



Swiss Water Decaffeinated Coffee Inc.

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

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## Swiss Water Reports Strong 2023 First Quarter.

**VANCOUVER, BC, May 10, 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 three months ended March 31, 2023.

### 2023 First Quarter Financial and Operational Highlights

- First quarter revenue was \$49.0 million, an increase of 28% or \$10.6 million when compared to the same period in 2022. This was a quarterly record for Swiss Water.
- Quarterly volumes increased by 21% compared to the same period in 2022, driven by an increased concentration of volume produced in advance of the Burnaby facility shutdown and an upcoming short period of reduced available capacity.
- North American business continued its strong growth trajectory with volumes up by 35% compared to the first quarter of 2022.
- Production volumes were higher than normal during the first quarter and capacity utilization across the Company’s three production lines exceeded 80%.
- First quarter net income was a loss of \$0.7 million, compared to net income of \$1.4 million in Q1 2022, representing a year-over-year decrease of \$2.1 million. The quarterly loss was mainly due to a \$2.1 million one-time increase in depreciation expense associated with the write down of non-salvaged assets located at Swiss Water’s production facility in Burnaby, BC. This legacy facility is currently being shut down as all production is relocated to the Company’s new Delta, BC location. A \$1.0 million non-cash loss on the revaluation of the embedded option within Swiss Water’s debenture with warrants also contributed to the quarterly loss.
- Adjusted EBITDA<sup>1</sup> was up by 28%, or \$1.1 million, to \$5.0 million for the first quarter. The improvement was driven mainly by the positive impact of increased sales volume.

*“We are pleased to report that the strong performance we achieved during 2022 carried forward into the first quarter of this year. The strong volume result during the quarter was driven by many of our customers moving orders ahead in the year to manage their inventory needs ahead of the transition from our Burnaby facility to our new second production line in Delta. As a result of our high volumes, revenues and adjusted EBITDA both hit record levels. Quarterly revenue exceeded \$49 million for the first time, and adjusted EBITDA increased by 28% to \$5.0 million”.*

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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.



said Frank Dennis, Swiss Water’s President and CEO. “As we look forward into the balance of 2023, we are continuing to see a strong order book, particularly in late Q3 and early Q4, and are sharply focused on initiating production on our second production line in Delta. We decaffeinated our last bag of coffee at our Burnaby factory in late April and are now preparing the site for return to the landlord in June. In Delta, we expect to complete construction and commence commercial production from our second decaffeination line there (Delta Line 2) by late Q3. This transition marks the culmination of a decade long 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. This will help enable roasters to accelerate their migration to chemical free decaffeinated coffee. As I have previously discussed, 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 Delta Line 2. 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 full 2023 fiscal year.”, Dennis added.

### Operational Highlights

The following table shows changes in trading volumes during the three months ended March 31, 2023, compared to the same period in 2022. It also shows volume changes for the full 2022 fiscal year compared to 2021.

Volumes	3 months ended March 31, 2023	Year ended December 31, 2022
Change in total volumes	+21%	+15%
<u>By customer type</u>		
Roasters	+44%	+28%
Importers	+0%	+28%
Specialty	+16%	+28%
Commercial	+24%	+6%

- Total volumes increased by 21% for the first quarter when compared to the same period in 2022. This was driven by inventory build-up and processing concentration for key tolling customers in the period before the Burnaby shutdown. Shipments to importers were flat as a result of some consolidation within this sector. Additionally, with importer inventories remaining generally high, purchasers have been reluctant to add to product on-hand coverage.
- Swiss Water’s largest geographical market by volume in Q1 continued to be the United States, followed by Canada, and international market. By dollar value, 58% of the Company’s sales were to customers in the United States, 24% were to Canadian customers, and the remaining 18% were to international markets.
- During the first 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, building 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 as the project 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 \$000s except per share amounts (unaudited)	3 months ended March 31,	
	2023	2022
Revenue	\$ 49,045	\$ 38,415
Gross profit	4,894	5,763
Operating income	1,424	2,880
Net (loss) income	(701)	1,385
Adjusted EBITDA <sup>1</sup>	4,982	3,882
Net (loss) income per share – basic <sup>2</sup>	\$ (0.08)	\$ 0.15
Net (loss) income per share – diluted <sup>2</sup>	\$ (0.08)	\$ 0.15

<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 the exercise of warrants and RSUs.

- First quarter revenue of \$49.0 million, was up by 28% over Q1 2022. The improvement was driven by a combination of volume growth and appreciation of the US dollar compared to the same period in 2022.
- Gross profit was \$4.9 million during the quarter, a decrease of \$0.9 million from Q1 2022. The decrease was primarily driven by the \$2.1 million increase in one-time depreciation expenses associated with the non-salvaged assets at Swiss Water’s soon to be vacated Burnaby production facility, and to a much lesser extent, inflationary pressure on the Company’s variable production and freight costs.
- During the first quarter, Swiss Water recorded a net loss of \$0.7 million, representing a year-over-year decrease of \$2.1 million in net income. The decrease was mainly due to the \$2.1 million one-time increase in depreciation expense, associated with the write-down of non-salvaged assets located at our production facility in Burnaby, as well as the \$1.0 million non-cash loss on the revaluation of the embedded option within the Company’s debenture with warrants.
- Adjusted EBITDA for the quarter was \$5.0 million, representing an increase of \$1.1 million or 28% compared to 2022. Operationally, the increase in Adjusted EBITDA was driven by strong volume growth. These gains were somewhat offset by inflationary pressure.



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## 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 as follows:

In \$000s (unaudited)	3 months ended March 31,	
	2023	2022
Net (loss) income for the period	\$ (701)	\$ 1,385
Income tax (recovery) expense	(216)	529
(Loss) income before tax	\$ (917)	\$ 1,914
Finance income	(437)	(71)
Finance expenses	1,837	1,209
Depreciation & amortization	3,582	1,553
Unrealized loss (gain) on foreign exchange forward contracts	74	(9)
Loss on fair value of embedded option	968	-
Loss (gain) on foreign exchange	84	(206)
Share-based compensation	493	189
Impact of IFRS 16 leases	(702)	(697)
Adjusted EBITDA	\$ 4,982	\$ 3,882

## 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 11, 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: 515157.**

*A replay will be available through May 25, 2023, at 1-877-481-4010 (toll-free) or 1-919-882-2331 (international); passcode: 48420.*

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 Swiss Water's website ([investor.swisswater.com](http://investor.swisswater.com)).



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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.*