



Swiss Water Decaffeinated Coffee Inc.

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

NEWS RELEASE: via The Canadian Select Disclosure Network and SEDAR

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Swiss Water Reports Strong Third Quarter and Year to Date Volumes, Revenue, Net Income, and Adjusted EBITDA along with an Expansion of its Credit Facilities.

VANCOUVER, BC, November 9, 2022 / 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 strong financial results for the three and nine months ended September 30, 2022.

Three and Nine Months ended September 30, 2022 Financial and Operational Highlights

- Third quarter revenue was \$46.2 million, was up by 30% or \$10.7 million, when compared to the same period in 2021. Year to date revenue also grew strongly reaching \$132.9 million, an increase of 48% or \$43.0 million.
- Quarterly and year-to-date processing volumes increased by 6% and 22% respectively, compared to the same periods last year, driven by a combination of new customer acquisition and organic growth with existing customers.
- North American business growth continued its strong growth trajectory with third quarter volumes up by 9%, and year-to-date volumes up by 20%, compared to the same periods in 2021. Asia-Pacific markets also grew strongly with volumes up by 24% and 60% for the three and nine months respectively.
- Net income was a loss of \$0.2 million in the third quarter and income of \$2.6 million for the year-to-date. The decline in the quarterly net income resulted from losses on risk management activities, higher financing expense and increased losses on foreign exchange due to the strengthening of the US dollar during the period. For the nine months ended September 30, 2022, net income was up significantly from the \$0.26 million reported in 2021. The improvement was driven by a combination of strong volume growth, increased green coffee differential margin, and disciplined management of inflationary pressure.
- Adjusted EBITDA¹ was \$4.3 million for the third quarter and \$13.6 million for the year-to-date, an increase of 9% or \$0.4 million and 61% or \$5.2 million, respectively when compared to the same periods in 2021.
- Subsequent to the end of the third quarter, on November 7, Swiss Water announced the expansion of its credit facilities with its existing senior lenders. This resulted in \$33.25 million of incremental capital availability, representing a \$21.25 million expansion of revolving credit capacity and \$12.0 million of incremental senior-term financing.

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.



“We are very pleased to report that the strong performance we achieved during the first half of this year strengthened further during the third quarter. Total volume grew by 6% during the quarter, and our biggest market, North America, maintained its positive growth trend. Our existing customers continue to experience growing demand for their chemical free decaf offerings. While at the same time, we are seeing very good evidence in the marketplace that the methylene chloride decaffeination process used by many of our competitors is declining in preference by roasters and consumers,” said Frank Dennis, Swiss Water’s President and CEO. *“Operationally, we were pleased to have recently announce the expansion of our credit facilities with our existing lenders. Not only does this solidify our capital plan for our immediate needs, but represents a statement of support in our ability to grow our business into the future. On a more cautionary note, as we look forward to the remainder of 2022, we are starting to experience the growing impact of macroeconomic risks within the business. Evidence is emerging that persistent inflationary pressure and increasing interest rates are undermining consumer sentiment in some of our key markets. Consequently, we expect that our rate of volume growth may slow down as we move through the balance of this year. In addition, coffee futures prices remain high relative to historical trends and continue to drive a significant increase in our working capital and liquidity needs. We will pay close attention to these emerging risks and implement appropriate mitigation efforts as required”,* Dennis added.

Operational Highlights

The following table shows changes in volumes during the three and nine months ended September 30, 2022, compared to the same period in 2021.

| Volumes | 3 months ended September 30, 2022 | 9 months ended September 30, 2022 |
|-------------------------|--------------------------------------|--------------------------------------|
| Change in total volumes | +6% | +22% |
| <u>By customer type</u> | | |
| Roasters | +11% | +38% |
| Importers | +25% | +52% |
| Specialty | +32% | +39% |
| Commercial | -9% | +11% |

- Total processing volumes increased by 6% in the third quarter and by 22% for the year-to-date, when compared to the same periods last year. 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 third quarter and year-to-date as the Company accelerated shipments to new out-of-home customers within North America. Encouragingly, Swiss Water recorded 20% and 28% volume growth in its North America and international regions, respectively, during the first nine months of this year.



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- Swiss Water’s largest geographical market by volume continues to be the United States, followed by international markets, and Canada. By dollar value, during the first nine months of this year, 45% of the Company’s sales were to customers in the United States, 30% were to international customers, and the remaining 25% were to Canada. Swiss Water anticipates revenues from its European and Asia-Pacific markets will continue to increase during the remaining months of 2022.
- During the third quarter, the Company continued the on-site construction of a second production line in Delta, BC. The preliminary cost estimate of this project was approximately \$45.0 million, plus commissioning costs of approximately \$2.0 million. During the second and third quarters, the impacts of global macroeconomic pressures, including inflation, trades disruptions, and supply chain issues, became more acute in terms of project budget and schedule. The Company now considers 10% of the preliminary cost estimate to be an appropriate risk factor and is actively working to mitigate cost and schedule impacts.
- Inflationary pressure within Swiss Water’s variable cost structure remains intense and the control of these expenses is being carefully managed in order to limit the impact on the Company’s operational effectiveness and on its trading partners.

