



Swiss Water Decaffeinated Coffee Inc.

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

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## **Swiss Water Reports Strong 2022 First Quarter Volumes, Revenue, and Adjusted EBITDA**

**VANCOUVER, BC, May 5, 2022 / TheNewswire /** Swiss Water Decaffeinated Coffee Inc. (TSX– SWP) (“Swiss Water” or “the Company”), a leading specialty coffee company and premium green coffee decaffeinator, today reported strong financial results for the three months ended March 31, 2022.

### **2022 First Quarter Financial and Operational Highlights**

- First quarter revenue was \$38.4 million, an increase of 50% or \$12.7 million when compared to the same period in 2021.
- Quarterly processing volumes increased by 23% compared to the same period last year, driven by a combination of new customer acquisition and organic growth with existing customers.
- North American business growth accelerated with volumes up by 18% compared to the first quarter of 2021. International markets also grew strongly with volumes up by 37%.
- First quarter Adjusted EBITDA<sup>1</sup> was \$3.9 million, an increase of 95% or \$1.9 million when compared to the same period in 2021. The improvement was driven by a combination of strong volumes, high capacity utilization of production assets and disciplined cost control.
- Net Income was \$1.4 million, an increase of \$1.5 million compared to the first quarter of 2021.
- Construction of the Company’s second production line in Delta, BC continued throughout the three months ended March 31, 2021. This strategic expansion project is currently on time and on budget.
- Subsequent to the end of the quarter, an agreement was reached with Mill Road Capital LLC (“MRC”) to increase the Company’s senior debt covenant from \$60.0 million to \$65.0 million.
- The Company is continuing to evaluate opportunities to raise new capital to support its long term strategic objectives, including enhancements to its hedging program, working capital and long term debt facilities, and reviewing other functioning alternatives.

*“We are very pleased to report that the strong performance we achieved during the fourth quarter of 2021 strengthened further during the first quarter of this year. Our volumes, revenues and profitability have all exceeded our expectations, leading to a stronger than expected start to the year. Total first quarter volume grew by 23%, and our biggest market, North America,*

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<sup>1</sup> 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.



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*moved into strong double digit growth during this period. 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 our competitors' methylene chloride decaffeination is declining in preference by roasters and consumers in favour of chemical free processes like ours. Furthermore, we are excited to share that our capacity utilization rates remain high and are continuing to drive improved profitability. This is helping us manage higher than expected inflationary pressure", said Frank Dennis, Swiss Water's President and CEO. "As we look forward through the balance of 2022, we are continuing to see a strong order book and are optimistic that, despite emerging macroeconomic risks, we will continue to see favourable trading conditions in our key markets. On a more cautionary note, we are continuing to experience delays in coffee deliveries as supply chain bottlenecks persist. Furthermore, the continuation of very high coffee futures prices has resulted in a significant increase in our working capital and liquidity needs. We will pay close attention to these emerging risks and increasing costs, and expect that further pricing actions and other mitigation efforts will likely be required", said Dennis.*

**Operational Highlights**

The following table shows changes in volumes during the three months ended March 31, 2022, compared to the same period in 2021. It also shows volume changes for the full 2021 fiscal year compared to 2020.

Volumes	3 months ended March 31, 2022	Year ended December 31, 2021
Change in total volumes	+23%	+17%
<u>By customer type</u>		
Roasters	-1%	+1%
Importers	+56%	+50%
Specialty	+27%	+26%
Commercial	+20%	+12%

- Total processing volumes increased by 23% in the first quarter when compared to the same period in 2021. Across all geographical markets, many of Swiss Waters' customers are seeing strong consumer demand and, in most cases, are ordering ahead of pre-pandemic levels. Furthermore, volume growth was enhanced during the quarter as the Company accelerated shipments to new out-of-home customers within North America. Encouragingly, volume growth of 18% in North America and 37% in international markets was achieved during the first quarter.
- Swiss Water's largest geographical market by volume in Q1 was the United States, followed by international markets, and Canada. By dollar value, 43% of our sales were to customers in the United States, 33% were to international customers, and the remaining 24% were to Canada. The Company's international business continues to expand, and it anticipates revenues from European and Asia-Pacific markets will continue to increase in both dollar value and percentage through the balance of 2022.



