>st</sup> Quarter Financial Results – Net Income (Loss)



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# 1<sup>st</sup> Quarter Financial Results – Cash Flow



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## Positioned for Success

- Major capital expenditures are behind us
- Renegotiated credit facilities with improved terms
- Land sale closed in Q2, balance of the funds in Q4
- Continued focus on improved margins
  - *Top line: product mix focus on Signature Series*
  - *Expenses: ongoing operational efficiency focus*
- Focus on extracting value from our retail operations
  - *Consumer focused; Brewery as a Destination*







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# Questions?

