



For Immediate Release

## **BIG ROCK BREWERY INC. ANNOUNCES 2017 FINANCIAL RESULTS AND DATE OF ANNUAL MEETING**

March 8, 2018 – Calgary, Alberta – Big Rock Brewery Inc. (TSX: BR) (“Big Rock” or “the Corporation”) today announced its financial results for the three months and year ended December 30, 2017.

“Big Rock grew production volumes by 5% and net revenue by 8% in 2017,” said CEO Wayne Arsenault. “Although our annual operating results were negatively impacted by the provincial mark-up and grant structure implemented by the Alberta government late in 2016, our net mark-up rate (mark-up less grant) improved in the fourth quarter due to steps we have taken to optimize our Alberta sales volumes to the current grant structure. We expect this improvement to continue until the semi-annual remeasurement of the Alberta grant rate at the end of July 2018. In Ontario, Big Rock beer products are now available in the Liquor Control Board of Ontario retail stores, The Beer Store outlets and licensed grocery chains, and sales more than doubled with the addition of the Etobicoke brewery in the fall of 2016 and the Liberty Commons at Big Rock Brewery restaurant in early 2017. Sales declined in British Columbia, due to our efforts to improve margins by de-emphasizing value-priced products and ever-increasing competition in that province.”

### **Financial Highlights**

For the three months ended December 30, 2017, compared to the fourth quarter of 2016, Big Rock:

- increased sales volumes by 0.4%, from 46,993 hl to 47,165 hl;
- increased net revenue by 6%, from \$10,439 thousand to \$11,089 thousand;
- reported operating income of \$33 thousand, compared to an operating loss of \$220 thousand;
- reduced its net loss to \$141 thousand from \$287 thousand; and
- provided cash from operating activities of \$3,005 thousand, compared to cash used in operating activities of \$42 thousand; and
- reduced debt \$3,881 thousand.

For the year ended December 30, 2017, compared to 2016, the Corporation:

- increased sales volumes by 5%, from 199,454 hectolitres (“hl”) to 209,420 hl;
- increased net revenue by 8%, from \$43,126 thousand to \$46,573 thousand;
- reported an operating loss of \$1,037 thousand, compared to an operating loss of \$266 thousand;
- reported a net loss of \$1,020 thousand, compared to a net loss of \$453 thousand; and
- provided cash from operating activities of \$1,414 thousand compared to cash provided from operating activities of \$3,543 thousand; and
- reduced debt by \$2,434 thousand.

## Operating Highlights

Big Rock's operating results for the year ended December 30, 2017 were impacted by the Alberta government's revision to the mark-up and grant structure that was implemented in the latter part of 2016. Under this revised structure, the maximum grant rate available to producers is based on an optimal annual sales level of 150,000 hl in Alberta. Big Rock's Alberta sales volumes exceed this threshold, which resulted in higher net costs per hl compared to the costs per hl imposed by the mark-up program that was in place during the first three quarters of 2016.

To improve Big Rock's grant rate going forward, the Corporation took steps to optimize its Alberta sales volumes and profit margins by discontinuing two lower margin products in 2017, reducing the number of limited-time offer price discounts presented to customers, and implementing price increases on value-priced and private label products in Alberta in the fourth quarter of 2017. As a result, Big Rock's net mark-up rate (mark-up less grant) and profit margins improved during the last quarter of 2017. Big Rock expects the grant rate improvement to continue until the end of July 2018, at which time the grant rate will be reset, based on the existing Alberta Small Brewers Development Grant policy. In December 2017, the Alberta Government announced a decrease to its mark-up rate for self-distributed cider products, which is expected to have a positive impact on the Corporation's 2018 results. Big Rock continues to work with the Alberta Government with the objective of improving the environment for growth beyond 150,000 hl in the province. Big Rock grew production volumes and net revenue for the three months and year ended December 30, 2017. Growth also occurred in the Ontario market, where sales have more than doubled compared to the same period in 2016, due mainly to the opening of the Etobicoke brewery in the fall of 2016. 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 2017 has been tempered considerably by the previously mentioned discontinuance of two low margin products, sales of Alberta Genuine Draft ("AGD"), Big Rock's most approachable lager, and Big Rock branded products continued to increase in Alberta during the fourth quarter.

Big Rock packaged product sales increased during 2017, particularly in Alberta. These increases were led by AGD and private label brands, the limited-edition Canada 150 variety pack, the fall edition variety packs, and popular brands such as Pilsner and Rhine Stone Cowboy. Packaged product increases were partially offset by decreases in keg sales due to the general decline in keg sales in the industry and the proliferation of new craft breweries in Alberta, which tend to sell exclusively in keg format in their initial 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.

Growth in 2017 was partially offset by a reduction in sales of Big Rock products in British Columbia. The decline is partly due to a conscious effort to improve margins by de-emphasizing value-priced products, but also reflects the effect of ever-increasing competition due to the cumulative expansion in the number of breweries and products in the province all vying for a comparatively stagnant number of listings offered through the government and retail channels.

## Summary of Results

<i>\$000, except hl, per hl and per share amounts</i>	Three months ended December 30		Twelve months ended December 30	
	2017	2016	2017	2016
Sales volumes (hl)	47,165	46,993	209,420	199,454
Net revenue	\$ 11,089	\$ 10,439	\$ 46,573	\$ 43,126
Operating profit (loss)	33	(220)	(1,037)	(266)
Net income (loss)	(141)	(287)	(1,020)	(453)
Net income (loss) per share	\$ (0.02)	\$ (0.04)	\$ (0.15)	\$ (0.07)
<b>\$ per hl</b>				
Net revenue	\$ 235.11	\$ 222.14	\$ 222.39	\$ 216.22
Cost of sales	\$ 146.95	\$ 137.59	\$ 132.16	\$ 122.72

## Additional Information

The audited annual consolidated financial statements and Management's Discussion and Analysis for the three months and year ended December 30, 2017, dated March 8, 2018 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.

Big Rock is also pleased to announce that the Annual Meeting of Big Rock shareholders will be held on May 10, 2018 at 2:00 pm (Mountain Standard Time) at the Big Rock Brewery, 5555 – 76 Ave S.E., Calgary, Alberta. In accordance with Big Rock's advance notice by-law, the board of directors has set 5:00 pm (Mountain Standard Time) on March 23, 2018 as the deadline for receiving any nominations.

## 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 should 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 mark-up rates;
- the impact of recent changes in Alberta mark-up rates and any further changes in the future;

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 success of the Corporation's ongoing discussions with the Alberta Government with respect to the mark-up and grant program will continue.

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 mark-up 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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