



Swiss Water Decaffeinated Coffee Inc.

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

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Swiss Water Reports 2023 Year End and Strong Fourth Quarter Results

VANCOUVER, BC, March 13, 2024 / 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 months and year ended December 31, 2023.

Financial and Operational Highlights for 2023

- During late Q3, commercial decaffeination on Swiss Water’s second production line in Delta, BC started for the first time. This marked the completion of the consolidation of all production activities into one site, and the end of the transition away from the Company’s legacy production facility in Burnaby, BC. Production volumes and quality metrics on the new line steadily increased during the final three months of the year and enabled the delivery of a very strong fourth quarter.
- Total sales volume for the fourth quarter increased by 17%, when compared to Q4 2022. For the full year, volume decreased by 7%, primarily due to production constraints realized during the second and third quarters of 2023. This temporary limitation of capacity occurred as the Company vacated its old Burnaby site due to the lease expiry there and before the full commissioning of its second line in Delta.
- Revenue for the quarter and year ended December 31, 2023, was \$41.2 million and \$166.3 million respectively. This represents a \$2.8 million decrease in Q4 and a \$10.7 million decrease for the full year when compared to the 2022 result. Volume decline and a drop in the NY ‘C’ contributed to the year-over-year drop in revenue.
- Swiss Water recorded a net income of \$1.0 million for the fourth quarter, up by \$1.2 million from 2022. For the full year, a net loss of \$0.5 million was generated, down by \$2.9 million from net income of \$2.4 million in 2022. The fourth quarter increase in net income was primarily due to higher volumes and efficiencies of scale. The drop in annual gross profit was due to the lower volume, as well as materially lower green coffee differential margins and a one-time incremental depreciation expense of \$2.5 million related to the closure of the old Burnaby facility. In addition, Swiss Water experienced a material increase in finance expenses due to higher borrowings. These negative factors were partially offset by gains on risk management activities, higher finance income, reduced losses on foreign exchange, and lower income tax expense.
- Fourth quarter adjusted EBITDA¹ was \$5.0 million, an increase of \$1.9 million over Q4 of 2022. For the full year, adjusted EBITDA was \$13.4 million down by \$3.3 million, when compared to 2022.
- The commissioning of Swiss Water’s second production line in Delta led to an acceleration in raw materials usage and increased shipments of finished goods during the third and fourth quarters of the year. As a result, inventories closed 2023 at their lowest levels since Q1 of 2022 generating a material release of working capital back into the business. By the end of the fourth quarter, the value of inventory

¹ Adjusted EBITDA is defined in the ‘Non-IFRS Measures’ section of the MD&A and is a “Non-IFRS Financial Measure” as defined by CSA Staff Notice 52-306.



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on hand had dropped to \$30.3 million from \$60.2 million at December 31, 2022. This provided an opportunity for the Company to pay down some debt while leaving adequate inventory on hand to support operations and near-term growth.

- Swiss Water finished the year in a strong liquidity position with over \$11.0 million cash on hand in anticipation of the maturity of the \$15.0 million debenture in October 2024.

“During the third quarter of 2023, we launched our new second decaffeination line at our facility in Delta, BC. As expected, this enabled us to realize a strong recovery of production volumes during the fourth quarter. Our sales and logistics teams worked tirelessly throughout the quarter and the year to manage our capacity and the allocation of available production. Anticipating the transitional constraints, our team successfully front-end loaded significant customer demand into Q1, before our Burnaby shutdown, enabling balanced customer service through Q3 and facilitating an acceleration of sales during Q4”, said Frank Dennis, Swiss Water’s President and CEO. *“We look forward into 2024 with optimism. Swiss Water’s production activities are now fully consolidated onto one site and the transition away from our legacy production assets in Burnaby is complete. The initial performance of our new Delta line 2 has been very good and we are confident that we can increase the production rate of this line over time. We have adequate unused capacity to service our medium-term growth ambitions, and are pleased that this extra capacity will help enable more roasters to respond to consumer demand by accelerating their migration to chemical free decaffeinated coffee.”*, Dennis added.

Operational Highlights

The following table shows changes in trading volumes during the three months and year ended December 31, 2023, compared to the same periods in 2022.

Volumes	3 months ended December 31, 2023	Year ended December 31, 2023
Change in total volumes	17%	-7%
<u>By customer type</u>		
Roasters	15%	2%
Importers	20%	-17%
Specialty	8%	-15%
Commercial	26%	-1%

- Total fourth quarter sales volume increased by 17% compared to the same period in 2022. The consolidation of production in Delta was completed during the third quarter and, as a result, Swiss Water is no longer capacity constrained. This enabled the Company to maximize organic growth opportunities and clear a small backlog of orders with existing customers during the fourth quarter. For the full year, volume decreased by 7%, primarily due to the anticipated capacity limitations during the second and third quarters of 2023.
- During 2023 Swiss Water’s largest geographical market by volume was the United States, followed by Canada and international markets. By dollar value, 50% of sales were to customers in the United States, 29% were to Canadian customers, and the remaining 21% were to international customers. Overall, Swiss Water recorded sales of \$166.3 million for the year which represents a \$10.7 million, or 6%, decrease from the 2022 result.



