

**ANDREW PELLER LIMITED REPORTS STRONG REVENUE AND EARNINGS IN THE FIRST QUARTER  
FISCAL 2021**

**GRIMSBY, Ontario** – August 5, 2020 – Andrew Peller Limited ADW.A/ADW.B (“APL” or the “Company”) announced solid growth and strong operating performance for the three months ended June 30, 2020.

**FIRST QUARTER FISCAL 2021 HIGHLIGHTS:**

- Sales up 3.4% on strong performance due to consumer purchasing pattern changes during the COVID-19 pandemic;
- Launch of new e-commerce portal contributes to growth;
- Gross margin remains strong at 43.4%;
- As a percentage of sales, selling and administration expenses decreased to 20.5% compared to 25.3% last year;
- EBITA rises to \$22.6 million from \$18.4 million last year; and
- Net earnings increase to \$11.2 million from \$8.8 million last year.

“I am proud of our employees for their hard work, dedication, and significant contribution during these challenging times,” commented John Peller, President and Chief Executive Officer. “Despite our company’s strong performance in the first quarter, we expect COVID-19 related closures and restrictions in seasonally high periods to put pressure on sales and earnings for the remainder of the fiscal year,” Mr. Peller concluded.

**Solid Operating Performance**

Sales for the three months ended June 30, 2020 were \$98.4 million, up from \$95.2 million in the prior year. Due to the COVID-19 pandemic, consumer purchasing patterns changed resulting in an increase in sales to provincial liquor stores, other retail channels and the Company’s new e-commerce platform, thewineshops.com. Partially offsetting the increase was the reduction in hospitality and licensee sales due to COVID-19 closures and lower duty-free export sales due to restricted travel.

Gross margin as a percentage of sales remained strong at 43.4% for the three months ended June 30, 2020 compared to 44.6% in the prior year. Gross margin declined as consumers favoured lower margin products during the COVID-19 pandemic and due to a temporary wage increase implemented for front line staff to recognize their efforts. Management is continually focused on enhancing production efficiency and productivity and believes gross margin will remain strong for the foreseeable future.

Selling and administrative expenses were lower in the first quarter of fiscal 2021 compared to the prior year due to a deliberate effort to conserve cash resources by reducing advertising and promotional spending and lower staffing levels due to closures related to the COVID-19 pandemic. Partially offsetting these reductions was the temporary wage increase as described above. As a percentage of sales, selling and administrative expenses were reduced to 20.5% compared to 25.3% in the prior year.

Earnings before interest, amortization, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and income taxes (“EBITA”) were \$22.6 million for the three months ended June 30, 2020, up from \$18.4 million in the prior year. EBITA strengthened due primarily to the lower selling and administrative costs.

Net earnings for the three months ended June 30, 2020 were \$11.2 million or \$0.26 per Class A Share compared to \$8.8 million or \$0.20 per Class A Share in the prior year. Adjusted earnings, defined as net earnings not including net unrealized gains and losses on derivative financial instruments, other (income) expenses, and the related income tax effect were \$12.6 million for the three months ended June 30, 2020 compared to \$9.8 million in the prior year.

Interest expense decreased in the first quarter of fiscal 2021 compared to the prior year due to lower interest rates and lower debt levels.

The Company recorded a net unrealized non-cash loss in the first quarter of fiscal 2020 of \$0.7 million related to mark-to-market adjustments on interest rate swaps and foreign exchange contracts compared to \$0.6 million in the prior year.

## **COVID-19 Pandemic**

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic. Management has continued to closely monitor and assess developments regarding the pandemic, including industry, market and internal factors, as well as regulations enacted by governments across Canada. Businesses selling beer, wine and other alcohol products were deemed essential services, as well as those businesses that supply them. As a result, all of the Company's production facilities, retail locations and retail estate locations remained open throughout the first quarter of fiscal 2021 with new protocols related to cleanliness and physical distancing deployed. The Company's export and estate property hospitality sales have been affected by the pandemic. However, consumption of alcohol beverages remains stable in Canada with consumers purchasing products through alternative trade channels available during the pandemic, benefiting the Company's sales through provincial liquor stores and its other retail channels. The Company has also enhanced its capabilities to support increased demand for direct-to-home purchases through a new on-line platform. In response to COVID-19, the Company has implemented working practices to address potential impacts to its operations, employees and customers and will take further measures, if required. These practices have been permanently established to enhance the ability for the Company to respond in the future. The outbreak may also have an effect on the future collectability of certain receivables, recoverability of property plant and equipment, goodwill and intangible assets, as well as the fair value of derivatives. At present, the Company has not identified any material continuity-risks specifically associated with COVID-19. The Company believes it has the management experience and the financial resources and flexibility to meet the liquidity needs presented by the pandemic. The Company continues to review all capital allocations to ensure it remains financially stable and well capitalized going forward.

## **Maintaining a Strong Financial Position**

Overall bank debt decreased to \$159.5 million at June 30, 2020 from \$165.2 million at March 31, 2020 due to higher cash flows from operations in fiscal 2021 and regularly scheduled debt repayments. With the decrease in debt, the Company's debt to equity ratio was 0.63:1 at June 30, 2020 compared to 0.67:1 at March 31, 2020. At June 30, 2020, the Company had unutilized debt capacity in the amount of \$35.2 million on its operating facility and \$115.8 million on its investment facility. For the three months ended June 30, 2020, the Company generated cash from operating activities, after changes in non-cash working capital items, of \$17.4 million compared to \$10.3 million in the prior year.

Working capital as at June 30, 2020 was \$87.8 million compared to \$83.7 million at March 31, 2020. Shareholders' equity as at June 30, 2020 was \$253.6 million or \$5.82 per common share compared to \$245.5 million or \$5.63 per common share as at March 31, 2020. The increase in shareholders' equity was due to the increased net earnings in the period partially offset by the payment of dividends.

## **Common Share Dividends**

On June 10, 2020, the Company's Board of Directors approved a common share dividend, consistent with prior year to preserve capital as a result of COVID-19. The annual dividend on Class A Shares of \$0.215 per share and the dividend on Class B Shares of \$0.187 will be paid quarterly to shareholders. The second quarter dividend is payable to shareholders of record on September 30, 2020 and will be paid on October 9, 2020. The Company has consistently paid common share dividends since 1979. APL currently designates all dividends paid as "eligible dividends" for purposes of the Income Tax Act (Canada) unless indicated otherwise.

## 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](http://www.andrewpeller.com))

<b>For the three months ended June 30,</b> <b>(in \$000, except per share amounts)</b>	<b>2020</b>	<b>2019</b>
Sales	\$ 98,440	\$ 95,216
Gross margin	42,727	42,421
Gross margin (% of sales)	43.4%	44.6%
Selling and administrative expenses	20,157	24,071
EBITA	22,570	18,350
Interest	2,039	2,228
Net unrealized loss on derivative financial instruments	730	565
Other expenses	685	86
Adjusted earnings	12,553	9,848
Net earnings	11,204	8,791
Earnings per share – basic and diluted - Class A	\$0.26	\$0.20
Earnings per share – basic and diluted - Class B	\$0.23	\$0.18
Dividend per share – Class A (annual)	\$0.215	\$0.215
Dividend per share – Class B (annual)	\$0.187	\$0.187

### 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 VQA 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. ("GVI"), the recognized leader in personal winemaking products. More information about the Company can be found at [www.andrewpeller.com](http://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 provide 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) and adjusted earnings. The Company's method of calculating EBITA, gross margin, and adjusted earnings 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 in light of the Company's acquisitions; 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](http://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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