



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: **May 6, 2020 at 2:00 pm Pacific Time (5:00 pm Eastern Time)**

## **Swiss Water Reports 2020 First Quarter Results**

*A conference call to discuss Swiss Water's recent financial results will be held tomorrow, **May 7th 2020 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 May 21, 2020 at (919) 882-2331 (toll free) or (877) 481-4010 (international) passcode: **34630**.*

VANCOUVER, BC, May 6, 2020 / GLOBE NEWSWIRE / Swiss Water Decaffeinated Coffee Inc. (**TSX – SWP**) (“Swiss Water” or “the company”) today reported financial results for the three months ended March 31, 2020, representing the first quarter of the company's current fiscal year. Swiss Water is a premium green coffee decaffeinator that employs the proprietary SWISS WATER® Process to decaffeinated green coffee without the use of chemicals.

For the three months ended March 31, 2020, Swiss Water's gross profit, operating income, net income and EBITDA were all up year-over-year, although the company recorded lower volumes and revenues when compared to Q1 of last year. Volumes were negatively impacted by a spike in coffee commodity prices which began in the last weeks of 2019 and persisted through the first quarter of this year. By the end of December 2019, the New York 'C' Arabica Futures Contract (“NY'C”) had moved to a peak of US\$1.45/lb, 45% above the January to November average of approximately US\$0.98. While Swiss Water's volumes remained strong through the fourth quarter, they began to weaken markedly in the first quarter as the higher NY'C impacted the overall coffee market. As has been the case with previous spikes in the NY'C, many of the company's customers curtailed coffee purchases and drew down their existing inventories while waiting for the commodity price to soften. Subsequent to the end of the first quarter, the NY'C began to drop and, in early May 2020, was trading at approximately US\$1.10/lb.

In addition to the spike in coffee commodity prices, the onset of the COVID-19 pandemic began to impact Swiss Water toward the end of the first quarter and, as with businesses in every sector of the economy, has created an uncertain outlook for the balance of this year.

*“When the pandemic was declared early in March, we saw an immediate increase in volume demand from those customers that supply the retail grocery trade as consumers loaded their pantries in anticipation of quarantines and supply disruptions, or simply consumed their coffee at home”, said Frank Dennis, Swiss Water's President and CEO. “However, at the same time, demand from*



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*customers who serve the out-of-home market began to soften as coffee shops and restaurants around the world were shuttered or restricted to takeout and drive-through service only. As this situation persists, it's having an increasingly negative impact on demand from both our specialty and some of our large commercial accounts. Depending on how long it takes for the vital out-of-home channel to resume normal operations, we may ultimately experience a decline in our annual volumes for 2020."*

*"We remain in daily contact with customers in all of our markets and are well positioned with sufficient green coffee inventory, and production capacity to respond dynamically as the situation unfolds. We continue to operate both production lines at our legacy plant in Burnaby, BC on the normal 24/7 basis, as well as our Seaforth coffee handling subsidiary, while taking all necessary measures to protect the health and safety of our employees, customers and other stakeholders. The commissioning of the new production line at our Delta, BC facility is continuing well internally but, with the US/Canada border closed to the suppliers of some key components, and short-term volume demand reduced, we no longer expect to fully complete the process during the first half of this year,"* said Dennis.

*"Finally, as we announced on March 19th, we are proceeding with preparations to build a second new production line at our Delta, BC facility in order to ensure that we have the production capacity required to meet the longer-term demand we anticipate for our chemical free decaffeinated coffees. Timing of this initiative was determined by the recent sale of our Burnaby, BC site to a new owner. This has created an unacceptable risk that an extension of the current lease on this facility may not be granted and that we may not be able to continue operations in Burnaby beyond 2023. Accordingly, we are moving forward with the planning process to expand our Delta, BC plant sooner than we had originally planned. Based on current engineering, the targeted endpoint capacity would be at least 40% greater than the current existing capacity of the two lines at the Burnaby site, giving the Company a runway for continued growth in the next 5-6 years" Dennis added.*

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



## Operational highlights

The following table shows changes in volumes shipped during the first quarter of the company's 2020 fiscal year. It also shows growth rates in volume for the full year 2019, demonstrating the company's accelerated momentum.

