

Zacks Small-Cap Research

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Swiss Water Decaffeinated Coffee Inc. (SWP.TO-TSX)

SWP.TO: Industry Outlook Potentially Improving as Coffee Supply Expected to Increase

Coffee prices rose in 2025 but prices now appear to be moderating, according to multiple trade publications. The supply outlook has improved, with a strong crop expected in the next (2026-2027) season. Brazil is the largest coffee producer in the world and the National Supply Company (Conab) anticipates a significant increase in Brazilian supply, forecasting a 17+% increase in 2026 compared to 2025, with Arabica production up an anticipated 23+%.

Current Price (2/23/26) C\$4.49
Valuation C\$6.10

OUTLOOK

Even if some of the expected price improvement is muted in the U.S. by tariffs or tariff uncertainties 1) decaf coffee consumption is growing, a trend we expect will continue, 2) SWP's 100% chemical-free decaffeination process is expected to remain highly attractive, given consumers rising health consciousness, and 3) SWP's global focus continues to drive growth in multiple international markets where prices are expected to benefit from supply increases. Revenue in all key markets was higher in 3Q25, with international market sales volume up 14% as SWP continues to expand its global customer base.

SUMMARY DATA C\$

52-Week High	\$4.88
52-Week Low	\$2.60
One-Year Return (%)	39
Beta	1.06
Average Daily Volume (sh)	1,918
Shares Outstanding (mil)	10
Market Capitalization (\$mil)	\$43
Short Interest Ratio (days)	1
Institutional Ownership (%)	N/A
Insider Ownership (%)	N/A
Annual Cash Dividend	\$0.00
Dividend Yield (%)	0.00
5-Yr. Historical Growth Rates	
Sales (%)	N/A
Earnings Per Share (%)	N/A
Dividend (%)	N/A
P/E using TTM EPS	N/A
P/E using 2025 Estimate	N/A
P/E using 2026 Estimate	N/A

Type of Stock
Industry

Small-Value
N/A

ZACKS ESTIMATES

Revenue

(in millions of C\$)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2022	38 A	48 A	46 A	44 A	177 A
2023	49 A	43 A	33 A	41 A	166 A
2024	39 A	43 A	42 A	49 A	173 A
2025	62 A	68 A	63 A	48 E	241 E

Loss/share or EPS (C\$)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2022	\$0.15 A	\$0.16 A	-\$0.02 A	-\$0.03 A	\$0.26 A
2023	-\$0.08 A	-\$0.06 A	-\$0.05 A	\$0.10 A	-\$0.06 A
2024	-\$0.10 A	\$0.07 A	-\$0.08 A	\$0.21 A	\$0.13 A
2025	-\$0.06 A	-\$0.10 A	\$0.02 A	\$0.03 E	-\$0.09 E

Qs might not sum due to rounding, shr count 1Q25 adj FD

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INDUSTRY OUTLOOK POTENTIALLY IMPROVING

Coffee prices spiked in 2025; now appear to be moderating in multiple international markets

Swiss Water Decaffeinated Coffee Inc. (OTC:SWSSF, TSX: SWP), a leading specialty coffee company and premium green coffee decaffeinator producing chemical-free decaffeinated coffee, saw strong demand through the first nine months of 2025, despite the backdrop of volatile coffee and coffee futures prices. The volatility reflects, among other factors, weak crop harvests, recession concerns and the geopolitical climate, including the potential threat and/or imposition of tariffs and disrupted trade patterns.

Coffee prices rose throughout 2025, primarily reflecting tariffs (notably Swiss Water's decaffeination process is classified as "non-transformational" and so coffee retains country-of-origin status for tariff purposes) and crop conditions. At the end of May, the average price of one pound of ground roast coffee in the U.S. was \$7.93, up from \$5.99 at the same time the prior year, according to the U.S. Bureau of Labor Statistics.

The coffee futures contract is the global benchmark for Arabica coffee. NY'C' coffee futures prices for Arabica coffee were volatile in 2025. During 3Q25, the NYC averaged US\$3.37/lb, compared to an average of US\$2.46/lb in 3Q24, an increase of 37%. During 3Q25, the U.S. announced its intention to increase tariffs on most Brazilian product imports from 10% to 50% effective August 7, 2025, although tariffs were subsequently reduced (except for Brazilian instant coffee imports). Brazil is the biggest producer of green coffee globally. Futures contract prices reached their highest levels since the early 1970s. Upward pressure on prices continued into January 2026, as indicated by data from the Federal Reserve.

