

ANDREW PELLER LIMITED REPORTS CONTINUED SALES GROWTH IN SECOND QUARTER OF FISCAL 2023

GRIMSBY, Ontario – November 9, 2022 – Andrew Peller Limited (ADW.A / ADW.B) (“APL” or the “Company”) announced today continued sales growth for the three and six months ended September 30, 2022.

FISCAL 2023 HIGHLIGHTS:

- Sales increased 2.6% in the second quarter and are up 4.1% year-to-date on fully open trade channels, pricing increases, and new product launches;
- Gross margin continues to stabilize on price increases, sales mix, cost reductions & operational efficiency initiatives, but remains below prior year due to inflationary pressures;
- EBITA of \$23.6 million year-to-date, down from prior year due to ongoing supply chain issues and inflationary cost pressures; and
- Net earnings of \$2.8 million (\$0.07 per Class A Share) for first six months of fiscal 2023.

“We are encouraged by our sales growth this year as our trade channels fully reopen post-pandemic, price increases take effect, and consumers continue to respond positively to our existing and newly launched products,” commented John Peller, President and Chief Executive Officer. “We continue to be affected by supply chain challenges as well as inflationary pressures on our production and operating costs, however we are confident our cost reduction and operational efficiency programs will help to mitigate these issues and we expect to increase margins going forward. The Company continues to perform well given the current economic challenges, and we remain confident we will emerge post-COVID a stronger and more capable company.”

“Looking ahead, we remain committed to our long-term growth strategies to grow sales of our higher margin premium and ultra-premium brands, to invest in new products and product segments, to maximize our e-commerce and wine club program, and to increase revenues across our well-established trade channels,” Mr. Peller continued. “We were excited to recently launch our new Number 99 vodka and double oaked whisky in addition to new international wine blends from Italy and Australia. Further new product and category launches will continue in the coming quarters.”

Sales for the three and six months ended September 30, 2022 increased 2.6% and 4.1%, respectively, across the majority of the Company’s well-established trade channels including through provincial liquor stores, the Company’s ten estate wineries and Ontario retail store network, sales to restaurants and hospitality locations, and through its export business. The growth in these channels was partially offset by a decrease in personal winemaking revenue, which has been impacted by softer post-pandemic demand and distribution. The Company implemented price increases in the first quarter of fiscal 2023 to partially offset inflationary pressures, which has also contributed to an increase in sales. Despite the strong sales performance, the Company is continuing to experience supply chain challenges procuring wine on international markets, glass bottles and other key raw materials.

Gross margin as a percentage of sales was 38.8% and 38.9% for the three and six months ended September 30, 2022, respectively, compared to 42.7% and 41.6%, respectively, in the prior year. Although gross margin has decreased compared to the same periods of fiscal 2022, gross margin has continued to improve when compared to the third and fourth quarters 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 remain well above historical levels. The Company has also experienced higher costs in the second quarter of fiscal 2023 to secure materials from alternative vendors to mitigate against customer stock-outs. In response to these margin pressures, the Company implemented price increases in the first quarter of fiscal 2023 and increased its focus on sales of higher margin VQA products. In addition, the Company is executing numerous production efficiency and cost savings programs aimed at enhancing operating margins including optimizing warehousing and distribution, rationalizing stock keeping units (SKUs) and evaluating alternate sourcing for imported wine and 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 was 27.0% for the first six months of fiscal 2023, consistent with the prior year. Selling and administration expenses have increased when compared to the prior year due to the increase in Ontario’s minimum wage and a return to full operations.

Earnings before interest, amortization, gain on sale of assets held for sale, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and income taxes (“EBITA”) were \$11.7 million and \$23.6 million for the three and six months ended September 30, 2022 compared to \$15.8 million and \$27.7 million, respectively, in the prior year. The decrease in EBITA is largely due to the lower gross margin and an increase in selling and administrative expenses, partially offset by higher sales in fiscal 2023.

Interest expense for the three and six months ended September 30, 2022 has increased compared to prior year due to higher debt levels compared to September 30, 2021 and increases in interest rates.

In the second quarter of fiscal 2022 the Company completed the sale of its Port Coquitlam, British Columbia property and related assets generating a realized gain of \$7.5 million or \$0.21 per Class A share. The Company reported a net loss of \$0.1 million (loss per share of \$0.00 per Class A Share) and net earnings of \$2.8 million (earnings per share of \$0.07 per Class A Share) for the three and six months ended September 30, 2022 compared to earnings of \$13.1 million (\$0.31 per Class A Share) and \$16.4 million (\$0.39 per Class A Share) in the prior year.

Long-term debt decreased to \$187.7 million at September 30, 2022 from \$192.1 million at March 31, 2022, resulting in a debt to equity ratio of 0.71:1. For the six months ended September 30, 2022, the Company generated cash from operating activities, after changes in non-cash working capital items, of \$19.3 million compared to \$30.3 million in the prior year. As at September 30, 2022, the Company had unutilized debt capacity in the amount of \$162.3 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 and six months ended September 30, (in \$000)	Three Months		Six Months	
	2022	2021	2022	2021
Sales	101,816	99,224	199,515	191,621
Gross margin	39,480	42,408	77,543	79,669
Gross margin (% of sales)	38.8%	42.7%	38.9%	41.6%
Selling and administrative expenses	27,822	26,587	53,914	51,935
EBITA	11,658	15,821	23,629	27,734
Interest	6,016	2,478	8,629	4,751
Net unrealized loss (gain) on derivative financial instruments	112	(1,037)	(380)	(1,425)
Gain on sale of assets held for sale	-	(7,518)	-	(7,518)
Other expenses	213	26	610	367
Net earnings (loss)	(98)	13,090	2,765	16,380
Earnings (loss) per share – Class A	\$(0.00)	\$0.31	\$0.07	\$0.39
Earnings (loss) per share – Class B	\$(0.00)	\$0.27	\$0.06	\$0.34
Dividend per share – Class A (annual)			\$0.246	\$0.246
Dividend per share – Class B (annual)			\$0.214	\$0.214
Cash provided by operations (after changes in non-cash working capital items)			19,315	30,256
Shareholders’ equity per share			\$6.11	\$6.33

Investor Conference Call

An investor conference call hosted by John Peller, President and Chief Executive Officer, and Paul Dubkowski, CFO, will be held Thursday November 10, 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 16129755. 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, gain on sale of assets held for sale, 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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Source: Andrew Peller Limited