

ANDREW PELLER LIMITED REPORTS STRONG SALES GROWTH AND IMPROVED PERFORMANCE IN FIRST QUARTER FISCAL 2023

GRIMSBY, Ontario – August 3, 2022 – Andrew Peller Limited ADW.A/ADW.B (“APL” or the “Company”) announced today strong growth for the three months ended June 30, 2022.

FIRST QUARTER FISCAL 2023 HIGHLIGHTS:

- Sales increased 5.7% to \$97.7 million due to fully open trade channels, new product launches and price increases in all markets;
- Gross margin strengthening on price increases, sales mix, cost reduction & operational efficiency initiatives;
- EBITA of \$12.0 million, consistent with the first quarter of fiscal 2022; and
- Net earnings for the quarter of \$2.9 million (\$0.07 per Class A Share).

“Our sales growth and strengthening gross margins in the quarter indicate that we are on track towards a more stable year and improved performance compared to last year,” commented John Peller, President and Chief Executive Officer. “Supply chain issues created by the pandemic continue to impact our growth through component and wine shortages that have caused stock-outs and unfulfilled orders. Without these challenges, our sales growth would have been even higher. On a positive note, we believe these logistics challenges are short-term in nature and we are already seeing improvements.”

“We are also pleased to see our gross margin stabilize in the quarter as our price increases, sales mix of higher margin VQA products, and our cost efficiency and savings programs are proving effective,” Mr. Peller continued.

Sales for the three months ended June 30, 2022 increased 5.7% to \$97.7 million. Sales have increased in the majority of the Company’s well-established trade channels with solid growth generated in markets closed for the majority of the prior year’s first quarter due to the pandemic, including at the Company’s ten estate wineries, sales to restaurants and hospitality locations, and through its export business. Additionally, the Company also implemented price increases in all markets to partially offset inflationary pressures, which has further contributed to an increase in sales compared to the first quarter of fiscal 2022. Despite the strong sales performance, the Company is continuing to experience challenges with supply, including wine, glass bottles and other key raw materials.

Gross margin as a percentage of sales was 39.0% for the three months ended June 30, 2022, a decrease from 40.3% for the three months ended June 30, 2021, but an improvement from the third and fourth quarter of fiscal 2022. The cost of raw materials such as imported wine, glass bottles and other packaging materials have increased due to inflationary pressures while international freight and shipping charges remained well above historical levels. In response to these margin pressures, the Company implemented price increases in the first quarter of fiscal 2023 and generated increased sales of higher margin VQA products in the quarter. In addition, the Company is executing numerous production efficiency and cost savings programs aimed at enhancing operating margins including consolidating certain warehouses and distribution, rationalizing stock keeping units (SKUs) and evaluating alternate sourcing for glass bottles, while also capitalizing on the new Enterprise Resource Planning (ERP) system to improve inventory utilization, production scheduling and logistics.

As a percentage of sales, selling and administrative expenses improved to 26.7% in the first quarter of fiscal 2023 compared to 27.4% in the prior year. Selling and administration expenses have increased when compared to prior year due to the increase in Ontario’s minimum wage and full operations of the estate and hospitality channels.

Earnings before interest, amortization, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and income taxes (“EBITA”) were \$12.0 million for the three months ended June 30, 2022 compared to \$11.9 million in the prior year. The increase in EBITA is largely due to the higher sales in the period, partially offset by a decrease in gross margin and an increase in selling and administrative expenses.

Net earnings for the three months ended June 30, 2022 decreased to \$2.9 million or \$0.07 per Class A Share compared to \$3.3 million or \$0.08 per Class A Share in the first quarter of the prior year.

Long-term debt increased marginally to \$192.9 million at June 30, 2022 from \$192.1 million at March 31, 2022. The Company’s debt to equity ratio was 0.72:1 at June 30, 2022, consistent with March 31, 2022. For the three months

ended June 30, 2022, the Company generated cash from operating activities, after changes in non-cash working capital items, of \$7.3 million compared to \$2.0 million in the prior year. As at June 30, 2022, the Company had unutilized debt capacity in the amount of \$157.1 million on its credit facility.

