

## **ANDREW PELLER LIMITED REPORTS RESULTS FOR FIRST QUARTER FISCAL 2022**

**GRIMSBY, Ontario** – August 4, 2021 – Andrew Peller Limited ADW.A/ADW.B (“APL” or the “Company”) announced today its results for the three months ended June 30, 2021.

### **FIRST QUARTER FISCAL 2022:**

- Sales decreased by 6.1% when compared to the first quarter of fiscal 2021 due to changes in consumer purchasing patterns as a result of the COVID-19 pandemic;
- Gross margin impacted by change in sales mix and higher raw materials costs;
- Selling and administration expenses increased in preparation of re-opening in key markets;
- Estate winery properties returned to full operation late in the quarter, including the recently acquired Riverbend Inn and Vineyard, which reopened on June 19, 2021; and
- 10% increase in common share dividends announced in June 2021.

“Our business this quarter was affected by a number of unusual market forces resulting from the COVID-19 pandemic, including significant increases in consumer purchasing in the early months of the pandemic last year over concerns about trade channels remaining open, a COVID-related change in sales mix, and other factors that we expect will ease as vaccinations continue to roll out,” commented John Peller, President and Chief Executive Officer. “Comparing our sales this quarter with sales in the first quarter of fiscal 2020, we generated reasonable growth after adjusting for pandemic-related impacts.”

“Looking ahead, over the longer term, we believe our sales will grow and margins will strengthen as our markets return to more normal conditions for hospitality, licensee and export channels and we capitalize on our strong reputation for delivering quality and value. Our nine estate winery properties in Ontario and the Okanagan Valley are now fully open, and we re-opened the recently acquired Riverbend Inn to guests. We look forward to these properties making a strong and growing contribution to our results in the quarters ahead,” Mr. Peller concluded.

Sales for the three months ended June 30, 2021 were \$92.4 million, down 6.1% from the prior year. When the pandemic was announced in March 2020, the Company saw an increase in sales as a result of higher consumer purchases due to uncertainty around trade channels for alcoholic beverages remaining open. Additionally, provincial liquor stores in Ontario were closed on Mondays through much of the first quarter of fiscal 2021, resulting in an increase in sales at our retail locations. As these conditions are no longer present, sales through provincial liquor boards and our retail locations have normalized when compared to prior year. The Company’s sales in hospitality, licensee and export channels remained impacted in the first quarter of fiscal 2022 due to government-mandated closures and restricted international travel. Many of these restrictions were lifted during June of fiscal 2022, and as a result, the Company expects sales in these channels to increase when compared to fiscal 2021.

Gross margin as a percentage of sales was 40.3% for the three months ended June 30, 2021 compared to 43.4% in the prior year. Gross margin in the first quarter of fiscal 2022 declined due to revenue declines in high margin trade channels, increased distribution costs, higher imported wine costs and increased co-packing costs related to the Company’s new and growing refreshment beverage categories. Management expects margins to strengthen over the long term as the Company’s businesses return to more normal operations as the pandemic eases.

Selling and administrative expenses increased for the first three months of fiscal 2022 as the Company increased staffing and marketing expenses in preparation for more normal markets returning as the impact of the COVID-19 pandemic eases. During the first quarter of fiscal 2021, the Company laid off a significant part of its workforce due to government-mandated closures and reduced advertising and promotional spending to conserve cash in response to the pandemic. In addition, during the first quarter of fiscal 2022 certain start-up costs were incurred related to the recently acquired Riverbend Inn and Vineyard which opened on June 19, 2021. As a percentage of sales, selling and administrative expenses were 27.4% through the first three months of fiscal 2022 compared to 20.5% in the prior year. Going forward, as the pandemic eases and activity in the hospitality, licensee and export channels increases, the Company expects selling and administrative expenses will increase in fiscal 2022 compared to fiscal 2021.

Earnings before interest, amortization, net unrealized gains and losses on derivative financial instruments and deferred financing fees, other (income) expenses, and income taxes (“EBITA”) were \$11.9 million for the three months ended

June 30, 2021 compared to \$22.6 million in the prior year. The decline in EBITA in fiscal 2022 is due primarily to the lower sales, reduced gross margin and higher administrative and selling expenses compared to the prior year.

Net earnings for the three months ended June 30, 2021 were \$3.3 million or \$0.08 per Class A Share compared to \$11.2 million or \$0.26 per Class A Share in the prior year.

With the announcement of the start of the COVID-19 pandemic in March 2020, Canadian businesses selling beer, wine and other alcohol products were deemed essential services, as well as those businesses that supply them. Under this provision, all the Company's production facilities, retail locations and retail estate locations have remained open with enhanced protocols relating to cleanliness and physical distancing. The continuing pandemic and its impact on consumer purchasing patterns, possible supply chain disruptions or further government-mandated closures could impact the Company's operations and results.

Overall bank debt increased to \$180.2 million at June 30, 2021 from \$174.5 million at March 31, 2021, due primarily to working capital needs and increased investment in the Company's properties and operations. The Company's debt to equity ratio was 0.68:1 at June 30, 2021 compared to 0.66:1 at March 31, 2020. At June 30, 2021, the Company had unutilized debt capacity in the amount of \$169.8 million on its operating facility. Working capital at June 30, 2021 was \$172.1 million compared to \$170.7 million at March 31, 2021. Shareholders' equity at June 30, 2021 was \$266.1 million or \$6.09 per common share compared to \$265.6 million or \$6.08 per common share at March 31, 2021.

### Common Share Dividends

On June 16, 2021, the Company's Board of Directors approved a 10% increase in common share dividends. The annual dividend on Class A Shares was increased to \$0.246 per share and the dividend on Class B Shares was increased to \$0.214. 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, (in \$000 )</b>	<b>2021</b>	<b>2020</b>
Sales	<b>\$ 92,397</b>	\$ 98,440
Gross margin	<b>37,261</b>	42,727
Gross margin (% of sales)	<b>40.3%</b>	43.4%
Selling and administrative expenses	<b>25,348</b>	20,157
EBITA	<b>11,913</b>	22,570
Interest	<b>2,273</b>	2,039
Net unrealized (gain) loss on derivative financial instruments	<b>(388)</b>	730
Other expenses	<b>341</b>	685
Adjusted earnings	<b>3,255</b>	12,553
Net earnings	<b>3,290</b>	11,204
Earnings per share – Class A	<b>\$0.08</b>	\$0.26
Earnings per share – Class B	<b>\$0.07</b>	\$0.23
Dividend per share – Class A (annual)	<b>\$0.246</b>	\$0.218
Dividend per share – Class B (annual)	<b>\$0.214</b>	\$0.190
Cash provided by operations (after changes in non-cash working capital items)	<b>1,998</b>	17,350
Shareholders' equity per share	<b>\$6.09</b>	\$6.08

### Investor Conference Call

An investor conference call hosted by John Peller, President and Chief Executive Officer, and Steve Attridge, CFO, will be held Thursday August 5, 2021 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 call will be archived on the Company's website at [www.andrewpeller.com](http://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](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 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) and adjusted earnings (loss). The Company's method of calculating EBITA, gross margin, and adjusted earnings (loss) 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](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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