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- Swiss Water initiated on-site construction of a second production line in Delta, BC in July 2021. The above ground construction continued through the first quarter of 2022. The project is currently tracking on time and on budget.
- Inflationary pressure within the Company’s variable cost structure remains intense and the control of these expenses is being carefully managed in order to limit the impact on its operational effectiveness and trading partners.

**Financial Highlights**

In \$000s except per share amounts (unaudited)	3 months ended March 31,	
	2022	2021
Revenue	\$ 38,415	\$ 25,692
Gross profit	5,763	3,552
Operating income	2,880	738
Net income (loss)	1,385	(96)
Adjusted EBITDA <sup>1</sup>	3,882	1,987
Net income (loss) per share – basic <sup>2</sup>	\$ 0.15	\$ (0.01)
Net income (loss) per share – diluted <sup>2</sup>	\$ 0.15	\$ (0.01)

<sup>1</sup> 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.

<sup>2</sup> 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 debenture (until July 20, 2022), the exercise of warrants, and RSUs as well as the impact on earnings from changes in the fair market value of the embedded option in the convertible debenture (until July 20, 2022) and conversion of RSUs and the exercise of warrants.

- First quarter revenue was \$38.4 million, an increase of 50% over Q1 2021, as a result of increased volume growth in the quarter, and higher green coffee prices compared to the same period in 2021.
- Gross profit was \$5.8 million, an increase of \$2.2 million over Q1 2021. The significant increase in gross profit was primarily driven by higher trading volume, which in turn helped generate capacity utilization efficiencies. In addition, gross profit benefited from a higher green coffee differential margin.
- Operating income was \$2.9 million, an increase of \$2.1 million over Q1 2021. Operating expenses of \$2.8 million were in line with Q1 2021. Non-operating expenses were higher mainly due to an increase in finance expense associated with Swiss Waters’ construction loans and working capital credit facility.
- Net income was \$1.4 million, an increase of \$1.5 million over Q1 2021. This change reflects the combination of improvements in gross margin and operating income.
- First Quarter Adjusted EBITDA was \$3.9 million, representing an increase of \$1.9 million or 95%, compared to the same period in 2021. Operationally, the increase in Adjusted EBITDA was driven by volume growth, efficiency gains due to higher capacity utilization rates, and an increased financial contribution from Seaforth, the Company’s coffee handling and logistics subsidiary. These gains were somewhat offset by an increase in green coffee costs and incremental labour and production expenses associated with operating at two stand-



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alone 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.

**NON-IFRS MEASURES**

**Adjusted EBITDA**

Swiss Water defines Adjusted EBITDA as net income before interest, depreciation, amortization, impairments, share-based compensation, gains/losses on foreign exchange, gains/losses on disposal of property and capital equipment, fair value adjustments on embedded options, loss on extinguishment of debt, adjustment for the impact of IFRS 16 - Leases, and provision for income taxes. The Company’s definition of Adjusted EBITDA also excludes unrealized gains and losses on the undesignated portion of foreign exchange forward contracts.

To help readers better understand Swiss Waters’ financial results, the following table provides a reconciliation of net income, an IFRS measure, to Adjusted EBITDA is as follows:

In \$000s (unaudited)	3 months ended March 31,	
	2022	2021
Net income (loss) for the period	\$ 1,385	\$ (96)
Income tax expense (recovery)	529	(11)
Income (loss) before tax	\$ 1,914	\$ (107)
Finance income	(71)	(115)
Finance expenses	1,209	1,022
Depreciation & amortization	1,553	1,713
Unrealized (gain) loss on foreign exchange forward contracts	(9)	154
Fair value loss (gain) on the embedded option	-	33
(Gain) loss on foreign exchange	(206)	(241)
Share-based compensation expense (recovery)	189	230
Impact of IFRS 16 leases	(697)	(702)
Adjusted EBITDA	\$ 3,882	\$ 1,987

**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 **May 6, 2022 at 10:00 am Pacific Time (1:00 pm Eastern Time)**. To access the conference call, please dial **1-877-545-0523** (toll free) or **1-973-528-0016** (international); passcode: **942919**. A replay will be available through May 20, 2022 at **1-877-481-4010** (toll free) or **1-919-882-2331** (international); passcode: 45485.*



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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 the Company's website ([investor.swisswater.com](http://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 that 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.*