



# Melbourne beer hops into Chinese market

**CLAIRE HEANEY**  
**DEALS**

**BURGEONING** Aussie brewer Broo has struck a deal to dramatically increase its exposure to the Chinese market.

Shares in the group rallied yesterday after it revealed it had secured an agreement with another Chinese company, Beijing Jihua Information Consultant.

Under the deal, Jihua will have exclusive distribution rights to Broo Premium Lager for seven years.

The Chinese company will sell beer made in China from Broo's "approved manufacturers" there.

Broo earlier this year struck a production agreement with Jinxing Beer Group. Jihua has agreed to a "take or pay" deal for 1.5 billion litres over the seven-year period.

While the rate for each litre has not been disclosed, Broo says the deal will generate "distribution revenue" of about \$120 million over the full term.

The Australian company has previously struck a five-year distribution deal with Henan Liquor, owner of 260 liquor outlets across Henan province and Beijing.

Now based in Mildura, Broo said the latest deal gave it "enormous reach ... with minimal implementation overheads".

It would ensure Broo products reached many market segments including supermarkets, hotel chains and convenience stores, the group said.

Shares in Broo rallied 9c, or 30.5 per cent, to 38.5c after it announced the distribution deal yesterday.

Broo chief Kent Grogan said the deal followed an "extensive period of product assessment and negotiation" by the Australian-owned brewer.

"Jihua's distribution reach in China will see Broo Premium Lager penetrate the Chinese beer market and expand into a major brand over the coming year," he said.

Jihua had committed significant upfront marketing funds to speed up the growth of Broo sales volumes in the first three years of the distribution deal, Mr Grogan said.

Broo agreed that revenue payments for that term can be accrued and paid at the end of the third year, then biannually.

Broo was launched in Sorrento 12 years ago and won the support of many locals, who bought the beer and went on to support it as investors.

The company joined the Australian Securities Exchange last year, raised \$10.5 million at 20c a share.

It bought Mildura Brewery this year and also announced plans for a landmark brewery complex in Ballarat.

The group is planning a \$100 million development in the regional city that, it says, will be the world's "greenest" brewery.

It is aiming to power the site with a mix of solar, wind and biogas. The brewery is scheduled to open in the second half next year.



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### A HEADY MIX

- SEVEN YEARS**  
The length of Broo's distribution deal with Chinese group Jihua
- 1.5BN LITRES**  
The volume of beer covered by Jihua's "take or pay" agreement
- \$120M**  
The "distribution revenue" Broo expects to collect from the deal
- 30.5%**  
The rally in the price of Broo shares yesterday, to 38.5c

**BROO**  
PREMIUM LAGER  
AUSTRALIAN LAGER BEER

**BROO**  
纯正澳大利亚风味啤酒

Broo founder Kent Grogan has struck a deal in China.  
Picture: ROB LEESON