	3 months ended March 31, 2020	Year ended December 31, 2019
Change in total volumes shipped	-16%	+16%
<u>By customer type</u>		
Roasters	-16%	+10%
Importers	-15%	+32%
Specialty	-11%	+8%
Commercial	-19%	+22%

- Total shipped volumes in the first quarter declined by 16% year-over-year. For the prior 12 quarters Swiss Water consistently won new business and increased volumes as coffee industry participants migrated away from chemical decaffeination processes. In Q1 2020, the company experienced its first quarterly volume decline in three years. This was driven by a temporary spike in the NY'C' coffee commodity price and a coincident increase in Colombia coffee quality differentials.
- The largest geographical market by volume in Q1 continued to be the United States. By dollar value, 47% of sales were to customers in the USA, 34% were to Canada, and the remaining 19% were to other countries. As Swiss Water continues to expand its business in Europe, the company anticipates that revenues from international markets will increase in both dollar and percentage terms.
- Swiss Water's operations have been deemed essential services and, as such, the company continues to supply decaffeinated coffee to its customers around the world, while taking all necessary steps to protect the health and safety of all its stakeholders.

## Financial highlights

In \$000s except per share amounts (unaudited)	3 months ended March 31, 2020		3 months ended March 31, 2019	
Sales	\$	21,817	\$	24,170
Gross Profit		4,206		3,544
Operating income		2,035		976
Net income (loss)		1,448		(9)
EBITDA <sup>1</sup>		2,640		2,312
EBITDA excluding impact of IFRS 16 <sup>2</sup>		1,981		1,573
Net income per share – basic <sup>3</sup>	\$	0.16	\$	–
Net income per share – diluted <sup>3</sup>	\$	0.02	\$	–

<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> EBITDA excluding the impact of IFRS 16 - Leases is defined as EBITDA, less lease payments made during the year.



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<sup>3</sup> Per-share calculations are based on the weighted average number of shares outstanding during the periods.

- First quarter revenue decreased by 10% to \$21.8 million when compared to the same period in 2019. The decrease was due to the year-over-year decline in processing volumes which offset an increase in the per pound dollar value of coffee sold during the quarter.
- Q1 gross profit was \$4.2 million, up from \$3.5 million in 2019. The improvement resulted from lower natural gas costs, a higher proportion of regular volumes in the company's sales mix, improved supply chain efficiencies and ongoing efforts to control operating costs. These enhancements were partially offset by higher labour costs and the decrease in volumes shipped during the period.
- Operating expenses were \$2.2 million in the first quarter, a decrease of 15% when compared to Q1 2019. The year-over-year improvement was due to stock-based compensation recovery, lower travel expenses and reduced recruitment fees.
- Operating income increased by \$1.1 million, or 109%, to \$2.0 million in the first quarter compared to the same period last year.
- First quarter net income was \$1.4 million, compared to net loss of 0.01 million in 2019. This year's improved quarterly operating income was enhanced by net gains in non-operating expenses, including a significant gain on the revaluation of an embedded derivative, net of a smaller loss on risk management activities. These factors had a positive impact on net income.
- EBITDA of \$2.6 million was up \$0.3 million, or 14%, when compared to the first quarter of 2019. Q1 EBITDA, excluding the impact of IFRS 16, was \$2.0 million, a year-over-year increase of \$0.4 million, or 26%. Operationally, the improvement was driven by the normalization of natural gas costs when compared to the unusually high costs absorbed in Q1 2019. Ongoing efforts to enhance cost recovery and an increased financial contribution from the company's Seaforth supply chain subsidiary also had a positive impact.

### **Quarterly Dividends**

No dividends were issued during the first quarter of 2020.

### **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, the supply of utilities, the supply of coffee, general industry conditions, commodity price risks, COVID-19, 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.*