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ASX ANNOUNCEMENT

22 August 2022

LEADING VICTORIAN BREWERY STOMPING GROUND TO JOIN GOOD DRINKS AUSTRALIA

- GDA to acquire 100% of Stomping Ground
- Stomping Ground founders to become significant shareholders and join GDA executive and management teams
- EPS accretive transaction
- Combined sales team and portfolio accelerate growth opportunities for the Victorian market
- Brands with strong brand equity and consumer loyalty, complementary to existing GDA beer range

Good Drinks Australia Ltd ("**Good Drinks**" or "**The Group**") (ASX: **GDA**) is pleased to announce that it has executed a binding term sheet to acquire leading Victorian-based brewery Stomping Ground (**Stomping Ground**) for \$7 million cash, 4.5 million GDA Ordinary Shares and a trailing 5-year performance component.

The transaction will be funded using debt facilities and on-going operating cashflows from the business and will not require an equity raising to execute. The transaction is scheduled to complete in Q2 FY22.

Based on current volumes of around 1.5 million Litres and current venue performance, Stomping Ground is expected to contribute \$1.5m to GDA earnings in its first year with a target to growing annual volume to 4 million Litres by FY27.

In addition to the strategic benefits of developing national brands relevant to key markets, the earnings expectation combined with the debt-funding structure provides an earnings-per-share accretive transaction for GDA Shareholders.

Stomping Ground founders Steve Jeffares, Guy Greenstone and Justin Joiner will remain key leaders within the business, also joining Good Drinks Australia as significant shareholders. Their continued involvement will provide operational continuity for Stomping Ground and further knowledge and expertise to the Good Drinks management team.

Stomping Ground's Steve Jeffares is excited about the opportunity that joining Good Drinks represents: "There has been a long courtship as we got to know each other, and Guy, Justin and I are excited and confident that the merging

of our two businesses will help us both become even stronger”, explains Jeffares, who will also sit on GDA’s Executive team.

“There’s a shared ambition for Stomping Ground to become Victoria’s number one independent beer brand so this really is a win for fans of our beer. With GDA’s help, our beers and brand will be more visible and available than ever before,” adds Guy Greenstone.

Good Drinks Managing Director John Hoedemaker agreed: “We’re excited about Stomping Ground joining the Good Drinks family and I know we can achieve more being on the same team. With a shared value of continuing to grow independent beer across the country, our combined skills, experience, and resources will help fast-track our goals. We’re looking forward to working with Steve, Guy, and Justin to help super-charge Stomping Ground and see it achieve its goal of becoming Victoria’s leading independent beer brand.

“I’m proud to welcome the 100+ Stomping Ground crew to the Good Drinks team. Their wealth of knowledge will not only grow Stomping Ground but will be an asset to the entire Good Drinks business.

“We know how to integrate established brands into our portfolio and with our strength of people, sales, marketing and distribution expertise we expect to grow the Stomping Ground brands to their full potential.”

ABOUT STOMPING GROUND

Stomping Ground is one of Victoria’s leading independent breweries and hospitality venue operators. Founded in 2016 by Steve Jeffares, Guy Greenstone and Justin Joiner, Stomping Ground is a pioneer in the independent beer market. The team has also established several successful venues across Victoria, including Stomping Ground’s flagship venue in Collingwood, The Local Taphouse in St Kilda, and its latest Stomping Ground-branded brewpub in Moorabbin.

Stomping Ground’s Collingwood venue contains its brewing and packaging operation has capacity to produce more than 2.1 million litres annually. The manufacturing operation is currently producing approximately 1.5 million litres to meet existing sales demand for the Stomping Ground branded products in the market.

STRATEGIC RATIONALE

Stomping Ground provides a great opportunity to accelerate the Group’s existing strategy to deliver further improved margins and sustained earnings growth through the shift in sales mix towards higher-margin products. It also improves GDA’s national reach, while adding key venues to GDA’s growing hospitality business.

GDA’s head of strategy Aaron Heary said it was a natural fit for our existing strategy: “To accelerate the growth of their already successful brand, the Stomping Ground founders initially sought to raise capital to fund a major expansion in their sales team, while we were seeking to accelerate awareness and branded sales growth in Victoria through our existing venue strategy. During this process it became clear that the joining of the two businesses would achieve both objectives faster and more effectively.”



Sharing skills, experience and resources will benefit both brands, while GDA's sales and marketing force will fast-track Stomping Ground's sales growth and goal to become the number one independent craft beer brand in Victoria. Both Good Drinks and Stomping Ground share key values of independence, with a vision to provide great quality beer for every fridge across the country.



Stomping Ground founders Guy Greenstone, Steve Jeffares, and Justin Joiner



TRANSACTION SUMMARY

GDA to acquire 100% of the shares of Stomping Ground.

