



## BIG ROCK BREWERY INC. ANNOUNCES SECOND QUARTER 2024 RESULTS

August 14, 2024 — Calgary, Alberta — Big Rock Brewery Inc. (TSX: BR) (“Big Rock” or the “Corporation”) today announces its financial results for the three and six-month periods ended June 30, 2024.

### Financial Summary

For the three months ended June 30, 2024, compared to the three months ended June 30, 2023, the Corporation reported:

- net revenue declined by 2.8% to \$12.3 million primarily due to reduced co-packing activity;
- wholesale sales volumes down 7.2% to 40,519 hectolitres (“hl”) compared to 43,660 hl;
- operating loss increased to (\$0.7 million) from operating income of less than \$0.1 million;
- net income increased to \$0.2 million from a net loss of (\$0.3 million); and
- Adjusted EBITDA decreased to \$0.2 million from \$1.2 million. Adjusted EBITDA is a non-GAAP financial measure, see “Non-GAAP Measures”.

For the six months ended June 30, 2024, compared to the six months ended June 30, 2023, the Corporation reported:

- net revenue decreased 9.6% to \$20.9 million from \$23.2 million due to reduced co-packing activity and softer wholesale volumes;
- wholesale sales volumes down 5.9% to 72,871 hl compared to 77,438 hl;
- operating loss increased to (\$3.0 million) from (\$0.1 million);
- net loss increased to (\$2.9 million) from (\$0.6 million); and
- Adjusted EBITDA decreased to (\$1.3 million) from \$1.9 million. Adjusted EBITDA is a non-GAAP financial measure, see “Non-GAAP Measures”.

David Kinder, Big Rock’s President and Chief Executive Officer noted, “While financial results during the quarter reflected the headwinds we faced as an organization (softened demand associated with a more temperate Spring, restrictions on water and the absence of some contracted co-packing volumes), we have been busy making what we believe are material improvements to our business and cultivating relationships that will provide foundational product volumes upon which we can continue to build our business.”

Mr. Kinder commented further, “Armed with the efficiencies from our operational realignment and capital investments, the new volumes and our continued commitment to introducing new products via our innovation pipeline, we are confident in our ability to improve our financial results going forward.”

## Summary of Results

\$000, except hl and per share amounts	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Wholesale sales volumes (hl) <sup>(1)</sup>	40,519	43,660	72,871	77,438
Gross product revenue	\$ 15,792	\$ 17,018	\$ 27,080	\$ 30,657
Net revenue	12,344	12,702	20,926	23,153
Cost of sales	8,218	8,904	15,063	16,392
Adjusted EBITDA <sup>(2)</sup>	165	1,188	(1,308)	1,889
Operating income (loss)	(667)	43	(2,966)	(101)
Net income (loss)	220	(340)	(2,853)	(595)
Net income (loss) per share (basic and diluted)	\$ 0.03	\$ (0.05)	\$ (0.41)	\$ (0.09)

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

<sup>(2)</sup> Non-GAAP financial measure. See “Non-GAAP Measures”.

In 2023 Big Rock embarked on a strategy of, where possible, balancing production and sales between quarters to allow for a reduction of operating costs. Reduced co-packing contract volumes made this difficult during the last half of 2023 and during the first half of 2024 similar challenges were encountered. These challenges were compounded by the implementation of a capital expenditure program featuring the replacement of the equipment used to bind canned products (to comply with Canada’s ban on single-use plastics) and the equipment used to pack and variety-pack boxed products. Management continues to work with co-packing partners for the purpose of introducing volumes and was recently successful in securing a three-year contract with a strategic partner to produce an estimated 50,000 hl or more annually. These volumes are expected to allow for a more balanced schedule and replace the volumes lost during 2022 due to the expiry of a key co-packing contract, providing critical mass in terms of production and contract sales volumes.

During the second quarter of 2024, Big Rock’s operations were also impacted by the water restrictions arising from a break in a feeder main water line in the City of Calgary. With the ensuing water restrictions Big Rock lost twelve brews, representing approximately 2,400 hl of production, diminishing the productive capacity and opportunity to absorb overhead during the quarter. While this was the right decision to support the community which Big Rock calls home, this negatively impacted the Corporation’s financial results during the quarter.

The unseasonably cooler weather experienced during Spring dampened consumption across Canada and Big Rock’s sales volumes for the second quarter of 2024 were not spared, with sales volumes being down 7.2% compared to the same period in 2023. While sales volumes declined, wholesale revenues (including beer, cider, non-alcoholic and ready-to-drink beverages), exclusive of co-packing/contract revenues, were only 2.8% lower in the second quarter than during the same period in 2023. Big Rock believes that this demonstrates the strength of the Corporation’s efforts to align with consumer demand and focus on premium product innovation and development. The introduction of new additions to Big Rock’s line of beverages available (Brightside, Unwinder, and other summer seasonal beers) have started strong in the second quarter. The Corporation expects that there will continue to be product innovation releases through the balance of 2024.

