



Swiss Water Decaffeinated Coffee Inc.
7750 Beedie Way | Delta | British Columbia | Canada V4G 0A5

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Swiss Water Reports 2020 Third Quarter and Nine-Month Results

*A conference call to discuss Swiss Water's recent financial results will be held tomorrow, **November 6, 2020 at 10:00 am Pacific Time (1:00 pm Eastern Time)**. To access the conference call, please dial 1-844-602-0380 (toll free) or 1-862-298-0970 (international). A replay will be available through November 20, 2020 at 1-877-481-4010 (toll free) or 1-919-882-2331 (international) passcode: 38572.*

VANCOUVER, BC, November 5, 2020 / GLOBE NEWSWIRE / Swiss Water Decaffeinated Coffee Inc. (TSX– SWP) (“Swiss Water” or “the company”), a leading specialty coffee company and premium green coffee decaffeinator, today reported financial results for the third quarter and nine months ended September 30, 2020.

Third Quarter 2020 Financial and Operational Highlights

- Third quarter revenue increased by 5% over Q3 2019 to \$24.9 million. Nine month revenue increased by 1% to \$73.1 million.
- Processing volumes in the third quarter remained resilient, declining only 1%, despite ongoing trading challenges due to the COVID-19 pandemic. Specialty category volumes grew by 8% during the quarter, as some storefronts re-opened and rebuilt inventories.
- Third quarter operating income declined to \$0.6 million, compared to \$2.3 million in Q3 2019. The change was primarily the result of margin dilution on coffee quality differentials, increased depreciation charges and changes in the timing of marketing expenditures.
- Third quarter EBITDA decreased to \$2.0 million from \$3.5 million last year. EBITDA, excluding IFRS 16, was \$1.3 million, down from \$2.7 million in the third quarter of 2019.
- In September, the company completed the first production run of commercial-grade coffee from its new Delta, B.C. facility.

“We are pleased to report that our volumes have remained resilient, despite the ongoing trading challenges resulting from the COVID-19 pandemic, and that all of our financial metrics continue to track in line with our expectations,” said Frank Dennis, Swiss Water’s President and CEO. “Given our strong competitive position, the positive macro trends driving our business and the strength of the Swiss Water brand, we remain confident about the longer term prospects for our business. That said, the continuing negative impacts of the COVID-19 pandemic make the short-term outlook for us impossible to predict with any surety.”



“At the same time, we are moving ahead strategically to prepare the company for a resumption of the strong growth trajectory we’d established prior to the pandemic. During the third quarter, the commissioning of the first new production line at our Delta, BC facility was completed and we produced the first run of commercial-grade coffee at this site. As we have noted previously, we need to relocate all production from our legacy facility in Burnaby, BC by June 2023 due to the coming expiry of our lease there. Planning for the financing, design, and construction of a second line in Delta is underway with a targeted completion date before the 2023 deadline in Burnaby. Based on engineering reports from a third-party engineering firm, when both are completed, we expect the two new lines in Delta together will have a targeted end capacity at least 40% greater than the current Burnaby facility,” said Dennis.

Operational Highlights

The following table shows changes in volumes shipped during the third quarter and the nine months ended September 30, 2020, compared to the same periods in 2019.

Volumes	3 months ended September 30, 2020	9 months ended September 30, 2020
Change in total volumes	-1%	-6%
<u>By customer type</u>		
Roasters	+5%	-4%
Importers	-11%	-10%
Specialty	+8%	-6%
Commercial	-6%	-6%

- Total volumes in the third quarter and the nine months ended September 30, 2020 declined by 1% and 6%, respectively, compared to the same periods in 2019. Although Swiss Water has been negatively impacted by the COVID-19 pandemic, volumes have proven to be more resilient than the company anticipated when the pandemic emerged earlier this year.
- As in the past, the company’s largest geographical market by volume in Q3 and the first nine months of 2020 continued to be the United States. By dollar value, during the nine months to September 30, 2020, 50% of sales were to customers in the USA, 30% were to Canada, and the remaining 20% were to other countries.
- Swiss Water’s operations have been deemed essential services during the pandemic 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 its employees. Other than a brief shutdown of one operating line to mitigate the possible risk of a province-wide work stoppage during the early stages of the pandemic, the company operated both lines at its legacy plant in Burnaby, B.C. on the normal 24/7 basis throughout the first nine months of the year. The company’s Seaforth coffee handling subsidiary also remained open and operating normally.



