



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: **November 6, 2019 at 2:00 pm Pacific (5:00 pm Eastern)**

Swiss Water Reports Strong Third Quarter and Nine-Month Results Year-to-Date Operating Income Up 15%

*A conference call to discuss Swiss Water's recent financial results will be held tomorrow, **November 7th at 9:00 am Pacific Time (12:00 pm Eastern Time)**. To access the conference call, please dial (844) 407-9500 (toll free) or (862) 298-0850 (international). A replay will be available through November 21, 2019 at (877) 481-4010 (toll free) or (919) 882-2331 (international) passcode: 56429.*

VANCOUVER, BC, November 6, 2019 / GLOBE NEWSWIRE / Swiss Water Decaffeinated Coffee Inc. (**TSX – SWP**) (“Swiss Water” or “the company”) today reported strong financial results for the third quarter and first nine months 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.

With volumes up 16% year-over-year, Swiss Water has once again reported double-digit growth in the amount of coffee delivered to customers during the first nine months of 2019. In addition, the company improved its nine-month operating income by 15% over the same period last year. Swiss Water continues to increase its market share and win new business, as more and more industry participants and coffee consumers move away from chemical decaffeination in favor of chemical free processes. At the same time, growing demand from existing customers is fueling robust growth. Swiss Water also maintained the positive trend toward improved operating margins and manufacturing efficiency established in the first half of the year, while remaining sharply focused on producing high-quality premium decaffeinated coffee.

“We are pleased to report that the strong growth in volumes we have achieved over the past several quarters continued through the third quarter and first nine months of this year. Thanks to a number of positive market trends, as well as our strategic investments in sales and marketing both in North America and overseas, we are seeing new business coming from all our geographic markets and customer categories. We are particularly proud of the fact that our business in Europe, where we launched a new subsidiary in January, is up by 56% year-to-date”, said Frank Dennis, Swiss Water’s President and CEO. “Going forward, we will continue to invest in our production infrastructure and human resources to prepare for the significant growth that we anticipate in the future. To this end, our new state-of-the-art production facility in Delta, BC is nearing completion and on-track for commissioning toward the end of Q4. We should be in a position to begin shipping commercially from the new plant in the first quarter of 2020.”



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

Operational highlights

The following table shows year-over-year changes in volumes shipped during the third quarter and nine months ended September 30, 2019.

	3 months ended September 30, 2019	9 months ended September 30, 2019
Change in total volumes shipped	+8%	+16%
<u>By Customer Type</u>		
Roasters	+9%	+13%
Importers	+6%	+23%
Specialty	-3%	+9%
Commercial	+14%	+21%

Financial highlights

<i>In \$000's except per share amounts (unaudited)</i>	3 months ended September 30,		9 months ended September 30,	
	2019	2018	2019	2018
Sales	\$ 23,645	\$ 23,087	\$ 72,707	\$ 66,960
Gross profit	4,737	4,439	12,388	11,235
Operating income	2,291	1,927	4,623	4,013
Net income	884	1,828	2,228	3,612
EBITDA ¹	3,485	2,717	8,894	5,695
Net income - basic ²	\$ 0.10	\$ 0.20	\$ 0.25	\$ 0.40
Net income - diluted ²	\$ 0.10	\$ 0.18	\$ 0.25	\$ 0.31

¹ 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.

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

- Third quarter revenue was \$23.6 million, an increase of 2% over Q3 of 2018. Nine-month revenue was \$72.2 million, an 8% 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, as well as increases in green coffee sales volumes, partially offset by a lower coffee futures price (“NY’C”).
- Quarterly gross profit was \$4.7 million, compared to \$4.4 million in Q3 2018. Looked at sequentially, Q3 gross profit was up by \$0.6 million from \$4.1 million in Q2 of this year. Gross profit for the first nine months increased to \$12.4 million from \$11.2 million in the same period last year. The improvement in year-to-date gross profit was a result of increased overall process volumes and a higher proportion of regular volumes in our sales mix, as well as improved supply chain efficiencies and management’s ongoing efforts to control operating costs. These positive factors were partially offset by the impact of higher labour costs. Nine-month gross profit was also negatively impacted by a spike in natural gas prices during the first quarter due



to a pipeline explosion in October 2018. This significantly reduced energy supply and increased gas prices in British Columbia last winter. Going forward, the company remains tightly focused on margin maintenance and improvement, and continues to seek ways to manage variable and fixed costs across all of its operations, while vigorously maintaining product quality.

- Operating expenses decreased by 3% to \$2.4 million in the third quarter and increased by 8% to \$7.8 million for the first nine months of this year, compared to the same periods in 2018. The Q3 decrease was due to lower sales and marketing expenses during the period, while the nine-month increase was due to higher staffing and staff-related expenses, as well as an increase in research and development activity during the second quarter.
- Operating income increased by \$0.4 million, or 19%, to \$2.3 million in the third quarter and was up by \$0.6 million, or 15%, to \$4.6 million for the first nine months, compared to the same periods last year.
- For the third quarter, Swiss Water reported net income of \$0.9 million, compared to net income of \$1.8 million in Q3 2018. Year-to-date net income was \$2.2 million, compared to \$3.6 million in the first three quarters of last year. This year's improved operating income was offset by increases in non-operating expenses. The increased expenses were driven by a loss on risk management activities, the revaluation of an embedded derivative, and higher finance expense in relation to interest on leases as a result of the adoption of IFRS 16 – Leases.
- Third quarter EBITDA was \$3.5 million, up by \$0.8 million, or 28%, over Q3 2018. Nine-month EBITDA was \$8.9 million, up by \$3.2 million, or 56% over the same period last year. In both periods, the significant increase in EBITDA was largely due to the adoption of 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 third quarter, on October 15, 2019, the company paid an eligible dividend in the amount of \$0.6 million (\$0.0625 per share) to shareholders of record on September 30, 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



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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.

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) and on the company's website (<https://investor.swisswater.com/>).

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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.