For the second quarter of 2024, Big Rock's Adjusted EBITDA was \$0.2 million which was \$1.0 million lower than the second quarter of 2023. This reduction was anticipated given the Corporation's loss of a material co-packing contract that was in place until mid-2023. While the contract volumes were not replaced during the quarter, as noted above, the Corporation's management team recently executed a new three-year contract that is expected to replace these volumes and back-stop sales volumes commencing in third quarter of 2024.

Since January of this year, Big Rock has introduced a series of changes designed to strengthen its operations and provide for financial stability:

- On January 8, 2024, David Kinder, a veteran of the beverage industry, was appointed President and Chief Executive Officer of the Corporation, replacing Mr. Stephen Giblin who had taken on the role on an interim basis;
- In January of 2024, the Corporation announced the addition of a \$4.2 million tranche to its existing \$4.3 million second lien financing (the "**Second Lien Financing**") with VN Capital Fund I, LP, Big Rock's largest shareholder;
- Effective May 1, 2024, the Corporation introduced Big Sky BBQ as its restaurant partner and operator of its' on-site tap-room, restaurant and patio at Big Rock's Calgary location;
- Effective May 14, 2024, the Corporation added Ms. Linda A. Thomas and Mr. George Croft to its board of directors (the "**Board**"), adding to the bench strength of the Board with additional financial acumen and directly-relevant industry experience;
- During May 2024, the Corporation completed the installation and commissioning of two machines that will bind its four, six and eight-pack products with "Earthrings," an environmentally-friendly, 100% recyclable, compostable binding for cans, expected to allow Big Rock to be compliant with Canada's ban on single-use plastics;
- On July 11, 2024, the Corporation announced operational realignments designed to improve its operations, including:
  - o At the conclusion of its lease on July 31, 2024, Big Rock's location in Vancouver was permanently closed. Prior to the pandemic, this location, which was opened in 2015, featured a tap room, restaurant and micro-brewery. The tap room and restaurant were ultimately not re-opened and the leased space was larger than what is required to maintain production; and
  - o Effective June 17, 2024, Big Rock completed the sale of, and closed its warehouse facility located in Edmonton, Alberta. Big Rock products continue to be distributed to each of its customers via a partnership with Hy-Line Express Ltd, an Edmonton-based trucking company who provide cross-docking functionality to Big Rock's existing network of transportation partners.
- During late July 2024, the Corporation completed the installation and commissioning of a QuikFlex<sup>TM</sup> 2100G<sup>3</sup> ("**QuikFlex**") packaging machine manufactured by Graphic Packaging International, one of the world's leading providers of integrated solutions for packaging, materials, printing, and automation. QuikFlex represents the latest technology in a flexible, high-speed, continuous-motion packer designed to package single tiers of cans in various configurations and features automatic loading. QuikFlex has been integrated with the Corporation's high-speed canning line that was upgraded during 2022; and
- In early August 2024, the Corporation announced that it had entered into a three-year contract with a strategic partner to produce 50,000 hl or more annually. These volumes

are expected to allow for a more balanced schedule and replace the volumes lost during 2022 due to the expiry of a key co-packing contract, providing critical mass in terms of production and contract sales volumes.

## Additional Information

The unaudited condensed interim consolidated financial statements of the Corporation and the Corporation's Management Discussion and Analysis for the three and six months ended June 30, 2024 dated August 13, 2024, can be viewed on Big Rock's website at [www.bigrockbeer.com](http://www.bigrockbeer.com) and on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) under Big Rock Brewery Inc.

## 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 ("GAAP"). Such financial measures do not have a standardized meaning under GAAP and therefore may not be comparable to similar measures presented by other issuers.

This press release contains the term "Adjusted EBITDA". Adjusted EBITDA is a non-GAAP financial measure that the Corporation uses to measure operating performance and borrowing capacity. The calculation of Adjusted EBITDA is a non-GAAP financial measure, whose nearest GAAP measure is net income, or net loss, as applicable, with the reconciliation between the two as follows:

(\$000, except where indicated)	Three months ended June 30			Six months ended June 30		
	2024	2023	Change	2024	2023	Change
Net income (loss)	\$ 220	\$ (340)	\$ 560	\$ (2,853)	\$ (595)	\$ (2,258)
Addback:						
Interest	587	547	40	1,361	1,010	351
Taxes	—	(75)	75	—	(312)	312
Depreciation and amortization	827	986	(159)	1,654	2,149	(495)
Share based payments	5	75	(70)	4	(146)	150
Gain on dispositions - net	(1,474)	(5)	(1,469)	(1,474)	(217)	(1,257)
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>\$ 165</b>	<b>\$ 1,188</b>	<b>\$ (1,023)</b>	<b>\$ (1,308)</b>	<b>\$ 1,889</b>	<b>\$ (3,197)</b>

<sup>(1)</sup> Non-GAAP measure. See "Non-GAAP Measures".

