



For Immediate Release

## **BIG ROCK BREWERY INC. ANNOUNCES Q3 2017 FINANCIAL RESULTS**

November 2, 2017 – Calgary, Alberta – Big Rock Brewery Inc. (TSX: BR) (“Big Rock” or “the Corporation”) today announced its financial results for the three and nine months ended September 30, 2017.

“Big Rock continued to grow production volumes and net revenue during the third quarter of 2017,” said CEO Wayne Arsenault. “Although our operating results were impacted by increased costs caused by Alberta government revisions to the provincial markup and grant structure, our net markup rate (markup less grant) improved in September due to steps we have taken to optimize our Alberta sales volumes and profit margins, and we expect this improvement to continue. In Ontario, sales more than doubled due to the addition of the Etobicoke brewery in the fall of 2016 and the Liberty Commons at Big Rock Brewery restaurant in early 2017. Although the pace of growth in Alberta was tempered by the discontinuance of two low margin products, this was partially offset by increased sales of other products. Declining sales in British Columbia, due to our efforts to improve margins by de-emphasizing value-priced products and an increase in the number of competing breweries in the province, partly offset sales increases in other provinces.”

### **Financial Highlights**

For the quarter ended September 30, 2017, compared to the third quarter of 2016, the Corporation:

- increased sales volumes by 5%, from 54,237 hectolitres (“hl”) to 57,075 hl;
- increased net revenue by 6%, from \$11,669 thousand to \$12,399 thousand;
- reported an operating loss of \$159 thousand, compared to an operating profit of \$416 thousand;
- reported a net loss of \$179 thousand compared to net income of \$234 thousand; and
- used cash in operating activities of \$996 thousand compared to cash provided from operating activities of \$3,015 thousand.

For the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016, Big Rock:

- increased sales volumes by 6%, from 152,461 hl to 162,255 hl;
- increased net revenue by 9%, from \$32,687 thousand to \$35,484 thousand;
- increased operating loss to \$1,070 thousand from \$46 thousand;
- increased net loss to \$879 thousand from \$166 thousand; and
- used cash from operating activities of \$1,591 thousand compared to cash provided from operating activities of \$3,585 thousand.

## Operating Highlights

Big Rock's operating results for July and August of 2017 continued to be negatively impacted by increased costs caused by the Alberta government's revision in August 2016 to the markup and grant structure. Under this revised structure, the maximum grant available to producers is achieved at an equivalent annual Alberta sales level of 150,000 hl. The amount of grant a producer can qualify for is reduced below the maximum, on an increasing scale, as sales in Alberta exceed 150,000 hl. Big Rock's Alberta sales volumes exceed this threshold, which has resulted in higher net costs per hectolitre ("hl") compared to the costs per hl imposed by the markup program that was in place during the first half of 2016. In order to improve Big Rock's grant rate going forward, the Corporation has taken steps to optimize its Alberta sales volumes and profit margins by discontinuing two lower margin products. As a result, Big Rock's net markup rate (markup less grant) improved in September 2017 and the Corporation expects this to continue for the next six to twelve months. Big Rock will continue discussions with the Alberta government with the objective of improving the environment for growth beyond 150,000 hl in the province. The number of limited-time offer price discounts presented to customers during the first nine months of 2017 were reduced, and to further alleviate the impact of the higher net markup rates, price increases have been put in place in Alberta for the fourth quarter of 2017 on Big Rock's value-priced and private-label products.

Big Rock grew production volumes and net revenue for the three and nine months ended September 30, 2017. In Ontario, sales more than doubled, when compared to the same period in 2016, due to the addition of the Etobicoke brewery in the fall of 2016 and the Liberty Commons at Big Rock Brewery restaurant in early 2017. Big Rock beer products are now available in all three key retail channels in Ontario: the Liquor Control Board of Ontario retail stores, The Beer Store outlets and licensed grocery chains.

Although the pace of growth in Alberta during the third quarter was tempered considerably by the discontinuance of two low margin products, this was partially offset by increased sales of both Alberta Genuine Draft ("AGD"), Big Rock's most approachable lager, and Big Rock branded products.

