



Swiss Water Decaffeinated Coffee Inc.

7750 Beedie Way | Delta | British Columbia | Canada V4G 0A5

NEWS RELEASE: via The Canadian Select Disclosure Network and SEDAR

For release: **August 5, 2021 at 2:00 pm Pacific (5:00 pm Eastern)**

Swiss Water Reports Strong Second Quarter Volume and Revenue

VANCOUVER, BC, August 5, 2021 / 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 three and six months ended June 30, 2021.

Three and Six Months ended June 30, 2021 Financial and Operational Highlights

- Second quarter revenue was \$28.8 million, an increase of 9% or \$2.4 million, when compared to the same period in 2020. Year-to-date revenue grew strongly and was \$54.4 million, an increase of 13% or \$6.3 million.
- Quarterly and year-to-date volumes increased by 4% and 8%, respectively, compared to the same periods last year reflecting new customer acquisition and organic growth with existing customers as the food service economy opens up again.
- The company’s European business grew very strongly with volumes up by 74% compared to the first six months of last year. First half volumes in the Asia Pacific region also grew strongly at 10% fueled by good organic growth.
- The fundamentals of the company’s business are strong, with sales increasing and operating expenses in line with expectations. Operating income and net income, however, declined on a year-over-year basis, driven primarily by changes in foreign currency exchange rates and coffee differentials, as well as increased costs associated with the company operating at two facilities in 2021. The costs associated with running two plants will cease when the company exits its Burnaby facility, expected to occur at the end of June 2023.
- Even with the extra cost burdens described above, the second quarter EBITDA was in line with last year, at \$3.2 million, and increased to \$5.9 million for the first six months of this year.
- Financing and permitting have been secured for the construction of the company’s second production line in Delta, BC. Swiss Water formally initiated on site construction in July 2021 and the project is currently on time and on budget.

“We are very pleased to report that our volumes have continued to increase as we attract new customers to our portfolio of products, and as existing customers realize the benefit of growing their chemical free decaf offerings. We are seeing very good evidence in the marketplace that methylene chloride decaffeination is declining in preference by roasters and consumers. Additionally, we are excited about securing financing, permitting and recently breaking ground on our second production



line in Delta that will replace our legacy facility in Burnaby”, said Frank Dennis, Swiss Water’s President and CEO. “As we look forward into the second half of this year we are continuing to see a strong order book and we are optimistic that as vaccination programs start to reach maturity in several developed countries we will continue to see the normalization of trading conditions in our key markets. On a more cautionary note the recovery of the global economy has started to affect the logistics of coffee movement from origin and in particular into the Port of Vancouver. We will pay close attention to this emerging risk, and implement necessary mitigation steps as required”, said Dennis.

Operational Highlights

The following table shows changes in volumes during the second quarter and six months ended June 30, 2021 compared to the same period in 2020.

Volumes	3 months ended June 30, 2021	6 months ended June 30, 2021
Change in total volumes	4%	8%
<u>By customer type</u>		
Roasters	-8%	-4%
Importers	31%	34%
Specialty	29%	24%
Commercial	-8%	-

- Total volumes in the second quarter and first half of 2021 improved by 4% and 8%, respectively, compared to the same periods last year. Across all geographical markets, many of the company’s customers are starting to experience growing consumer demand and are beginning to plan for trading activity closer to pre-pandemic levels. Encouragingly, Swiss Water recorded 4% and 10% volume growth in its North America and Asia Pacific regions respectively in the first six months of the year. In Europe, volumes increased by an impressive 74%.
- As in the past, Swiss Water’s largest geographical market by volume continued to be the United States, followed by Canada, Europe and other international markets. By dollar value, for the six months ended June 30, 2021, 43% of sales were to customers in the United States, 35% were to Canada, and the remaining 22% were to other countries.
- In September 2020, Swiss Water successfully completed its first production run of commercial-grade coffee from its new Delta, B.C. facility. During the first half of this year, a significant portion of production volume was transitioned to Delta, reducing some of the pressure on the company’s legacy production assets in Burnaby, B.C. The Delta facility is now running smoothly on a 24/7 basis.



Financial Highlights

In \$000s except per share amounts (unaudited)	3 months ended June 30		6 months ended June 30	
	2021	2020	2021	2020
Sales	\$ 28,759	\$ 26,380	\$ 54,451	\$ 48,197
Gross profit	3,652	5,154	7,204	9,360
Operating income	1,106	2,370	1,844	4,405
Net income	216	1,716	120	3,163
EBITDA ¹	3,163	3,194	5,851	5,834
EBITDA excluding IFRS 16 – Leases ²	2,461	2,536	4,448	4,518
Net income per share – basic ³	\$ 0.02	\$ 0.19	\$ 0.01	\$ 0.35
Net income per share – diluted ³	\$ 0.02	\$ 0.19	\$ 0.01	\$ 0.21

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.

- Second quarter revenue increased by 9% over Q2 2020 to \$28.8 million, and six-month revenue increased by 13% to \$54.4 million as a result of increased volume growth in the periods, and the effect of higher green coffee prices compared to the same periods in 2020.
- Second quarter EBITDA remained flat at \$3.2 million and increased slightly to \$5.9 million for the six months ended June 30, 2021. Operationally, the EBITDA was driven by revenue growth, successful efforts across the Company to enhance cost recovery, and increased financial contribution from Seaforth, the company's green coffee handling and storage subsidiary. These positive impacts were offset by lower foreign exchange conversion on coffee quality differentials and additional expenses from running two production facilities compared to the same periods in 2020.

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 Inc., a green coffee handling and storage business. Both businesses are located in the cities of Burnaby and Delta, British Columbia, Canada.

Additional Information

*A conference call to discuss Swiss Water's recent financial results will be held on **August 6, 2021 at 10:00 am Pacific Time (1:00 pm Eastern Time)**. To access the conference call, please dial 1-888-506-0062 (toll free) or 1-973-528-0011 (international); passcode: 615903. A replay will be available through August 20, 2021 at 1-877-481-4010 (toll free) or 1-919-882-2331 (international); passcode: 42365.*



Swiss Water Decaffeinated Coffee Inc.

7750 Beedie Way | Delta | British Columbia | Canada V4G 0A5

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).

For more information, please contact:

Iain Carswell, Chief Financial Officer
Swiss Water Decaffeinated Coffee Inc.
Phone: 604.420.4050
Email: investor-relations@swisswater.com
Website: investor.swisswater.com

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 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.