- Consideration:
 - Up front consideration:
 - \$7 million cash consideration
 - 4,500,000 ordinary GDA shares
 - Deferred consideration
 - Volume performance:
 - Shares: up to 3,500,000 ordinary shares over a maximum of 5 years based on 0.2 shares per litre of Stomping Ground volume sold (issued annually).
 - Cash: paid annually based on Stomping Ground volumes sold per annum at a rate of \$0.57 per litre. Estimated to be \$6m - \$8m over 5 years based on current forecasts.
 - Venue performance:
 - FY24: Up to \$1.2m cash based on Stomping Ground venue earnings on a sliding scale, with the maximum payment based on an EBITDA target of \$3.54m.
 - FY25: Up to \$1.2m cash based on Stomping Ground venue earnings on a sliding scale, with the maximum payment based on an EBITDA target of \$3.71m.
- The venue performance cash payments set out above are payable within 60 days of the end of the relevant FY.
- Any shares issued as part of performance-based consideration will be issued using GDA's 15% placement capacity.
- Completion of the acquisition is subject to GDA Board approval, the execution of a share purchase agreement, transfer of licenses and other third-party, Stomping Ground shareholder approval and regulatory consents. If these conditions are not met, the agreement may be terminated by either party.
- The Company expects completion to occur around November 2022.
- There will be no change to the current GDA Board of Directors
- No security holder approval is required in relation to the transaction

TRANSACTION FUNDING

GDA has secured the required funding, increasing its Commonwealth Bank debt facility from \$12.5m to \$20m to fund the upfront \$7m cash component and accordingly will not require an equity raising.

The upfront 4.5m ordinary shares to be placed using the Group's 15% placement capacity under LR 7.1.

The performance-based cash component is to be funded from the cashflows generated by the Stomping Ground business as well as the operating cashflows from the Good Drinks business.

The 5-year performance-based shares are to be issued under the using the Group's 15% placement capacity under LR 7.1.



PRESENTATION

Please find attached a presentation about Stomping Ground.

-END-

This announcement has been authorised by the Board of Directors.

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Disclaimer on forward-looking statements:

Certain statements contained in this Announcement, including information as to the future financial or operating performance of the Company and its projects, are forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties, assumptions, and other important factors, many of which are beyond the control of the Group, and which may cause actual results, performance or achievements to differ materially from those expressed or implied by such statements. Forward looking statements are provided as a general guide only and should not be relied on as an indication or guarantee of future performance.

Given these uncertainties, recipients are cautioned to not place undue reliance on any forward-looking statement. Subject to any continuing obligations under applicable law the Group disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements in this Announcement to reflect any change in expectations in relation to any forward-looking statements or any change in events, conditions, or circumstances on which any such statement is based.



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STOMPING
GROUND
BREWING CO.

MELBOURNE BREWED. ENJOYED ANYWHERE.

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Stomping Ground Brewing Co

Stomping Ground Brewing Co

Story

Having started renowned beer temples, The Local Taphouse and GABS Festival, Steve Jeffares, Guy Greenstone and Justin Joiner were proud to bring independent brewing back to its original Melbourne stomping ground in Collingwood - and put their community at the heart of everything they do.

Vision

To become Melbourne's leading and most loved independent brewery and brand.
Then, expanding nationally – Melbourne Brewed. Enjoyed Anywhere.

Mission

To share their love of great beer with as many people in their community as possible through consistently exceptional experiences.

Strategy

Beers – High quality, interesting, credible and accessible

Local Bigness – To be everywhere it counts

Brand Experiences – Venues, Events, Pop Ups, Innovative Marketing

Culture – Attract and retain the most talented people



And in 6 short years

Highlights

- Reigning Champion Australian Brewery – Australian International Beer Awards (AIBA), Independent Beer Awards (Indies)
- Rapidly growing Melbourne-based independent brewery
 - Dozens of awards at Indies and AIBA Inc. Trophies, gold, silver and bronze
 - Brewed over 250 different beers
- Increasingly part of Melbourne's culture with a growing brand and media awareness
- Partnerships with the likes of Arts Centre Melbourne, Midsumma, Movember, Melbourne City FC, Melbourne Fringe Festival and World's Longest Lunch
- 4 leading hospitality venues (soon to be 5)
- Gateway to Australia (Melbourne Airport) – first brewery at an airport in Australia
- 4 x Best Brewpub in Australia (Beer & Brewer magazine)
- Leading Beer Bar in Australia (13 years)





Beer Halls

Stomping Ground Brewery & Beer Halls

Stomping Ground operates a number of best-in-class, market leading venues.

Key benefits:

- A place to call home
- Controlled brand experience
- Trial - consumer and trade
- Build awareness
- Generate strong Volume / Cashflow / Profit
- Halo effect
- Replicable



Collingwood

- The flagship venue, Stomping Ground Brewery & Beer Hall in inner-city Collingwood was established in 2018
- Main production facility
- It has won Beer & Brewer magazine's Best Brewpub in Australia four years in a row

"There's really nothing like it in Melbourne" -- Broadsheet

"Resistance is futile. If you live north-side you're bound to end up here" -- The Age



Stomping Ground Brewery & Beer Halls (Cont.)