Sales of Big Rock products in British Columbia ("BC") declined during the third quarter of 2017 compared to the same period in 2016, due to a conscious effort to improve margins by de-emphasizing value-priced products, and an increase in the number of breweries and products vying for a limited number of listings available through BC government and retail channels.

Sales of Big Rock packaged products increased in the quarter, particularly in Alberta, led by AGD, private-label brands, the limited-edition Canada 150 and fall edition variety packs, Big Rock's flagship Traditional brand and newer brands such as Pilsner and Rhinestone Cowboy. The packaged product increases were partially offset by decreases in keg sales due to overall industry declines in keg sales and the proliferation of new craft breweries in Alberta, which tend to sell exclusively in keg format in their early stages. Similar trends were seen in the Corporation's private-label business, where new packaged products contributed to increased sales but on-premise keg sales declined.

## Summary of Results

\$000, except hl, per hl and per share amounts	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Sales volumes (hl)	57,075	54,237	162,255	152,461
Net revenue	\$ 12,399	\$ 11,669	\$ 35,484	\$ 32,687
Operating profit (loss)	(159)	416	(1,070)	(46)
Net income (loss)	(179)	234	(879)	(166)
Net income (loss) per share	\$ (0.03)	\$ 0.03	\$ (0.13)	\$ (0.02)
<b>\$ per hl</b>				
Net revenue	\$ 217.24	\$ 215.15	\$ 218.69	\$ 214.40
Cost of sales	\$ 124.45	\$ 112.97	\$ 127.85	\$ 118.14
Operating profit (loss)	\$ (2.79)	\$ 7.67	\$ (6.59)	\$ (0.30)

## Additional Information

The unaudited consolidated financial statements and Management's Discussion and Analysis for the three and nine months ended September 30, 2017, dated November 2, 2017 can be viewed on Big Rock's website at [www.bigrockbeer.com](http://www.bigrockbeer.com) and on SEDAR at [sedar.com](http://sedar.com) under Big Rock Brewery Inc.

## Forward-Looking Information

Certain statements contained in this news release 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 information are not facts, but only predictions and generally can be identified by the use of statements that include words or phrases such as, "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "likely", "may", "project", "predict", "propose", "potential", "might", "plan", "seek", "should", "targeting", "will", 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 News Release 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 News Release and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this News Release contains forward-looking statements pertaining to the following:

- supply and demand of Big Rock's products;
- the impact of recent changes in Alberta markup rates; and
- the expected reduction in the net markup rate (markup less grant) in effect in Alberta for future periods.

With respect to the forward-looking statements listed above and contained in this News Release, management has made assumptions regarding, among other things:

- volumes in the current fiscal year will remain constant or will increase;

- input costs for brewing and packaging materials will remain constant or will not significantly increase or decrease;
- there will be no material change to the regulatory environment in which Big Rock operates;
- there will be no supply issues with Big Rock's vendors; and
- the Corporation's ongoing discussions with the Alberta Government with respect to the markup and grant program will be successful in improving the markup and grant programs applicable to Big Rock.

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 continue to reduce the net markup rate in Alberta; and
- the inability to continue to grow demand for Big Rock's products.

Readers are cautioned that the foregoing list of assumptions and risk factors is not exhaustive. The forward-looking information and statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking information and statements included in this News Release are made as of the date hereof and Big Rock does not undertake any obligation to publicly update such forward-looking information and statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

## **About Big Rock Brewery Inc.**

In 1985, Ed McNally founded Big Rock to buck the time's beer trends. Three bold, European-inspired offerings - Bitter, Porter and Traditional Ale - forged an industry at a time heavy on easy drinking lagers and light on flavour. Today, our ten signature beers, ongoing seasonal offerings, four ciders (Rock Creek Cider® series) and custom-crafted private label products keep us at the forefront of the craft beer revolution, still proudly bucking the time's beer trends. Big Rock brews in Calgary, Alberta, Vancouver, British Columbia, and Toronto, Ontario. For more information on Big Rock Brewery visit [www.bigrockbeer.com](http://www.bigrockbeer.com)

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