

# Diamond Estates Wines & Spirits Reports Q2 2019 Financial Results

*Company experiences strong turnaround in domestic winery operations and repositions agency business*

NIAGARA-ON-THE-LAKE, ON, Nov. 21, 2018 /CNW/ - Diamond Estates Wines & Spirits Inc. ("Diamond Estates" or "the Company") (DWS-TSX Venture) today announced its financial results for the three-month period ended September 30, 2018 ("Q2 2019").

## **Q2 2019 Highlights:**

- Revenue was \$8.2 million, a decline of 8.3% from \$8.9 million in the three-month period ended September 30, 2017 ("Q2 2018"), driven by lower export sales in the winery division and the loss of a supplier in the agency division;
- Gross Margin was \$3.7 million, a decline of 1.5% from \$3.8 million in Q2 2018, driven primarily by accounting for the acquisition of Backyard Vineyards Corp. ("BYV"), partially offset by higher gross margin in the agency division;
- EBITDA was \$0.3 million, compared to \$0.8 million in Q2 2018;
- Net loss was \$0.4 million, compared to slightly positive net income in Q2 2018;
- Sales in the Ontario grocery channel remained strong, with Diamond Estates' brands achieving the top market share position in grocery during the quarter and generating year-over-year sales growth in the LCBO / grocery channel of 17.2%;
- On September 12, 2018, the Company announced that its agency division has been rebranded as Trajectory Beverage Partners, reflecting the division's projected growth and new sales and marketing strategy;
- Completed the Company's first full quarter with the recently-acquired BYV, which has established Diamond Estates as a national VQA wine producer;
- The Company completed the build out of new office space in Oakville, Ontario and moved its agency business to that location; and
- The Company continued to accumulate accolades for its high-quality wines, with its Lakeview Cellars 2016 Vidal Icewine and 2015 Syrah winning Gold and Bronze, respectively, at the National Wine Awards, while also winning several awards for its EastDell and Lakeview Cellars brands at the Intervin International Wine Awards.

"The second quarter of fiscal 2019 was highlighted by renewed momentum in our core Ontario winery operations," said Murray Souter, President and CEO. "This was driven by continued strength in the emerging grocery channel where we have achieved a record 15.6% market share, as well as additional LCBO store listings as we successfully re-introduced products that were temporarily removed as a result of the short-crop strategy implemented during fiscal 2018. The impact was offset by a decline in export sales, as a key distributor continued to work through excess icewine inventory that was attributable to slower-than-planned new store growth in China. However, we expect this to be a temporary interruption to a very positive long-term growth curve in that market."

"Results in the agency division continued to be impacted by the loss of a supplier during fiscal 2018 who we previously represented as their national distributor. We have reorganized the division under strong new leadership and rebranded as Trajectory Beverage Partners. Our focus is on developing special relationships with a select number of companies that recognize us as partners, not just agents. We are committed to a more strategic business with a well-balanced portfolio that minimizes duplication within sectors and internal competition. We have consolidated our operations, continue to add good people across the country and are committed to a strategic approach to brand building."

"The first half of fiscal 2019 represented a transitional period for Diamond Estates," added Mr.

Souter. "We have generated a leading position in the important Ontario grocery channel, experienced a rebound in the company's LCBO listings, acquired Backyard Vineyards in the Okanagan Valley of British Columbia, seen a reduction in inventory for our key Chinese distributor and repositioned our agency business. As we look out to the next 18 months, we are very well positioned to drive sustainable growth across our business."

## **Conference Call**

Murray Souter, CEO, and Alan Stratton, CFO, will host a conference call for the investment community today at 10:00 a.m. (ET). The call-in numbers for participants are (416) 764-8688 or (888) 390-0546. In addition, the call will be webcast live at:

<https://event.on24.com/wcc/r/1873762/B64D3816DEEE573A9E6FF90B81716BE1>.

A replay of the call will be available until Wednesday, November 28, 2018. To access the replay, dial (416) 764-8677 or (888) 390-0541 (Passcode: 314171 #). A transcript of the call will be archived on the Company's website.

## **About Diamond Estates Wines and Spirits Inc.**

Diamond Estates Wines and Spirits Inc. is a producer of high quality wines and a sales agent for over 120 beverage alcohol brands across Canada. The Company operates three wineries, two in Ontario and one in British Columbia, that produce predominantly VQA wines under such well known brand names as 20 Bees, EastDell, Lakeview Cellars, Dan Aykroyd, Fresh, McMichael Collection, Benchmark, Seasons and Backyard Vineyards. Through its wholly owned subsidiary, Trajectory Beverage Partners, the Company is the sales agent for many leading international brands in all regions of the country as well as being a distributor in the western provinces. These recognizable brands include Josh wines from California, Fat Bastard and Andre Lurton wines from France, Kaiken wines from Argentina, Anciano wines from Spain, Blue Nun wines from Germany, Francois Lurton wines from France and Argentina, Waterloo Brewing and Amsterdam Brewery, both from Canada, Landshark Lager from the USA, Marston's beers from England, Social Lite vodka sodas from Canada, Malfy Gin from Italy, Edinburgh Gin from Scotland, Ian MacLeod and Glengoyne scotches from Scotland, Barcelo Rum from the Dominican Republic and Tequila Rose Liqueur from McCormick Distilling in the USA.

## **Forward Looking Statements**

This press release contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Diamond Estates Wines and Spirits Inc. to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this press release. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the economy generally; consumer interest in the services and products of the Company; financing; competition; and anticipated and unanticipated costs. While the Company acknowledges that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing the views of the Company as of any date subsequent to the date of this press release. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions,

events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

### **Non IFRS Financial Measure**

Management uses net income (loss) and comprehensive income (loss) as presented in the unaudited interim condensed consolidated statements of net income (loss) and comprehensive income (loss) as well as "EBITDA" as a measure to assess performance of the Company. EBITDA is another financial measure and is reconciled to net income (loss) and comprehensive income (loss) under "Results of Operations" in the Company's MD&A.

EBITDA is a supplemental financial measure to further assist readers in assessing the Company's ability to generate income from operations before taking into account the Company's financing decisions, depreciation of property, plant and equipment and amortization of intangible assets. EBITDA comprises gross margin less operating costs before financial expenses, depreciation and amortization, non-cash expenses such as share based compensation, one time and other unusual items, and income tax. Gross margin is defined as gross profit excluding depreciation on property, plant and equipment used in production. Operating expenses excludes interest, depreciation on property, plant and equipment used in selling and administration, and amortization of intangible assets.

EBITDA does not represent the actual cash provided by the operating activities nor is it a recognized measure of financial performance under IFRS. Readers are cautioned that this measure should not be considered as a replacement for those as per the unaudited interim condensed consolidated financial statements prepared under IFRS. The Company's definitions of this non IFRS financial measure may differ from those used by other companies.

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CNW 07:30e 21-NOV-18