

# Diamond Estates Wines & Spirits Reports Q2 2024 Financial Results

## A new Strategic Sales Partner and recapitalization with an Equity Raise and New Bank Financing

NIAGARA-ON-THE-LAKE, Ontario--(BUSINESS WIRE)--November 22, 2023--Diamond Estates Wines & Spirits Inc. (“Diamond Estates” or “the Company”) (DWS-TSX Venture) today announced its financial results of position for the three and six months ended September 30, 2023 ("Q2 2024 and "YTD 2024" respectively).

### Q2 2024 Summary:

- Revenue for Q2 2024 was \$7.8 million, a decrease of \$1.4 million, from \$9.2 million in Q2 2023. The decrease in sales year over year resulted from the Winery experiencing a decrease in sales of \$0.9 million and the Agency division by \$0.5 million. The declines in the Winery division were driven by excise taxes of \$0.2 million and a decrease in sales across several channels including exports, liquor boards, grocery and on-site retail. The decline in the Agency division was primarily driven by softness experienced in Western Canada;
- Gross margin<sup>1</sup> for Q2 2024 was \$3.1 million, a decrease of \$0.5 million, from \$3.6 million in Q2 2023 while gross margin as a percentage of revenue was 39.6% for Q2 2024 compared to 38.7% in Q2 2023. However, when factoring the adjustments to cost of goods sold for the fair value of EWG inventories sold, gross margin for Q2 2024 remained unchanged while Q2 2023 was \$3.8 million and 41.1% of revenue. The decrease in gross margins for the period was from the Winery experiencing a decrease of \$0.4 million and the Agency division by \$0.1 million. When considering the non-recurring impacts of the inventory provision and net impact of the excise tax and winery support program gross margin as a percentage of sales increases from 39.6% to 44.1% in Q2 2024.
- EBITDA<sup>1</sup> decreased by \$0.3 million to negative \$0.8 million in Q2 2024 from a negative \$0.5 million in Q2 2023. However, when adjusting for the fair value of EWG inventories sold, Adjusted EBITDA declined by \$0.5 million when comparing Q2 2024 to Q2 2023. After considering the non-recurring impacts of the inventory provision and net impact of the excise tax and winery support program, EBITDA increased from negative \$0.8 million to negative \$0.5 million; and
- Net loss was \$2.3 million, compared to a net loss of \$1.4 million in Q2 2023.

### Subsequent Events:

- On November 1, 2023, the Company has entered into a business collaboration agreement between its commercial division, Trajectory Beverage Partners, and Renaissance Wine Merchants Ltd. to augment each party’s capabilities in Western Canada.
- On November 14, 2023, the Company closed a previously announced non-brokered private placement through the issuance of 20,000,000 common shares to Lassonde Industries Inc. at an issue price of \$0.45 per common share for an aggregate purchase price of \$9,000,000.
- On November 14, 2023, the Company entered into a second amendment to its Second Amended and Restated Credit Agreement with the Bank of Montreal; and
- The Company received an additional \$933,802 in 2024 Q3 under the Wine Sector Support Program.

“After improving results in the first quarter, the second quarter has seen the broad impact of continued consumer confidence issues, global economic challenges and restrained spending on beverage alcohol at both Retail and On Premise,” said Andrew Howard, President and CEO.

“The new investment by our largest shareholder (Lassonde Inc) is a critical element in our debt reduction strategy and demonstrates their confidence in the future of our business. The clear mandate is to drive topline growth, reduce costs and continue to improve our balance sheet,” says Howard.

“I am very pleased with the collaboration we have formed with Renaissance Wine Merchants in Western Canada which has resulted in 60% more sales representatives on the road. This bodes well for the work we are doing to form a National merged entity together. We see tremendous growth opportunities with our combined agency portfolio and several new business wins that will help offset the recent loss of a large supplier.”

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

Diamond Estates Wines and Spirits Inc. is a producer of high-quality wines and ciders as well as a sales agent for over 120 beverage alcohol brands across Canada. The Company operates five production facilities, four in Ontario and one in British Columbia, that produce predominantly VQA wines under such well-known brand names as 20 Bees, Creekside, EastDell, Lakeview Cellars, Mindful, Queenston Mile, Shiny Apple Cider, Fresh, Proud Pour, Red Tractor, Seasons, Serenity, Persona 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 Fat Bastard, Meffre, Pierre Chavin and Andre Lurton wines from France, Brimincourt Champagne from France, Merlet and Larsen Cognacs from France, Kaiken wines from Argentina, Blue Nun and Erben wines from Germany, Calabria Family Estate Wines and McWilliams Wines from Australia, Saint Clair Family Estate Wines and Yealands Family Wines from New Zealand, Storywood and Cofradia Tequilas from Mexico, Maverick Distillery spirits (including Tag Vodka and Barnburner Whisky) from Ontario, Magnum Cream Liqueur from Scotland, Talamonti and Cielo wines from Italy, Catedral and Cabeza de Toiro wines from Portugal, Waterloo Beer & Radlers from Canada, Landshark Lager from the USA, Edinburgh Gin, Tamdhu, Glengoyne and Smokehead single-malt Scotch whiskies from Scotland, Islay Mist, Grand MacNish and Waterproof whiskies from Scotland, C. Mondavi & Family wines including C.K Mondavi & Charles Krug from Napa, Wize Spirits, Hounds Vodka and Valley of Mother of God Gins from Canada, Bols Vodka from Amsterdam, Collective Arts beers, spirits and RTDs from Ontario, Koyle Family Wines from Chile and Pearse Lyons whiskies and gins from Ireland.

### **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.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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<sup>1</sup> See definition of selected terms under the heading "Non-IFRS Financial Measures"

## **Contacts**

Andrew Howard  
President & CEO, Diamond Estates Wines & Spirits Inc.  
ahoward@diamondwines.com

Ryan Conte, CPA, CA, CBV  
CFO, Diamond Estates Wines & Spirits Inc.  
rconte@diamondwines.com