



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 Q4 and 2022 Results Annual Volumes, Revenue, Net Income, and Adjusted EBITDA All Up Over 2021

VANCOUVER, BC, March 16, 2023 / 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 fourth quarter and year ended December 31, 2022.

Three months and year ended December 31, 2022 Financial and Operational Highlights

- Fourth quarter revenue was \$44.0 million, an increase of 25% or \$8.9 million when compared to the same period in 2021. Full-year revenue also grew strongly reaching \$176.9 million, an increase of 41% or \$51.9 million.
- Annual volumes increased by 15% compared to 2021, driven by a combination of new customer acquisition and organic growth with existing customers.
- North American business continued its strong growth trajectory with fourth quarter volumes up by 17%, and annual volumes up by 19% over 2021 levels. Asia-Pacific markets also grew strongly with annual volumes up by 10%.
- Production volumes were high during the fourth quarter and capacity utilization across the Company’s three production lines exceeded 80%.
- Fourth quarter net income was a loss of \$0.3 million, compared to net income of \$0.2 million in the same period in 2021, representing a decrease of \$0.5 million. The quarterly loss was mainly due to a \$2.5 million one-time, non-cash impairment charge on the retirement of plant and equipment at the Company’s legacy Burnaby site which is due to be vacated in Q2 of this year. Full-year net income increased to \$2.4 million from the \$0.5 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 up by 46%, or \$1.0 million, to \$3.1 million for the fourth quarter, and by 58%, or \$6.1 million, to \$16.7 million for the full year.
- During the fourth 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.



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“We are very pleased to report that the strong performance we achieved during the third quarter of 2022 carried forward into the fourth quarter. Our volumes, revenues and adjusted EBITDA all hit record levels in 2022. Annual revenue exceeded \$175 million for the first time, and adjusted EBITDA increased by 58% to \$16.7 million. We are particularly happy that volumes in our biggest market, North America, grew by 19% in 2022. 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. *“As we look forward into 2023, we are continuing to see a strong order book and are sharply focused on initiating production on our second production line in Delta. We will decaffeinate our last bag of coffee in our Burnaby factory during Q2 of this year. Following this, we expect to complete construction and commence commercial production from our new Delta Line 2 by late Q3. This transition marks the culmination of a multi-year project to relocate, modernize and expand the capacity of Swiss Water’s production assets. The consolidation of all production in Delta will provide us with a number of operational efficiencies and will provide capacity for intermediate-term growth, and help enable roasters to accelerate their migration to chemical free decaffeinated coffee. To set expectations it is important to note that from April through August we will have capacity limitations. This transition period is the time between the retirement of the Burnaby assets and the full and final commissioning of our second production line in Delta. During this period we will experience reduced sales volumes and therefore earnings. This temporary curtailment in volume will likely lead to lower earnings year-over-year when we report results for the 2023 fiscal year.”*, Dennis added.

Operational Highlights

The following table shows changes in trading volumes during the three months and year ended December 31, 2022, compared to the same periods in 2021.

Volumes	3 months ended December 31, 2022	Year ended December 31, 2022
Change in total volumes	-4%	+15%
<u>By customer type</u>		
Roasters	+12%	+28%
Importers	-23%	+28%
Specialty	+3%	+28%
Commercial	-10%	+6%

- Total volumes increased by 15% for the full year and decreased by 4% in the fourth quarter when compared to the same periods in 2021. Across all geographical markets, many of Swiss Waters’ customers experienced strong consumer demand and, in most cases, ordered at, or above, pre-pandemic levels. Full-year volume growth was also helped by increasing shipments to new out-of-home customers within North America. Encouragingly, Swiss Water recorded 19% and 10% volume growth in its North America and Asia-Pacific regions, respectively, during the year. The fourth-quarter reduction in volumes shipped to importers



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and commercial roasters was driven by some consolidation in the industry as inventories are generally high and purchasers have been reluctant to add coverage.

