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'Clean and green' beer to ride hipster wave

Simon Evans

The share price has gone flat, but the executive chairman of ASX-listed beer company Broo Ltd is convinced that "clean and green" beer brands will eventually make as big a splash in the \$14 billion industry as bearded hipsters running craft breweries.

Kent Grogan says Broo is still probably a year away from a "sod turning" on a \$100 million-plus brewery it is planning near Ballarat in Victoria, positioned as the world's "greenest" brewery, powered by solar energy and with a hefty cut in the amount of water used compared with traditional beer production.

He attributes a sagging share price, which has dipped to 12¢ from 39¢ in late November 2017, to some retail investors needing extra cash, and says the top 20 shareholders are firmly backing the company's ambitious plans. "They're in for the long haul," Mr Grogan said.

Meanwhile, Broo is making some headway selling its two main brands, Broo Premium Lager and Australian Draught, in independent liquor stores in Australia through a distribution deal with Metcash's liquor arm, Australian Liquor Marketers, which services chains such as Thirsty Camel and Cellarbrations. Broo products are also sold in China to customers such as COFCO and the Wu Mart Chain.

Mr Grogan said negotiations around the "green brewery" on a 15-hectare par-

cel of government land it has acquired on the western outskirts of Ballarat are complex and taking time. "It's going to enable us to have a unique selling point," he said. "It's an enormous one."

Broo aims to also expand its beer range into new products which emphasise the company's "green" credentials. He said Broo has one foot in both camps of being a mainstream player competing against big brewers like CUB and Lion, but with the ethos of a small, boutique brewer. "I actually do see ourselves as a craft brewer," he said.

Australia's 400-plus craft breweries are making strong headway in a craft beer segment now worth more than \$700 million annually, and where some brewers have been acquired for handsome sums by global players eyeing the faster growth of the craft beer brands. Sydney's 4 Pines was acquired in September 2017 by the world's biggest beer company, Anheuser-Busch InBev, which followed up a few months later with the purchase of Adelaide-based Pirate Life.

Carlton & United Breweries, the maker of Victoria Bitter and Carlton Draught, has also been pumping up its green credentials, signing an agreement in March for a 12-year power purchase agreement with German solar developer BayWa r.e. to buy 74,000 megawatt hours of electricity a year from a solar farm under construction in Mildura in north-eastern Victoria.

Broo has about 7000 shareholders, a large number of whom came on board in 2011 when they were each handed 10 free shares after buying a carton of Broo beer in a special promotion designed to accelerate sales at the company, which Mr Grogan founded in 2009. He still holds 68 per cent of the listed entity.

Broo raised \$10.5 million in a capital raising in 2016 through the issue of 52.5 million new shares. The issue price was 20¢.

The 2011 promotion where buyers who shelled out \$55 each for a carton of Broo Premium Lager was titled "Live the Dream". Broo has a fiercely nationalist approach, with one of its products, Broo Premium Lager, having a label with a black kangaroo on a yellow diamond shape.

Australia's two big brewing giants, CUB and Lion, which makes XXXX Gold, Tooheys and James Boag, are owned by foreign companies. Mr Grogan cultivates an Australian-owned underdog image. "We are targeting the big boys."



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Kent Grogan says top shareholders are firmly backing Broo's plans. PHOTO: PAT SCALA