



Diamond Estates Wines & Spirits Reports Q2 2021 Financial Results

Solid revenue and EBITDA performance despite challenges attributable to the COVID-19 pandemic

November 26, 2020, Niagara-on-the-Lake, Ontario – Diamond Estates Wines & Spirits Inc. (“Diamond Estates” or “the Company”) (DWS-TSX Venture) today announced its financial results for the three and six-month periods ended September 30, 2020 (“Q2 2021” and “YTD 2021” respectively).

Q2 2021 Summary:

- Revenue was \$7.2 million, consistent with revenue of \$7.2 million in the three months ended September 30, 2019 (“Q2 2020”). Winery division revenue was lower due to the negative impact of COVID-19, which resulted in reduced operations for most private retail and on-premise accounts nationally. This impact was offset by higher revenue in the agency division;
- Gross margin was \$3.1 million, or 43.0% of revenue, a decline from \$3.8 million, or 52.3% of revenue, in Q2 2020. Lower gross margin reflects a shift in the sales mix to higher volume, lower margin brands during the pandemic;
- EBITDA increased to \$0.8 million from \$0.2 million in Q2 2020, primarily due to lower selling, general and administrative expenses, partially offset by the reduction in gross margin;
- Net loss was \$0.4 million, compared to a net loss of \$0.5 million in Q2 2020;
- Cash flow from operating activities for YTD 2021, before changes in non-cash working capital items, was (\$0.1) million, compared to (\$0.3) million in Q2 2020, reflecting a reduced net loss in YTD 2021;
- The Company maintained its strong position in the emerging Ontario grocery channel amongst VQA wines, with *20 Bees* representing four of the top 20 selling stock keeping units. *Josh Cellars Cabernet Sauvignon* is currently the top selling imported red wine over \$15, with sales volumes growing more than four-fold year-over-year;
- The Company continued to leverage its national footprint as a result of the Backyard Vineyards acquisition through new business wins in the high-margin licensee channel, bringing expanded distribution with domestic and partner brands across British Columbia, Alberta and Ontario;
- The Company identified and qualified new international distributors, including partners located in Thailand, China and Vietnam. Some existing export orders placed on hold due to the pandemic have been re-activated and delivered;
- As a result of COVID-19, the Company continued to see a shift in wine volume sales, particularly in Ontario, from traditional retail channels to the grocery, on-line, direct delivery and curbside retail channels;



- On July 24, 2020, the Company completed a fourth amendment to its existing credit agreement with Bank of Montreal ("BMO") under which the maturity date of the credit agreement was extended to July 1, 2022, among other adjustments; and
- The Company's wines have been awarded 23 medals in domestic and international competitions in 2021, including numerous Gold and Double Gold awards.

Subsequent Event:

- On October 27, 2020, the Company announced that it partnered with BMO to obtain a \$2.75 million term loan under the Business Credit Availability Program (the "BCAP Loan"). The BCAP Loan has an interest rate of 1.25% above prime, extends to July 1, 2022 to align with the Company's credit agreement, and is 80% guaranteed by Export Development Canada.

"We continued to deliver solid operating performance in the fiscal second quarter despite the impact of COVID-19, which is causing major disruption to our sales mix and channel volumes," said Murray Souter, President and CEO of Diamond Estates. "Consumers are prioritizing lower-cost brands during the pandemic, which is negatively impacting our margins. However, our EBITDA improved in the quarter as we significantly reduced SG&A costs year-over-year, which more than offset the reduction in margins. We expect margins to strengthen once the pandemic ends and consumers re-adjust their buying patterns."

"Meanwhile, we are in a solid competitive position. We have increased our focus on the sales channels with the best growth prospects, and we recently boosted our liquidity by securing the \$2.75 million BCAP Loan. We are well equipped to capitalize on opportunities to strengthen our business."

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 two wineries, one 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, Serenity, and Backyard Vineyards. Through its commercial division, 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, Blue Nun wines from Germany, Francois Lurton wines from France and Argentina, Felix Solis wines from Spain, Waterloo Brewing and Amsterdam Brewery, both from Canada, Landshark Lager from the USA, Marston's beers from England, Edinburgh Gin from Scotland, Tamdhu, Glengoyne and Smokehead single-malt Scotch whiskies, Barcelo Rum from the Dominican Republic, C.K. Mondavi & Family wines including Charles Krug from Napa, Bols Vodka from Amsterdam, Koyle Family Wines from



Chile, Pearse Lyons whiskies and gins from Ireland, Niagara Craft Distillers' beverages from Ontario, Fontana di Papa wines from Italy, and certain Heineken International beer brands, including Tiger from Singapore, Red Stripe and Dragon Stout from Jamaica and Gosser and Kaiser from Austria.

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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