- Inventory levels fell during the second half of 2023 due to the consumption of the coffee inventories built up to bridge the production constraints Swiss Water experienced during the transition from Burnaby and the consolidation of all processing in Delta. The Company remained focused on optimizing inventory levels and year-end volumes on hand were rebalanced at levels not recorded since the first quarter of 2021. Moving forward, Swiss Water is well positioned with green coffee inventory and can react to short-term demand increases in most coffee origins. Although the Company saw a marked reduction in the disruption to green coffee deliveries and supply chain bottlenecks during the year, some shipping delays and increased freight rates persist. As a recent example, the port strike in July 2023 affected more than 30 ports across BC, including the Port of Vancouver. Swiss Water is cautiously optimistic that any current and future disruptions will not have a material impact on its operations in 2024.

Financial Highlights

In \$000s except per share amounts	3 months ended December 31		Year ended December 31	
	2023	2022	2023	2022
Revenue	\$ 41,237	\$ 43,998	\$ 166,277	\$ 176,935
Gross profit	6,916	5,759	18,798	26,088
Operating income	3,372	2,792	5,630	13,381
Net (loss) income	961	(254)	(528)	2,387
Adjusted EBITDA ¹	5,008	3,087	13,354	16,659
Net (loss) income per share – basic ²	\$ 0.10	\$ (0.03)	\$ (0.06)	\$ 0.26
Net (loss) income per share – diluted ²	\$ 0.10	\$ (0.03)	\$ (0.06)	\$ 0.26

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.

- Revenue for the quarter and year ended December 31, 2023, was \$41.2 million and \$166.3 million respectively. This represents a \$2.8 million decrease in Q4 and a \$10.7 million decrease for the full year, when compared to the 2022 results. The drop in full-year revenue was an expected result of the temporary reduction in capacity Swiss Water experienced during the second and third quarters as it transitioned production out of Burnaby. Higher than normal volumes shipped in the first and fourth quarters helped mitigate the impact of the temporary capacity constraint. A decline in the NY 'C' also contributed to the year-over-year drop in revenue.
- Gross profit for the fourth quarter was \$6.9 million, an increase of \$1.2 million from Q4 of 2022. For the full year, gross profit of \$18.8 million was down by \$7.3 million from the 2022 level. The fourth quarter increase in gross profit was primarily due to higher volumes and efficiencies of scale leveraged from within Swiss Water's production process. During Q4, the consolidation of all production into a single facility also started to generate savings from reduced building maintenance, utilities consumption, staffing, and transportation between locations. As anticipated, the year-over-year drop in gross profit was due to the temporary production constraint described above, as well as materially lower green coffee differential margins and the one-time incremental depreciation expense of \$2.5 million. In addition, Swiss Water experienced inflationary pressures on variable production costs, including natural gas, carbon and labour, as well as on freight and storage costs.



- Net income of \$1.0 million for the fourth quarter was up by \$1.2 million from 2022. For the full year, Swiss Water recorded a net loss of \$0.5 million, down by \$2.9 million from net income of \$2.4 million in 2022. The differences in net income for both periods were driven by the same factors influencing gross profit, as described above, as well as a material increase in finance expenses due to higher borrowings. These negative factors were partially offset by gains on risk management activities, higher finance income, reduced losses on foreign exchange, and lower income tax expense.
- Fourth quarter adjusted EBITDA² was \$5.0 million, an increase of \$1.9 million over Q4 of 2022. For the full year, adjusted EBITDA was \$13.4 million down by \$3.3 million, when compared to 2022. The fourth quarter increase is reflective of high production volumes and scale efficiencies, while the decrease in annual adjusted EBITDA was primarily driven by lower volume due to the capacity constraint during the third quarter transition from Burnaby, as well as reduced green coffee differential margins.

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 and other non-cash gains related to a remeasurement of asset retirement obligation. 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 Water's financial results, the following table provides a reconciliation of net income, an IFRS measure, to Adjusted EBITDA as follows:

In \$000s	3 months ended December 31		Year ended December 31	
	2023	2022	2023	2022
Net income (loss)	\$ 961	\$ (254)	\$ (528)	\$ 2,387
Income tax expense (recovery)	430	(130)	(4)	819
Income (loss) before tax	\$ 1,391	\$ (384)	\$ (532)	\$ 3,206
Loss (gain) on the embedded option	126	(513)	(76)	(513)
Gain on the extinguishment of debt	-	(583)	-	(583)
Finance income	(492)	(174)	(1,629)	(509)
Finance expense	2,326	1,577	8,265	5,567
Impairment of plant and equipment	-	2,470	-	2,470
Loss on foreign exchange	377	334	234	2,183
Depreciation and amortization	1,752	1,686	9,188	7,018
Share-based compensation	130	173	597	552
Other gains	-	-	(175)	-
Unrealized loss (gain) on foreign exchange forwards	38	(796)	127	44
Impact of IFRS 16 - Leases	(640)	(703)	(2,645)	(2,776)
Adjusted EBITDA	\$ 5,008	\$ 3,087	\$ 13,354	\$ 16,659

² Adjusted EBITDA is defined in the 'Non-IFRS Measures' section of the MD&A and is a "Non-IFRS Financial Measure" as defined by CSA Staff Notice 52-306.



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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 chemical 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 Delta, British Columbia, Canada.

Additional Information

*A conference call to discuss Swiss Water's recent financial results will be held on **Thursday, March 14, 2024, at 1:00 pm Pacific (4:00 pm Eastern)**. To access the conference call, please dial:*

- **1-888-506-0062** (toll-free) or
- **1-973-528-0011** (international);
- *participant access code: **200437***

A replay will be available through March 28, 2024, at

- **1-877-481-4010** (toll-free) or
- **1-919-882-2331** (international);
- *replay passcode: 50035*

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+ and Swiss Water'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 that 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", "anticipate" 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



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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, transportation availability, 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.