



Swiss Water Decaffeinated Coffee Inc.  
3131 Lake City Way | Burnaby | British Columbia | Canada V5A 3A3

NEWS RELEASE: via The Canadian Select Disclosure Network and SEDAR  
For release: **August 7th, 2019 at 2:00 pm Pacific (5:00 pm Eastern)**

## **Swiss Water Reports Strong Second Quarter and Six-Month Results First-Half Volumes Up 21%**

*A conference call to discuss Swiss Water's recent financial results will be held tomorrow, **August 8 at 9:00 am Pacific Time (12:00 pm Eastern Time)**. To access the conference call, please dial (844) 602-0380 (toll free) or (862) 298-0970 (international). A replay will be available through August 22, 2019 at (877) 481-4010 (toll free) or (919) 882-2331 (international) passcode: 52230.*

VANCOUVER, BC, August 7, 2019 / GLOBE NEWSWIRE / Swiss Water Decaffeinated Coffee Inc. (TSX – SWP) (“Swiss Water” or “the company”) today reported strong financial results for the second quarter and first half of 2019. Swiss Water is a premium green coffee decaffeinator which employs the proprietary SWISS WATER® Process to decaffeinate green coffee without the use of chemicals.

During the first half of 2019, Swiss Water reported a robust growth of 21% in volumes delivered to customers and improved financial performance. The company continues to gain new business as more industry participants and coffee consumers migrate away from chemical decaffeination in favor of chemical free processes. At the same time, an acceleration of underlying demand from existing customers is fueling organic growth. Through the second quarter, the company has continued to maintain a positive trend toward improved operating margins and manufacturing efficiency, while remaining sharply focused on producing high-quality premium decaffeinated coffee.

*“We are pleased that our volumes continue to grow strongly and that we are seeing new business coming from all our geographic markets and customer categories. Our strategic investments in expanding our reach in Europe and in targeting specific customer segments in the U.S. are also yielding growth. For example, since launching our new European subsidiary in January, we’ve seen volumes there grow by 125% in Q2 and by 83% year-to-date”,* said Frank Dennis, Swiss Water’s President and CEO.

Below is a summary of Swiss Water’s operational and financial results.



## Operational highlights

The following table shows changes in volumes shipped during the second quarter and the six months ended June 30, 2019.

	3 months ended June 30, 2019	6 months ended June 30, 2019
Change in total volumes shipped	+18%	+21%
<u>By Customer Type</u>		
Roasters	+8%	+14%
Importers	+45%	+36%
Specialty	+21%	+16%
Commercial	+16%	+24%

## Financial highlights

<i>In \$000s except per share amounts (unaudited)</i>	3 months ended June 30,		6 months ended June 30,	
	2019	2018	2019	2018
Sales	\$ 24,392	\$ 22,658	\$ 48,562	\$ 43,873
Gross profit	4,106	3,952	7,651	6,793
Operating income	1,356	1,528	2,332	2,083
Net income	1,353	1,294	1,344	1,781
EBITDA <sup>1</sup>	3,097	1,868	5,409	2,975
Net income - basic <sup>2</sup>	\$ 0.15	\$ 0.14	\$ 0.15	\$ 0.20
Net income - diluted <sup>2</sup>	\$ 0.14	\$ 0.10	\$ 0.15	\$ 0.13

<sup>1</sup> EBITDA is defined in the 'Non-IFRS Measures' section of the MD&A and is a "Non-GAAP Financial Measure" as defined by CSA Staff Notice 52-306.

<sup>2</sup> Per-share calculations are based on the weighted average number of shares outstanding during the period.

