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TIM BOREHAM

CRITERION



## Beer and now, a motley Broo of liquid assets

A long hard thirst for a beer-related investment deserves a big chunky ASX exposure.

The trouble is, there aren't any following the 2011 sale of Foster's Group to global house SABMiller and Kirin of Japan's purchase of Tooheys owner Lion Nathan two years earlier.

Much has changed in the sector since the Bondy and John Elliott beer baron days: mainstream beer sales are in almost irreversible decline, with boutique drops filling the gap.

But if you get it right it's still good cash flow business, as evidenced by the resilience of the defiantly family-owned Coopers.

The biggest remaining listed ASX play — **Coca-Cola Amatil (CCL, \$9.17)** — is also a diluted one, given revenue is still dominated by soft drinks and water.

Coca-Cola Amatil's yeasty offerings include the Yenda craft beer range and Fiji's Paradise Beverages.

Management says alcohol is a growth sector, but combining the division with coffee for reporting purposes betrays a lack of emphasis.

Coca-Cola Amatil's half-year profits yesterday showed the alcohol-caffeine combo increased earnings by 33 per cent to \$19.5 million on what CEO Alison Watkins dubbed "strong measured improvements in all categories".

But that still only accounts for 6 per cent of Coca-Cola Amatil's underlying earnings.

Elsewhere, minnow **Gage**

**Roads (GRB, 6.8c)** is a study in reinvention, having moved from its main purpose as a private label supplier to 25 per cent shareholder Woolworths.

Gage still supplies Woolies' Pinnacle Drinks arm with labels including Dry Dock and Clipper Light. While a supply deal recently was renewed for a three to five-year term, the Perth-based Gage has focused on selling its proprietary brew through higher-margin channels including on-premises (pub) sales.

Last month Gage reported revenue of \$25m for the full year, up 5 per cent and a \$600,000 profit compared with a previous \$800,000 loss.

While contract brewing sales declined 13 per cent, proprietary sales climbed 83 per cent (to 350,000 carton equivalents).

Meanwhile, a mob called **Broo Limited** plans to list with plans to sell Australian-branded beer to the Chinese market, which has confounded the majors in the past.

Broo Limited last Wednesday opened applications for a \$10.5m-\$15m raising.

Broo has an agreement with Chinese brewer Jinxing to produce and package Broo Premium Lager and Australia Draught.

Aptly named corporate adviser Michael Beer of Beer & Co describes the premium drop as similar to Crown Lager and the cheaper Australia Draft as "much like a VB but much better". Hmm ... send us a slab and we will check it out.

Unusually, Broo already has 6500 shareholders, the result of a promotion by which customers received 10 shares for every case of beer purchased.

Boutique beer, by the way, is a loosely deployed term, in that many of the labels are owned by the foreign majors.

Lion acquired the listed Fremantle-based Little Creatures in 2012 and in April bought ageing surfies' fave Byron Bay Brewing.

Melbourne's inner city hipsters would splutter into their Ned Kelly beards if they knew that Japan's Asahi has owned the locally brewed Mountain Goat for the past year.

Coca-Cola Amatil is a **long term buy** and Gage is a **spec buy**.