Melbourne Airport

- Opened January 2020 at Melbourne Airport, the key gateway to Victoria
- The first brewery in an airport in the southern hemisphere (and just the fourth in the world)
- Highest revenue hospitality operation in the airport
- 5 hectolitre onsite brewery
- Operated by Delaware North under licensing fee arrangement



Morris Moor

- Opened June 2021
- Overwhelmingly positive initial trade
- Services Melbourne's south-east corridor
- 12-hectolitre brewery on display, providing R&D opportunities

“Not everyone gets the chance to take an iconic venue and do it all over again. But that’s the reality for the Stomping Ground team” - Broadsheet



The Brewery

The Brewery and Beer Range

Stomping Ground currently has capacity to brew 3 million litres per annum across its three sites and supplies a diverse range of popular and innovative beers.

Capacity

- Collingwood is currently capable of 2.1 million litres. This can extend to a 2.8 million litre maximum with more FVs (fermentation vessels)
- Morris Moor and Melbourne Airport have a 0.2m litre capacity
- Equipment includes
 - 3 vessel 30 hectolitre Brewhouse
 - 50 CPM Angelus canning line with end-of-line automation
 - Grain silos for base malt



Diversity of Range

- Stomping Ground believe there is a beer for everybody and brew high quality, great beers to suit all tastes; from laid-back easy drinkers to the adventurous.

Stripes Range

Core year-round beers— **getting traction with majors**



Smash Range

Sour beers. Winner of numerous awards



Into the Woods Range

Refined limited release range sold mainly through **independent** bottle shops



Playground Range

Regular limited edition beers that drive 'new news' and **product differentiation**





Brand, Marketing & Sales

Brand & Marketing

Stomping Ground has consistently undertaken marketing activities that have given it strong brand recognition in Melbourne.

FOR ALL WALKS 

Stomping Ground's brand is encapsulated in its tag line '**For All Walks**' and the belief that its beers and branded experiences can be enjoyed by everyone.

The tone is inclusive, community-minded, fun and creative.

In just 5 years, the brand has developed a 'local bigness' through a range of marketing activities:

- High-profile pop-up activations
- Partnerships
- Campaigns
- Collaborations

These have delivered major media exposure across TV, Print and Digital. Whilst also growing an engaged and substantial social community - including 60K Instagram followers.



Brand & Marketing

Stomping Ground is well known for its marketing activities, establishing a quality brand synonymous with Melbourne's inner-city.

EVENTS AND FESTIVALS

Stomping Ground promotes its brand at a variety of festivals including craft beer festivals, cultural events and music festivals.



BRAND ACTIVATIONS

To connect with potential customers and drive brand recognition, Stomping Ground has undertaken many high-profile activation activities including pop ups (Terminal 3½ at Melbourne Airport, La Boca at Arts Centre Melbourne) plus window displays in bottle shops and on-premise wall displays.



CAMPAIGNS

Collaborations with the likes of award-winning advertising agency Cummins & Partners have created creative campaigns for Stomping Ground including Movember, Smash, Stomping Ground 5K and an upcoming Stripes campaign, their largest yet.



PARTNERSHIPS

Stomping Ground has partnered with a range of major brands like Come From Away, Midsumma, Melbourne City FC and Melbourne Fringe. This can include collaborating on different products, or trialing products through certain events run by partners.



Social Responsibility / Sustainability

Stomping Ground has been a consistent and passionate supporter of the community.

Since day one the company has provided support to the arts, sports, local charities, schools and community groups

- Stomping Ground has been a consistent and passionate supporter of the arts, sport, local charities, schools and community groups since day one.
- Giving Ground is their own charitable initiative, which has raised awareness and more than \$350,000 for a diverse range of social causes
- Stomping Ground also maintains a commitment to sustainable practices throughout the brewing lifecycle



Spent Grain

100% of spent grain recycled through farms



Packaging

Stomping Ground uses only 100% recyclable aluminium cans



Water

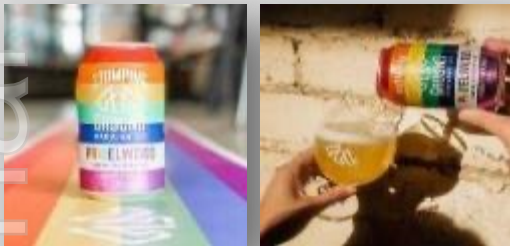
Beer gardens and indoor plants are fully irrigated from rainwater



Solar

357 solar panels powering 60% of electricity needs

midsumma festival



Stomping Ground created the limited edition PRIDElweiss beer for Midsumma Festival, and has raised over \$60,000 in the past 5 years

TIP JAR
Australian Hospitality Relief Fund



To support the hospitality industry after the damaging effects of COVID-19, Stomping Ground created the Tip Jar Lager, with all proceeds going to the industry

Scarf



Stomping Ground provides dinners, trainee wages and training for Scarf – which gets young asylum seekers into jobs in Melbourne

MOVEMBER



Stomping Ground has donated \$240,000 to support Movember and its goal of supporting men's mental health – including creating the Movember Gipps Street Ale