Financial Highlights

| In \$000s except per share amounts (unaudited) | 3 months ended September 30 | | 9 months ended September 30 | |
|--|--------------------------------|-----------|--------------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Revenue | \$ 46,154 | \$ 35,496 | \$ 132,937 | \$ 89,947 |
| Gross profit | 6,614 | 6,018 | 20,329 | 13,222 |
| Operating income | 3,293 | 3,325 | 10,589 | 5,169 |
| Net (loss) income | (204) | 135 | 2,641 | 255 |
| Adjusted EBITDA ¹ | 4,343 | 3,974 | 13,572 | 8,422 |
| Net (loss) income per share – basic ² | \$ (0.02) | \$ 0.01 | \$ 0.29 | \$ 0.03 |
| Net (loss) income per share – diluted ² | \$ (0.02) | \$ 0.01 | \$ 0.29 | \$ 0.03 |

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 the convertible debenture, 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, 2021) and conversion of RSUs and the exercise of warrants.

- Third quarter revenue of \$46.2 million, was up by 30% over Q3 2021, while year-to-date revenue was \$132.9 million, increased by 48%, compared to the first nine months of 2021. The improvement in both periods was driven by a combination of volume growth, and higher green coffee prices compared to last year.
- Gross profit was \$6.6 million during the quarter, an increase of \$0.6 million over Q3 2021. For the nine months, gross profit was \$20.3 million, an increase of \$7.1 million over the same period in 2021. The increase in gross profit was primarily driven by higher trading volume. In addition, Swiss Water benefited from a material increase in green coffee



differential margin. These positive impacts were partially offset by inflationary pressure on variable production costs and freight.

- Operating income of \$3.3 million for the quarter was unchanged from Q3 2021. For the nine months, operating income was \$10.6 million, an increase of \$5.4 million over the same period in 2021. Operating expenses of \$3.3 million in the quarter and \$9.7 million for nine months represent an increase of \$0.6 million and \$1.7 million respectively, when compared with the same periods in 2021. Non-operating expenses were higher this year, mainly due to an increase in finance expense associated with Swiss Waters' construction loans and working capital credit facility.
- Net loss was \$0.2 million for the quarter, a decrease of \$0.3 million, compared to Q3 2021. However, for the year-to-date, the Company recorded net income of \$2.6 million, an increase of \$2.4 million over the same period in 2021. The quarterly decrease in net income resulted from losses on risk management activities, increased financing expense, and increased losses on foreign exchange due to the strengthening of the US dollar in the quarter. The year-to-date increase was driven by a combination of strong volume growth, increased green coffee differential margin, and disciplined management of inflationary pressure.
- Third quarter Adjusted EBITDA was \$4.3 million, representing an increase of \$0.4 million or 9% over Q3 2021. Year-to-date Adjusted EBITDA was \$13.6 million, up by \$5.2 million or 61% compared to the same period in 2021. Operationally, the increase in Adjusted EBITDA in both periods was driven by volume growth and increased green coffee differential margin. These gains were somewhat offset by an increase in green coffee costs and incremental labour and production expenses associated with operating at two stand-alone facilities. The costs associated with running two plants will cease when the Company exits its Burnaby facility prior to 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.



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

| In \$000s (unaudited) | 3 months ended September 30 | | 9 months ended September 30 | |
|---|--------------------------------|----------|--------------------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income (loss) for the period | \$ (204) | \$ 135 | \$ 2,641 | \$ 255 |
| Income tax expense | (52) | (48) | 949 | 381 |
| Income (loss) before tax | \$ (256) | \$ 87 | \$ 3,590 | \$ 636 |
| Finance income | (124) | (102) | (335) | (370) |
| Finance expenses | 1,321 | 1,125 | 3,990 | 3,175 |
| Loss on extinguishment of Mill Road convertible debenture | - | 1,385 | - | 1,385 |
| Depreciation & amortization | 1,840 | 1,698 | 5,332 | 5,114 |
| Unrealized loss on foreign exchange forward contracts | 699 | (46) | 840 | 263 |
| Fair value loss on the embedded option | - | 56 | - | 48 |
| Loss (gain) on foreign exchange | 1,396 | 364 | 1,849 | (207) |
| Share-based compensation | 170 | 111 | 379 | 485 |
| Impact of IFRS 16 - Leases | (701) | (704) | (2,073) | (2,107) |
| Adjusted EBITDA | \$ 4,346 | \$ 3,974 | \$ 13,572 | \$ 8,422 |

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 10, 2022, at 10:00 am Pacific (1:00 pm Eastern)**. To access the conference call, please dial **1-888-506-0062** (toll free) or **1-973-528-0011** (international); participant access code: **422896**. A replay will be available through November 24, 2022 at 1-877-481-4010 (toll free) or 1-919-882-2331 (international); passcode: 47102.*

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:

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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 and packaging materials, supply of labour force, 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 and/or other pandemic, global and local climate changes, changes in interest rates, inflation, 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.