Financial Highlights

(Financial Statements and the Company's Management Discussion and Analysis for the period can be obtained on the Company's web site at www.andrewpeller.com)

For the three months ended June 30, (in \$000, except per share amounts)	2022	2021
Sales	\$ 97,699	\$ 92,397
Gross margin	38,063	37,261
Gross margin (% of sales)	39.0%	40.3%
Selling and administrative expenses	26,092	25,348
EBITA	11,971	11,913
Interest	2,613	2,273
Net unrealized gain on derivative financial instruments	(492)	(388)
Other expenses	397	341
Net earnings	2,863	3,290
Earnings per share – basic and diluted - Class A	\$0.07	\$0.08
Earnings per share – basic and diluted - Class B	\$0.06	\$0.07
Dividend per share – Class A (annual)	\$0.246	\$0.246
Dividend per share – Class B (annual)	\$0.214	\$0.214

Investor Conference Call

An investor conference call hosted by John Peller, President and Chief Executive Officer, and Paul Dubkowski, CFO, will be held Thursday August 4, 2022 at 10:00 a.m. ET. The telephone numbers for the conference call are Local/International: (416) 764-8659, North American Toll Free: (888) 664-6392. The confirmation number for the call is 58371128. The call will be archived on the Company's website at www.andrewpeller.com.

About Andrew Peller Limited

Andrew Peller Limited is one of Canada's leading producers and marketers of quality wines and craft beverage alcohol products. The Company's award-winning premium and ultra-premium Vintners' Quality Alliance brands include *Peller Estates*, *Trius*, *Thirty Bench*, *Wayne Gretzky*, *Sandhill*, *Red Rooster*, *Black Hills Estate Winery*, *Tinhorn Creek Vineyards*, *Gray Monk Estate Winery*, *Raven Conspiracy*, and *Conviction*. Complementing these premium brands are a number of popularly priced varietal offerings, wine-based liqueurs, craft ciders, beer and craft spirits. The Company owns and operates 101 well-positioned independent retail locations in Ontario under The Wine Shop, Wine Country Vintners, and Wine Country Merchants store names. The Company also operates Andrew Peller Import Agency and The Small Winemaker's Collection Inc., importers and marketing agents of premium wines from around the world. With a focus on serving the needs of all wine consumers, the Company produces and markets premium personal winemaking products through its wholly owned subsidiary, Global Vintners Inc., the recognized leader in personal winemaking products. More information about the Company can be found at www.andrewpeller.com.

The Company utilizes EBITA (defined as earnings before interest, amortization, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and income taxes) to measure its financial performance. EBITA is not a recognized measure under IFRS. Management believes that EBITA is a useful supplemental measure to net earnings, as it provides readers with an indication of earnings available for investment prior to debt service, capital expenditures, and income taxes, as well as provides an indication of recurring earnings compared to prior periods. Readers are cautioned that EBITA should not be construed as an alternative to net earnings determined in accordance with IFRS as indicators of the Company's performance or to cash flows from operating, investing, and financing activities as a measure of liquidity and cash flows. The Company also utilizes gross margin (defined as sales less cost of goods sold, excluding amortization). The Company's method of calculating EBITA and gross margin may differ from the methods used by other companies and, accordingly, may not be comparable to measures used by other companies.

Andrew Peller Limited common shares trade on the Toronto Stock Exchange (symbols ADW.A and ADW.B).

FORWARD-LOOKING INFORMATION

Certain statements in this news release may contain “forward-looking statements” within the meaning of applicable securities laws including the “safe harbour provisions” of the Securities Act (Ontario) with respect to APL and its subsidiaries. Such statements include, but are not limited to, statements about the growth of the business; its launch of new premium wines and craft beverage alcohol products; sales trends in foreign markets; its supply of domestically grown grapes; and current economic conditions. These statements are subject to certain risks, assumptions, and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words “believe”, “plan”, “intend”, “estimate”, “expect”, or “anticipate”, and similar expressions, as well as future or conditional verbs such as “will”, “should”, “would”, “could”, and similar verbs often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward-looking statements contained in this news release, the Company has made assumptions and applied certain factors regarding, among other things: future grape, glass bottle, and wine and spirit prices; its ability to obtain grapes, imported wine, glass, and other raw materials; fluctuations in foreign currency exchange rates; its ability to market products successfully to its anticipated customers; the trade balance within the domestic Canadian and international wine markets; market trends; reliance on key personnel; protection of its intellectual property rights; the economic environment; the regulatory requirements regarding producing, marketing, advertising, and labelling of its products; the regulation of liquor distribution and retailing in Ontario; the application of federal and provincial environmental laws; and the impact of increasing competition.

These forward-looking statements are also subject to the risks and uncertainties discussed in this news release, in the “Risks and Uncertainties” section and elsewhere in the Company’s MD&A and other risks detailed from time to time in the publicly filed disclosure documents of Andrew Peller Limited which are available at www.sedar.com. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from those conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. The Company’s forward-looking statements are made only as of the date of this news release, and except as required by applicable law, the Company undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances or otherwise.

For more information, please contact:

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