



Swiss Water Decaffeinated Coffee Inc.

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

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Swiss Water Reports Record Quarterly Volume and Adjusted EBITDA

VANCOUVER, BC, November 4, 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 nine months ended September 30, 2021.

Three and Nine Months ended September 30, 2021 Financial and Operational Highlights

- Third quarter revenue was \$35.5 million, an increase of 43% or \$10.6 million when compared to the same period in 2020. Year-to-date revenue grew strongly and was \$89.9 million, an increase of 23% or \$16.9 million.
- Quarterly and year-to-date volumes increased by 29% and 15%, respectively, compared to the same periods last year reflecting new customer acquisition and organic growth with existing customers as the food service economy continues to recover.
- European business grew very strongly with volumes up by 84% compared to the first nine months of last year. Year-to-date volumes in the Asia Pacific and North American regions grew strongly at 23% and 10% respectively.
- Production volumes hit record highs during the third quarter and capacity utilization across the company’s three production lines exceeded 85 percent.
- Third quarter Adjusted EBITDA was \$4.0 million, compared to \$1.3 million in the same quarter last year, representing an increase of 198%. Year-to-date Adjusted EBITDA grew strongly to \$8.4 million compared to \$5.9 million last year, an increase of 44%.
- Third quarter net income was up only slightly despite the significant increase in Adjusted EBITDA due to increased depreciation, the non-cash loss on the debt extinguishment, and an increase in finance expense. Year-to-date net income also fell to \$0.3 million from \$3.3 million in the same period last year for primarily the same reasons.
- 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 foundation is complete. The project is currently on time and on budget.
- Inflationary pressure increased within the company’s variable cost structure during the third quarter and will likely drive an increase in processing prices to enable maintenance of margins.



“We are very pleased to report that our volumes and adjusted EBITDA hit record levels during the third quarter. Our existing customers are experiencing strong growth in demand for their chemical free decaf offerings and additionally, we have started to ship products to a number of new out-of-home customers in North America. We are seeing very good evidence in the marketplace that methylene chloride decaffeination is declining in preference by roasters and consumers. Furthermore, we are excited to share that our capacity utilization rate across our three production lines exceeded 85% during the third quarter and that these production rates drive solid profitability”, said Frank Dennis, Swiss Water’s President and CEO. *“As we look forward towards the end of this year we are continuing to see a strong order book and we are optimistic that as vaccination programs mature in most developed countries we will continue to see favourable trading conditions in our key markets. On a more cautionary note, we are experiencing a marked slow down in coffee deliveries as supply chain bottlenecks persist. Additionally, a rare double frost occurred in July in Brazil increasing coffee futures prices sharply through the third quarter which caused a significant increase in working capital needs. We will pay close attention to these emerging risks and increasing costs, with an increasing expectation for pricing actions and other mitigation efforts. On a separate note, we initiated construction and completed the foundation of our second line in Delta, BC during the third quarter and we expect to commence above ground construction of production assets by mid November”,* said Dennis.

Operational Highlights

The following table shows changes in volumes during the third quarter and nine months ended September 30, 2021, compared to the same periods in 2020.

Volumes	3 months ended September 30, 2021	9 months ended September 30, 2021
Change in total volumes	+29%	+15%
<u>By customer type</u>		
Roasters	+14%	+3%
Importers	+49%	+43%
Specialty	+21%	+23%
Commercial	+34%	+11%

- Total volumes in the third quarter and first nine months of 2021 improved by 29% and 15%, respectively, compared to the same periods last year. Across all geographical markets, many of the company’s customers are seeing strong consumer demand and are ordering in line, and in some cases, ahead of pre-pandemic levels. Furthermore, volume growth was enhanced during Q3 2021 as the company started to ship products to some new out-of-home customers within North America. Encouragingly Swiss Water recorded 17% and 36% growth in its North America and Asia Pacific regions respectively in the third quarter of 2021 compared to the same periods in the prior year. In Europe, volumes increased by an impressive 221% during the three months ended September 30, 2021.



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- As in the past, Swiss Water’s largest geographical market by volume continues to be the United States, followed by Canada, Europe and other international markets. By dollar value, for the six months ended June 30, 2021, 44% of sales were to customers in the United States, 33% were to Canada, and the remaining 23% 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 nine months 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 and contributed to the third quarter capacity utilization rate exceeding 85% across the company's three production lines.

Financial Highlights

In \$000s except per share amounts (unaudited)	3 months ended September 30		9 months ended September 30	
	2021	2020	2021	2020
Sales	\$ 35,496	\$ 24,862	\$ 89,947	\$ 73,059
Gross profit	6,018	3,431	13,222	12,791
Operating income	3,325	606	5,169	5,011
Net income	135	106	255	3,269
Adjusted EBITDA ¹	3,974	1,335	8,422	5,853
Net income per share – basic ²	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.36
Net income per share – diluted ²	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.25

¹ Adjusted 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 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. Basic and diluted income per share for the nine months ended September 30, 2020, reflects the impact of the convertible debenture instrument that has been extinguished on July 20, 2021.

- Third quarter revenue increased by 43% over Q3 2020 to \$35.5 million, and nine-month revenue increased by 23% to \$89.9 million as a result of increased volume growth in the periods, the effect of higher green coffee prices and compared to the same periods in 2020.
- Adjusted EBITDA for the three and nine months ended September 30, 2021 was \$4.0 million and \$8.4 million respectively, representing increases of 198% and 44% respectively compared to the same periods last year. Operationally, the increase in Adjusted EBITDA was driven by volume growth, efficiency gains due to higher capacity utilization rates, and increased financial contribution from Seaforth. These gains were somewhat offset by an increase in green coffee costs and incremental labour and production expenses associated with operating at two facilities. 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.
- Net Income declined on a year-to-date basis, despite the significant increase in Adjusted EBITDA, to \$0.3 million from \$3.3 million in the previous year, driven primarily by the \$2.1 million increase in depreciation and amortization resulting from operating at two



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facilities, the non-cash loss of \$1.4 million on the extinguishment of the convertible debenture, and an increase in finance expense \$1.1 million due to the higher debt to finance the construction of the Delta 2 facility. This was partially offset by the non-cash gain of \$1.4 million on fair value of the embedded option in 2020 which did not occur in 2021.

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 **November 5, 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: **461887**. A replay will be available through August 20, 2021 at **1-877-481-4010** (toll free) or **1-919-882-2331** (international); passcode: **43531**.*

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



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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.