

**ANDREW PELLER LIMITED REPORTS INCREASED EARNINGS IN SECOND QUARTER OF  
FISCAL 2021**

**GRIMSBY, Ontario** – November 11, 2020 – Andrew Peller Limited ADW.A/ADW.B (“APL” or the “Company”) announced solid performance for the three and six months ended September 30, 2020.

**SIX MONTHS FISCAL 2021 HIGHLIGHTS:**

- Sales up by 1.0% in Q2 and 2.1% year to date on strong performance in majority of trade channels;
- Launch of new e-commerce portal contributes to sales growth;
- Gross margin impacted by change in sales mix due to COVID-19 pandemic;
- Selling and administration expenses decrease due to reduced spending as a result of pandemic;
- EBITA increases by 4.7% in Q2 to \$22.4 million from \$18.9 million last year and 4.2% year to date to \$45.0 million from \$35.7 million last year; and
- Net earnings rise to \$23.9 million from \$16.4 million last year.

“We are very pleased with our operating performance through the first six months of fiscal 2021. We have adjusted well to the changing business environment resulting from the COVID-19 pandemic, and I am proud of the contribution our people have made during these challenging times,” commented John Peller, President and Chief Executive Officer. “Looking ahead, we are focused on maintaining this momentum, however we remain cautious as to how the ongoing pandemic will impact our results over the remainder of the fiscal year.”

**Solid Operating Performance**

Sales for the three and six months ended September 30, 2020 increased compared to the same prior year periods. 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, [www.thewineshops.com](http://www.thewineshops.com). Partially offsetting the increase was the reduction in hospitality and licensee sales due to COVID-19 and lower duty-free export sales due to restricted travel. Sales for the three and six months ended September 30, 2020 were \$104.4 million and \$202.9 million, respectively, up from \$103.4 million and \$198.6 million in the same prior year periods.

Gross margin as a percentage of sales was 42.3% and 42.8% for the three and six months ended September 30, 2020, respectively, compared to 44.8% and 44.7%, in the prior year due to the impact of COVID-19. Gross margin in fiscal 2021 has declined as a result of higher imported wine costs, an increase in consumption of lower margin products, and revenue decline in high margin trade channels. The Company expects margin to improve in post COVID-19 periods.

Selling and administrative expenses were lower in the first three and six months of fiscal 2021, due to a deliberate effort to conserve cash resources by temporarily reducing advertising and promotional spending, and staffing levels due to restrictions related to the COVID-19 pandemic. As a percentage of sales, selling and administrative expenses were reduced to 20.8% and 20.6% for the first three and six months of fiscal 2021, respectively, compared to 28.0% and 26.7% in the same prior year periods.

Earnings before interest, amortization, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and income taxes (“EBITA”) were \$45.0 million for the six months ended September 30, 2020, up from \$35.7 million in the prior year. Second quarter fiscal 2021 EBITA was \$22.4 million, up from \$17.3 million last year. The increase in EBITA this year is due primarily to the lower selling and administrative costs.

Net earnings for the first three and six months of fiscal 2021 increased to \$12.7 million (\$0.30 per Class A Share) and \$23.9 million (\$0.56 per Class A Share), respectively, from \$7.6 million (\$0.18 per Class A Share) and \$16.4 million (\$0.38 per Class A Share), respectively, in the prior year. Adjusted earnings, defined as net earnings not including net unrealized gains and losses on derivative financial instruments, other (income) expenses, nonrecurring, non-operating (gains) and losses, and the related income tax effect were \$12.4 million and \$25.0 million for the three and six months ended September 30, 2020, respectively, compared to \$8.7 million and \$18.6 million, respectively, in the prior year.

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

### **COVID-19 Pandemic**

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic. The Company has demonstrated its ability to respond to new developments and continues to closely assess the risks and uncertainties associated with 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 six months 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, *www.thewineshops.com*. In response to COVID-19, the Company has implemented enhanced protocols 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.

### **Maintaining a Strong Financial Position**

Overall bank debt decreased to \$143.8 million at September 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 0.54:1 at September 30, 2020 compared to 0.67:1 at March 31, 2020. At September 30, 2020, the Company had unutilized debt capacity in the amount of \$41.0 million on its operating facility and \$117.2 million on its investment facility. For the six months ended September 30, 2020, the Company generated cash from operating activities, after changes in non-cash working capital items, of \$41.2 million compared to \$21.2 million in the prior year.

Working capital at September 30, 2020 was \$91.3 million compared to \$83.7 million at March 31, 2020. Shareholders' equity at September 30, 2020 was \$264.3 million or \$6.05 per common share compared to \$245.5 million or \$5.63 per common share 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 third quarter dividend is payable to shareholders of record on December 31, 2020 and will be paid on January 8, 2021. 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))

For the three and six months ended September 30, (in \$000 )	Three Months		Six Months	
	2020	2019	2020	2019
Sales	104,410	103,375	202,850	198,592
Gross margin	44,165	46,311	86,892	88,732
Gross margin (% of sales)	42.3%	44.8%	42.8%	44.7%
Selling and administrative expenses	21,727	28,976	41,884	53,047
EBITA	22,438	17,335	45,008	35,685
Interest	1,813	2,222	3,852	4,450
Net unrealized loss (gains) on derivative financial instruments	(540)	(497)	191	68
Other expenses	195	1,106	881	1,190
Adjusted net earnings	12,419	8,716	24,971	18,563
Net earnings	12,674	7,643	23,876	16,435
Earnings per share – Class A	\$0.30	\$0.18	\$0.56	\$0.38
Earnings per share – Class B	\$0.26	\$0.15	\$0.49	\$0.33
Dividend per share – Class A (annual)			\$0.215	\$0.215
Dividend per share – Class B (annual)			\$0.187	\$0.187
Cash provided by operations (after changes in non-cash working capital items)			41,187	21,227
Shareholders' equity per share			\$6.05	\$5.63

### Investor Conference Call

An investor conference call hosted by John Peller, Chief Executive Officer, and Steve Attridge, CFO, will be held Thursday, November 12, 2020 at 9:30 a.m. ET. The telephone numbers for the conference call are Local/International: (416) 406-0743, North American Toll Free: (800) 898-3989. Please enter the access code 4858445# when requested. The telephone numbers to listen to the call after it is completed (Instant Replay) are local/international (905) 694-9451 or North American toll free (800) 408-3053. The Passcode for the Instant Replay is 1859795#. The Instant Replay will be available until midnight, December 12, 2020. The call will also 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 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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