



Patience may pay off for drinkers who bought a \$55 case of beer

Simon Evans

It's the ultimate in liquidity events. The 6500 people who bought a carton of beer from Australian brewer Broo in a special promotion in 2011 were given 10 shares each at the time. Five years on they are within a whisker of being able to realise some value as the ambitious company heads towards the ASX.

Some of the more-thirsty buyers went so far as to pick up the maximum of 500 shares after shelling out for 50 cartons of Broo Premium Lager at \$55 each. The contents have long been swallowed but Broo executive chairman Kent Grogan said the residual loyalty has been overwhelming.

A sweep of the shareholder base a few months ago in preparation for the float brought forth a torrent of 2000 mainly congratulatory emails from the minority shareholder base who probably hadn't really expected any future pay-off.

"Most of them were saying this is fantastic," Mr Grogan said, as the company tapped into the deep groundswell of Australians supporting an "underdog".

The brewer, which unashamedly pitches itself as fiercely nationalistic (it has a silhouette of a kangaroo on the label), also has ambitious plans to try to partially emulate the success in China of vitamins players like Blackmores and Swisse Wellness.

Mr Grogan said he was a natural optimist. He acknowledges that

China is the world's most competitive beer market, and that the two brewing giants, Foster's and Lion, burnt through a combined \$650 million over more than a decade there before retreating in the mid-2000s.

Broo has signed a beer supply and packaging agreement with independent brewer Jinxing Beer Group to make beer in China, and has also inked a distribution agreement with Henan Liquor in China, which runs 260 Liquor Easy outlets in Henan province and Beijing.

Mr Grogan, who founded the business in 2009, said on Thursday

the "Live the Dream" promotion in 2011 had been a success and pushed sales along by giving the brand extra recognition.

"It was a feel-good gesture at the time," he said.

Broo became an unlisted public company in 2011 after the share allocations. A share split last year at its annual general meeting meant those shareholders had their initial 10 shares converted into the equivalent of 50 shares per carton.

Mr Grogan said the proposed capital raising of up to \$15 million was

designed to expand the business, but also to provide some liquidity for the patient 6500. "It does give people a liquidity event".

The Broo prospectus doesn't make any financial forecasts, which is a red flag to seasoned investors. It makes it clear there are plenty of risks. New investors are being asked to apply for a total of 75 million shares at an issue price of 20¢ per share to raise up to \$15 million. Broo aims to list on the ASX in early October.

Revenues in 2015-16 were \$516,334 and the company made a loss of \$2.65 million. Mr Grogan said the company was slowly building a foundation. The prospectus outlines that on a post-float basis, Mr Grogan and related entities would finish up with 65.6 per cent of the company, new investors would represent 11.9 per cent and existing minority shareholders would hold 22.54 per cent.

The Broo beers, Broo Premium Lager and Australia Draught, are sold mainly in Victoria through independent bottle shops and chains such as Thirsty Camel, Bottlemart, Cellarbrations, and Foodworks and IGA liquor retailers, supplied by Metcash. The beers are currently brewed by Icon Brewing in Sydney, a contract brewer.

Mr Grogan said more people should have big dreams in Australia.

"Optimistic yes, but it's tangible realism now," he said of the seven-year battle to take on the big brewers, which are all foreign-owned.

Broo has a supply and packaging deal with Jinxing Beer Group



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Broo Ltd executive chairman Kent Grogan, who plans to list his beer company on the ASX. PHOTO: PAT SCALA