- In 2022, Swiss Water’s largest geographical market by volume continued to be the United States, followed by international markets, and Canada. By dollar value, during the year, 48% of the Company’s sales were to customers in the United States, 26% were to international customers, and the remaining 26% were to Canada.
- During the fourth quarter, Swiss Water continued construction of a second production line at its facility in Delta, BC. The preliminary cost estimate for this project was approximately \$45.0 million, plus commissioning costs of approximately \$2.0 million. During the second half of 2022, the impacts of global macroeconomic pressures, including inflation, trades disruptions, and supply chain issues, became more acute in terms of project budget and schedule. Given the impact of these factors, the Company currently projects a \$53.0 million final cost and as it approaches substantial completion. This revised cost estimate takes into account the vast majority of inflationary factors realized or projected to date, and there is no change to the \$2.0 million commissioning budget.
- Inflationary pressure within Swiss Water’s variable cost structure also remains intense and is being carefully managed in order to limit the impact on the Company’s operational effectiveness and on its trading partners.

Financial Highlights

In \$000’s except per share amounts (unaudited)	3 months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Revenue	\$ 43,998	\$ 35,129	\$ 176,935	\$ 125,076
Gross profit	5,759	4,389	26,088	17,611
Operating income	2,792	1,517	13,381	6,686
Net (loss) income	(254)	241	2,387	496
Adjusted EBITDA ¹	3,087	2,111	16,659	10,533
Net (loss) income per share – basic ²	\$ (0.03)	\$ 0.03	\$ 0.26	\$ 0.05
Net (loss) income per share – diluted ²	\$ (0.03)	\$ 0.03	\$ 0.26	\$ 0.05

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 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 warrants and conversion of RSUs.

- Fourth quarter revenue of \$44.0 million, was up by 25% over Q4 2021, while full-year revenue of \$176.9 million, increased by 41%. The improvement in both periods was driven by a combination of volume growth, and higher green coffee prices compared to 2021.
- Gross profit was \$5.8 million during the quarter, an increase of \$1.4 million over Q4 2021. For the full year, gross profit was \$26.1 million, an increase of \$8.5 million compared to 2021. The increase in gross profit was primarily driven by higher trading volumes. In addition, Swiss Water benefited from a material increase in green coffee differential margin. These positive effects were partially offset by inflationary pressure on variable production



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costs and freight.

- During the fourth quarter, Swiss Water recorded a net loss of \$0.3 million, representing a decrease of \$0.5 million in net income, when compared to Q4 2021. However, for the full year, net income of \$2.4 million, was up by \$1.9 million over 2021. The quarterly decrease mainly resulted from a non-cash impairment of retiring plant and equipment, as well as losses on foreign exchange due to the strengthening of the US dollar, losses on risk management activities due to mark-to-market revaluations of commodity and foreign currency hedges, as well as an increase in finance expense associated with Swiss Waters' construction loans and working capital credit facility. The full-year increase in net income was driven by a combination of strong volume growth, increased green coffee differential margin, and disciplined management of inflationary pressure.
- Adjusted EBITDA for the three months and year ended December 31, 2022 was \$3.1 million and \$16.7 million respectively, representing increases of \$1.0 million or 46%, and \$6.1 million or 58% compared to 2021. Operationally, the increase in Adjusted EBITDA in both periods was driven by strong volume growth, higher revenue 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 December 31		Year ended December 31	
	2022	2021	2022	2021
Net income (loss) for the period	\$ (254)	\$ 241	\$ 2,387	\$ 496
Income tax expense (recovery)	(130)	128	819	509
Income (loss) before tax	\$ (384)	\$ 369	\$ 3,206	\$ 1,005
(Gain) loss on the embedded option	(513)	-	(513)	48
(Gain) loss on the extinguishment of debt	(583)	(4)	(583)	1,381
Finance income	(174)	(72)	(509)	(442)
Finance expense	1,577	1,189	5,567	4,364
Impairment of plant and equipment	2,470	-	2,470	-
Loss on foreign exchange	334	214	2,183	7
Depreciation and amortization	1,686	1,095	7,018	6,208
Unrealized loss (gain) on foreign exchange forwards	(796)	(183)	44	80
Share-based compensation	173	205	552	690
Impact of IFRS 16 Leases	(703)	(702)	(2,776)	(2,808)
Adjusted EBITDA	\$ 3,087	\$ 2,111	\$ 16,659	\$ 10,533

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 **March 17, 2023, 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: **421725**. A replay will be available through March 31, 2023, at 1-877-481-4010 (toll-free) or 1-919-882-2331 (international); passcode: 47863.*

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 pandemics, 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.