## Forward-Looking Information

Certain statements contained in this press 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 press 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 press release and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this press release contains forward-looking statements pertaining to the following:

- Big Rock's long-term growth strategy and the anticipated benefits to be derived therefrom;
- Big Rock's expectation that, where possible, it will continue to employ the strategy of balancing production and sales between quarters to allow for a reduction of operating costs and the anticipated benefits to be derived therefrom;
- Big Rock's expectations with respect to its new three-year contract with a strategic partner, including with respect to estimated production volume and the benefits anticipated to be derived therefrom, such as the expectation that such volumes will allow for a more balanced schedule and replace the volumes lost during 2022 and will provide critical mass in terms of production and contract sales volumes;
- Big Rock's beliefs regarding its efforts to align with consumer demand and focus on premium product innovation and development;
- Big Rock's expectations with respect to product innovation releases in through the balance of 2024;
- Big Rock's expectations in respect of its series of changes designed to strengthen its operations and provide for financial stability and the anticipated benefits to be derived therefrom;
- Big Rock's expectations with respect to compliance with Canada's ban on single-use plastics;
- Big Rock's expectations regarding the sale of its Edmonton facility and the anticipated benefits to be derived therefrom, including uninterrupted service to customers and cost savings;
- Big Rock's expectations with respect to its capital expenditure program featuring the replacement of the equipment, including timing of completion, and the benefits anticipated to be derived therefrom, including that it will allow more flexibility moving forward, help the Corporation be more competitive and reduce reliance on third parties for packaging;
- Big Rock's beliefs regarding certain improvements to the business and the anticipated benefits to be derived therefrom;
- Big Rock's beliefs regarding its ability to improve its financial results going forward;
- Big Rock's expectations regarding the non-alcoholic market and its growth, including the performance of its non-alcoholic beer;
- interpretation of and anticipation of market trends; and
- Big Rock's business plans, outlook, and strategy;

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

- volumes in the current fiscal year will remain constant or will increase;
- 2025 co-packing volumes will return to or exceed 2022 levels;
- the non-alcoholic market will continue to rapidly grow;
- there will be no material change to the regulatory environment in which Big Rock operates;
- there will be no material supply issues with Big Rock's vendors;
- seasonal fluctuations in demand;

- that innovation and co-creation of new products with Big Rock's strategic partners will capitalize on increased market demand in certain product categories and further enable the Corporation to gain market share;
- that a continued focus on streamlining processes around forecasting and production planning will enable the Corporation to continue to realize operational efficiencies and drive margin growth; and
- that capital expenditures for new packaging equipment and operational realignments will result in efficiencies and cost savings for the Corporation, as well as compliance with Canada's ban on single-use plastic.

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 for the year ended December 30, 2023 which is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and also include, but are not limited to:

- risks related to Big Rock's credit facility with ATB and the Second Lien Financing;
- that the year-over-year growth in Big Rock's co-packing arrangements may be less than anticipated;
- the inability to grow demand for Big Rock's products;
- the risk that Big Rock may not have an increase in market demand or market share;
- the risk that Big Rock may not realize overhead and labour cost efficiencies;
- the risk that Big Rock may not realize the benefits of increased co-packing production;
- the risk that Big Rock may not realize operational efficiencies or margin growth;
- the risk that Big Rock may not have sufficient cash flows to cover forecasted expenses or return to profitability; and
- the risk that Big Rock may not be in compliance with its financial covenants for the next 12 months.

Any financial outlook or future oriented financial information (in each case "FOFI") contained in this press release regarding prospective financial position, including, but not limited to: expectations regarding continued improvement in Big Rock's financial results and the anticipated benefits to be derived therefrom and Big Rock's long-term growth strategy and the anticipated benefits to be derived therefrom are based on reasonable assumptions about future events, including those described above, based on an assessment by management of the relevant information that is currently available. The actual results will likely vary from the amounts set forth herein and such variations may be material. Readers are cautioned that any such FOFI contained herein should not be used for purposes other than those for which it is disclosed herein. Such information was made as of the date of this press release and the Corporation disclaims any intention or obligation to update or revise any such information, whether as a result of new information, future events, or otherwise, unless required pursuant to applicable law.

Readers are cautioned that the foregoing list of assumptions and risk factors is not exhaustive. The forward-looking information and statements and FOFI contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking information and statements and FOFI included in this press 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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