



For Immediate Release

## BIG ROCK BREWERY INC. ANNOUNCES 2019 FINANCIAL RESULTS

March 13, 2020 – 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, 2019.

“After gaining momentum in 2018, 2019 was a difficult year for Big Rock financially and culturally due to the Alberta regulatory environment and the strategic decisions we were forced to make as a result,” said President & CEO Wayne Arsenault. “Despite the regulatory challenges that Big Rock faced in 2019, we commend the current Government of Alberta for amending the beer mark-up policy that halted our momentum and are pleased with the resilience and confidence our management team and employees exemplified throughout this difficult year. We believe that Big Rock has filled major gaps that were formed when the Corporation was forced to undertake significant cost cutting measures, and our competitiveness and culture have fully recovered.”

### Financial Highlights

For the three months ended December 30, 2019, compared to the three months ended December 30, 2018, the Corporation reported:

- a decrease in net revenue by 20%, from \$12.0 million to \$9.5 million;
- negative earnings before interest, taxes, depreciation and amortization (“EBITDA”) of \$645 thousand compared to positive EBITDA of \$1.1 million;
- an operating loss of \$1.6 million, compared to an operating income of \$216 thousand;
- a net loss of \$1.3 million compared to a net loss of \$80 thousand; and
- cash flow provided from operating activities of \$1.3 million, compared to cash flow provided from operating activities of \$4.6 million.

For the year ended December 30, 2019, compared to the year ended December 30, 2018, the Corporation reported:

- a decrease in net revenue by 13%, from \$48.7 million to \$42.7 million;
- negative EBITDA of \$1.1 million compared to positive EBITDA of \$4.2 million;
- an operating loss of \$5.1 million, compared to an operating income of \$931 thousand;
- a net loss of \$2.9 million compared to a net income of \$360 thousand; and
- cash flow used in operating activities of \$1.2 million compared to cash flow provided from operating activities of \$4.6 million.

### Operating Highlights

During the year ended December 30, 2019, Big Rock experienced year-over-year sales volume declines driven significantly by declines in the sales of its private label and value brands as a result of the significant price increases the Corporation was forced to implement in late 2018 and early 2019 as a result of the amended Alberta Gaming, Liquor and Cannabis Commission (“AGLC”) beer mark-up policy

introduced by the then Government of Alberta, effective December 16, 2018. In addition, Big Rock continues to face increased overall competitive pressures in the Alberta market. Despite this loss in sales volume the Corporation has been successful in mitigating asset utilization declines through the pursuit of and continued growth in contract manufacturing volumes. Additionally, during the period of Alberta's stringent beer mark-up policy enforced on Big Rock by the AGLC, the Corporation was able to establish a new source of revenue and profit through third party can sourcing, which concluded in the third quarter of 2019. Overall, 2019 was a setback year for Big Rock, however, given the cost restructuring completed during the second quarter of 2019 and the subsequent identification and focus on process lapses through year-end, the Corporation is optimistic that in 2020 it will regain profitability and the great culture it has prided itself on since 1985.

Big Rock reported a net loss of \$2.9 million for the year ended December 30, 2019 as compared to a net income of \$360 thousand for the comparative period in 2018. Big Rock's operating loss of \$5.1 million for 2019 increased by \$6.0 million compared to an operating income of \$931 thousand for the year ended December 30, 2018, primarily as a result of the increased AGLC beer mark-up applicable to the Corporation through much of 2019. Management estimates the Corporation's loss in net revenue in the year ended December 30, 2019, as a result of the increased AGLC beer mark-up applicable to the Corporation through much of 2019, to be approximately \$6.4 million.

In 2019, the Corporation entered into an agreement with Fireweed Brewing Corp. ("Fireweed") that reduced the Corporation's license obligation with Fireweed and, in addition to a penalty payable by Fireweed, fulfilled the write-off of account receivable balances owing by Fireweed to the Corporation.

Additionally, in 2019, Big Rock's borrowing base was reconfirmed by its lender at \$11 million, comprised of a \$5 million revolving operating loan facility and a \$6 million 5-year revolving term loan facility. Given the difficult Alberta regulatory environment for Big Rock in 2019, the cost cutting measures undertaken by Big Rock's management and the subsequent amendment of the AGLC beer mark-up policy, effective September 13, 2019, Big Rock's lender waived its financial covenants until and including June 30, 2020. The Corporation anticipates it will be in compliance with its debt covenants at September 30, 2020.

## Summary of Results

<i>\$000, except hl, per hl and per share amounts</i>	Three months ended December 30		Twelve months ended December 30	
	2019	2018	2019	2018
Sales volumes (hl) <sup>(1)</sup>	37,361	49,013	171,563	201,577
Net revenue	\$ 9,539	\$ 11,991	\$ 42,653	\$ 48,748
Operating profit (loss)	(1,615)	216	(5,100)	931
Net income (loss)	(1,297)	(80)	(2,922)	360
Net income (loss) per share	\$ (0.19)	\$ (0.01)	\$ (0.42)	\$ 0.05
<b>\$ per hl</b>				
Net revenue	\$ 255.32	\$ 244.65	\$ 248.61	\$ 241.83
Cost of sales	\$ 201.04	\$ 146.10	\$ 176.71	\$ 138.59

<sup>(1)</sup> Excludes contract manufacturing volumes due to the nature of the agreements.

## **Additional Information**

The audited annual consolidated financial statements and Management's Discussion and Analysis for the three months and year ended December 30, 2019, dated March 13, 2020 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 14, 2020 at 2:00 p.m. (Mountain Standard Time). Further details of the Annual Meeting will follow in due course.

## **NON-GAAP MEASURES**

The Corporation uses certain financial measures referred to in this press release to quantify its results that are not prescribed by Generally Accepted Accounting Principles. This press release contains the term "EBITDA". This financial measure does not have a standardized meaning under the Corporation's Generally Accepted Accounting Principles and therefore may not be comparable to similar measures presented by other issuers. EBITDA is calculated by adding back to net income, interest, income taxes, depreciation and amortization. For more information, please see Management's Discussion and Analysis for the three months and year ended December 30, 2019.

## **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 readers, 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 to the AGLC mark-up rates in Alberta and any further changes in the future;
- anticipated changes to the AGLC's regulatory policy regarding RTD beverages;
- Big Rock's expectations with respect to its competitiveness, culture, future operations, results and growth; and
- Big Rock being in compliance with its debt covenants by September 30, 2020.

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 not materially increase or decrease;
- there will be no material change to the regulatory environment in which Big Rock operates; and
- there will be no material supply issues with Big Rock's vendors.

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 the risk factors set out in the Corporation's annual information form and also include, but are not limited to:

- the inability to maintain the current AGLC beer mark-up policy in Alberta;
- the inability to reduce the AGLC mark-up rates applicable to RTD beverages in Alberta;
- the inability to grow demand for Big Rock's products; and
- the inability to comply with Big Rock's debt covenants by September 30, 2020.

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 contest 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 extensive portfolio of signature beers, ongoing seasonal offerings, six ciders (Rock Creek Cider® series), custom-crafted private label products and other notable, licensed alcoholic beverages keeps us at the forefront of the craft beer revolution and still proudly contesting the beer and alcoholic beverage trends of today. Big Rock has brewing operations in Calgary, Alberta, Vancouver, British Columbia, and Toronto, Ontario. Big Rock trades on the TSX under the symbol "BR". For more information on Big Rock visit [www.bigrockbeer.com](http://www.bigrockbeer.com)

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