- In September, Swiss Water successfully completed its first production run of commercial-grade coffee from its Delta, B.C. facility. This marked the final step in the startup of the initial processing line at the company’s new, technically advanced decaffeination facility and the culmination of a three-year effort to develop additional capacity to service the growing demand for its sustainably sourced, chemical free decaffeinated coffees.

Financial Highlights

In \$000’s except per share amounts (unaudited)	3 months ended September 30		9 months ended September 30	
	2020	2019	2020	2019
Sales	\$ 24,862	\$ 23,645	\$ 73,059	\$ 72,207
Gross profit	3,431	4,737	12,791	12,388
Operating income	606	2,291	5,011	4,623
Net income	106	884	3,269	2,228
EBITDA ¹	2,036	3,485	7,870	8,894
EBITDA excluding IFRS 16-Leases ²	1,335	2,696	5,853	6,547
Net income per share – basic ³	\$ 0.01	\$ 0.10	\$ 0.36	\$ 0.25
Net income per share – diluted ³	\$ 0.01	\$ 0.10	\$ 0.25	\$ 0.25

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

³ Per-share calculations are based on the weighted average number of shares outstanding during the periods. Diluted earnings per share take into account shares that may be issued upon conversion of convertible debt and RSUs as well as the impact on earnings from changes in the fair market value of the embedded option in the convertible debt and conversion of RSUs.

- Quarterly revenue increased by 5% over Q3 2019 to \$24.9 million. Nine month revenue was relatively flat, increasing by 1% to \$73.1 million. Revenues have remained strong, despite slightly lower volumes, because of increasing coffee quality differentials, higher freight revenue, and the positive impact of changes in customer mix which resulted in slightly higher process revenue.
- Third quarter gross profit was \$3.4 million, a decrease of \$1.3 million from the same period in 2019. This year’s Q3 gross profit was negatively affected by a weakening in coffee quality differential gains and increased depreciation charges following the completion and commissioning of the company’s new manufacturing facility in Delta B.C. For the nine month period, gross profit increased by \$0.4 million to \$12.8 million. The year-to-date improvement was driven by positive changes in sales mix, stronger than expected coffee differential gains, improved supply chain efficiencies and lower natural gas costs.
- Third quarter operating expenses were \$2.8 million, an increase of \$0.4 million over Q3 2019. Nine month operating expenses of \$7.8 million were comparable to the same period last year. The increase in Q3 expenses was driven by a combination of changes in the timing of marketing expenditure, higher professional fees and the inclusion of engineering salaries. In Q3 2019, during the construction of Swiss Water’s new Delta, BC manufacturing facility, engineering salaries were capitalized. The higher quarterly expenses were partially offset by lower than expected travel and recruitment fees, while nine month expenses were reduced by a recovery of stock-based compensation costs during the first half of the year.



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- Q3 operating income was \$0.6 million, a decrease of 75%, from the same period last year. For the nine months ended September 30th, 2020, operating income increased by 9%, growing to \$5.0 million.
- For the third quarter, Swiss Water reported net income of \$0.1 million, compared to \$0.9 million in Q3 2019. Nine month net income was \$3.3 million, compared to \$2.2 million last year. The year-over-year difference in net income during both periods reflects the combination of changes in gross profit, and both operating and non-operating expenses. This year non-operating expense was reduced by the revaluation of an embedded derivative as a result of the company's lower share price, partially offset by a slight loss on risk management activities.
- EBITDA decreased by \$1.4 million, or 42%, to \$2.0 million in the third quarter, and by \$1.0 million, or 12%, to \$7.9 million for the first nine months, when compared to the same periods in 2019. EBITDA, excluding the impact of IFRS 16, decreased by \$1.4 million, or 50%, to \$1.3 million in Q3, and by \$0.7 million, or 11%, to \$5.9 million for the first nine months of this year. The drop in quarterly EBITDA was expected. While gains on coffee quality differential had a positive impact on nine month results, they softened during the third quarter. This, combined with the timing of overhead spending and marketing investments, reduced EBITDA.

Company Profile

Swiss Water Decaffeinated Coffee Inc. is a leading specialty coffee company and a premium green coffee decaffeinator that employs the proprietary Swiss Water® Process to decaffeinate green coffee without the use of solvents such as methylene chloride. 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, Canada.

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 the company's website (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, the supply of utilities, the supply of coffee, general industry conditions, commodity price risks, technology, competition, foreign exchange rates, construction timing, costs and financing of capital projects, a potential impact of the COVID-19 pandemic, 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.