- Second quarter revenue was \$24.4 million, an increase of 8% over Q2 of 2018. Six-month revenue was \$48.6 million, an 11% year-over-year improvement. The increase in revenue in both periods was due to growth in volumes and a higher average US dollar ("US\$") exchange rate, partially offset by a lower coffee futures price ("NY'C").
- Quarterly gross profit was \$4.1 million (17% gross margin), compared to \$4.0 million (17% gross margin) in Q2 2018. Looked at sequentially, Q2 gross profit was up by \$0.6 million from \$3.5 million (15% gross margin) in Q1 of this year. First half gross profit increased to \$7.7 million (16% gross margin) from \$6.8 million (15% gross margin) in the first six months of last year. The improvement in year-to-date gross profit was a result of higher volumes and supply chain efficiencies, as well as management's ongoing efforts to control operating costs. These positive factors were partially offset by the impact of higher toll volumes in Swiss Water's sales mix, labour inflation and the introduction of the BC Employer Health Tax this year. Six-month gross profit was also negatively impacted by a spike in natural gas costs during the first quarter due to a gas pipeline explosion in October 2018. This significantly reduced energy supply and increased prices in British Columbia. Going forward, the company remains tightly focused on margins and



continues to seek ways to manage variable and fixed costs across all of its operations, without compromising product quality.

- Operating expenses were \$2.8 million in Q2 and \$5.3 million for the first half, an increase of 13% in both periods compared to the 2018 levels. Year-to-date expenses were the result of higher full year staffing and staff-related expenses, as well as increased research and development activity during the second quarter.
- For the second quarter, Swiss Water reported net income of \$1.4 million, compared to net income of \$1.3 million in Q2 2018. Year-to-date net income was \$1.3 million, compared to \$1.8 million in the first half of last year. This year's improved gross profit was offset by increases in both operating and non-operating expenses. The increase in non-operating expenses was partially driven by the revaluation of an embedded derivative. Higher finance expense in relation to interest on leases, as a result of the adoption of IFRS 16 Leases, and on a construction loan also had a negative impact.
- EBITDA for the second quarter was \$3.1 million, up by \$1.2 million, or 66%, over Q2 2018. First half EBITDA was \$5.4 million, up by \$2.4 million, or 82% over the same period last year. In both periods, the significant increase in EBITDA was largely due to new accounting standards related to leases. Operationally, EBITDA was enhanced by the strong growth in volumes, ongoing efforts to enhance cost recovery, and an increased financial contribution from Seaforth, the company's supply chain subsidiary.

Construction of Swiss Water's new decaffeination facility, which is located in Delta, BC, is nearing completion. The new production line is expected to be commissioned in the fourth quarter of this year.

### ***Quarterly Dividends***

Subsequent to the end of the second quarter, on July 15, 2019, the company paid an eligible dividend in the amount of \$0.6 million (\$0.0625 per share) to shareholders of record on June 28, 2019.

### ***Company Profile***

Swiss Water Decaffeinated Coffee Inc. is a leading specialty coffee company and a premium green coffee decaffeinator which employs the proprietary SWISS WATER® Process to decaffeinate green coffee without the use of chemicals. It also owns Seaforth Supply Chain Solutions, a green coffee handling and storage business. Both businesses are located in the cities of Burnaby and Delta, British Columbia.



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### **Additional Information**

A more detailed discussion of Swiss Water Decaffeinated Coffee Inc.'s recent financial results is provided in the company's Management Discussion and Analysis filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the company's website (<https://investor.swisswater.com/>).

### **For more information, please contact:**

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### **Forward-Looking Statements**

*Certain statements in this press release may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. When used in this press release, such statements may include such words as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance, as well as management's current estimates, but which are based on numerous assumptions and may prove to be incorrect. These statements are neither promises nor guarantees, but involve known and unknown risks and uncertainties, including, but not limited to, risks related to processing volumes and sales growth, operating results, supply of utilities, supply of coffee, general industry conditions, commodity price risks, technology, competition, foreign exchange rates, construction timing, costs and financing of capital projects, and general economic conditions.*

*The forward-looking statements and financial outlook information contained herein are made as of the date of this press release and are expressly qualified in their entirety by this cautionary statement. Except to the extent required by applicable securities law, Swiss Water Decaffeinated Coffee Inc. undertakes no obligation to publicly update or revise any such statements to reflect any change in management's expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those described herein.*