Coffee prices spiked, but now appear to be moderating

Subsequently, prices appear to have declined, according to [Trading Economics](#), which notes that over the month of February 2026, coffee prices have fallen by double digit percentages compared to the same period in 2025. In fact, Arabica coffee futures approached their lowest [level](#) since November 2024. The supply outlook has improved, with a strong crop expected in the next (2026-2027) season. The National Supply Company ([Conab](#)) anticipates a significant increase in Brazilian supply, forecasting a 17+% increase in 2026 compared to 2025, with Arabica production up an anticipated 23+%.

Coffee Futures



Expect long-term demand to rise even if short-term demand fluctuates when prices uncertain

Higher prices and coffee price uncertainty arguably result in short-term changes in demand and disruptions in normal seasonal order patterns from importers and roasters. However, given the growing popularity of coffee beverages – particularly decaffeinated and specialty coffees, which are each gaining share within the overall coffee category – potential pullback in demand is likely to be short-term, in our

view. Coffee ranks among the top beverages consumed. According to the National Coffee Association's (NCA's) Spring 2024 National Coffee Data Trends (NCDT) report, daily coffee consumption in the U.S. reached a 20-year high in 2024, with some 67% of American adults reporting that they "had coffee in the past day (more than any other beverage). The study also found that 75% of U.S. adults had consumed coffee in the past week, which represents a 4% year-over-year advance.

Decaf consumption rising, as decaf segment gains market share of overall coffee consumption

Even if in the U.S. tariffs or the threat of tariffs offset some of the expected price improvement, 1) decaf coffee consumption is growing, a trend we expect will continue, 2) SWP's natural 100% chemical-free decaffeination process is expected to remain highly attractive, given consumers continued trend towards health consciousness, and 3) SWP's global focus continues to drive growth in multiple international markets where prices are expected to benefit from supply increases. The decaf segment is growing and that trend is expected to continue, which we view as growth driver for Swiss Water. According to consumer research from [StudyLogic](#), the amount of decaffeinated coffee consumed has grown annually since 2017 in both the U.S. and Western Europe. Moreover, there is significant upside opportunity for the decaf category to gain market share, as decaf currently comprises only roughly 15% of coffee consumed in the U.S. and about 12% of coffee consumed in Western Europe, according to the NCA, but is gaining market share. North America and Europe are key markets for coffee consumption generally and therefore for Swiss Water. Based on data aggregated by UC Davis, the overall decaffeinated coffee market is expected to grow at CAGR of 5-7% in the 2021 to 2031 period.

We believe that as the overall market for decaffeinated coffee expands, the market for chemical free decaffeination will continue to grow, particularly given people's continued trend towards health consciousness and awareness of environmentally friendly practices. Reflecting its 100% chemical-free decaffeination process, the growing consumer trend towards natural and more healthful food and beverages (F&B) also creates a positive tailwind, in our view. According to beverage industry consultancy [Ripples](#), "Health and wellness trends will influence coffee consumption. As people become more health-conscious, they will seek healthier options."

Reflecting consumer demand for more healthful ingredients and products, among other factors, it appears that many roasters incorporate that they rely on the use of the Swiss Water process in their brand advertising to consumers, using words such as "cleanest," and "healthiest" and "flavorful" in their branding.

A 2025 outlook report from food conglomerate [Nestle](#) points out that about "82% of U.S. consumers currently view wellness as a top or important priority in their lives." This is a likely factor behind why demand for organic coffee continues to rise. According to Coffee Intelligence, the 2021 global organic coffee market was valued at \$133 billion, which represented a 24.6% year-over-year advance. About 39% of consumers indicate that they are more likely to purchase coffee that is certified organic, and 59% are more likely to purchase coffee if it is grown in an environmentally sustainable way.

Moreover, growing focus on specialty decaffeinated coffee – or premiumization – is an important factor contributing to the expansion of the decaf category and Swiss Water's strategic focus is largely on the premium specialty coffee segment. Specialty coffees are premium varieties of coffees and include coffee brewed from high-quality beans, particularly Arabica, as well as coffee drinks such as espressos, cappuccinos, and lattes, among others. A recent NCA study indicates that 41% of U.S. consumers responded that they had enjoyed a specialty coffee "in the past day."

Research notes potential health benefits of decaf coffee; SWP process is natural & organic

Thus, we continue to believe that over time, Swiss Water is poised to benefit from several factors, including rising consumption of decaffeinated coffee and – reflecting its 100% chemical-free decaffeination process – the growing consumer trend towards natural and more healthful food and beverages, particularly given research on potential health benefits of coffee consumption combined with SWP’s natural process.

[Healthline](#) notes that coffee is the single biggest source of antioxidants in the Western diet, and this includes Trusted Source decaf coffee. The main antioxidants in regular and decaf coffee are hydrocinnamic acids and polyphenols. Antioxidants are very effective at neutralizing reactive compounds called free radicals. This reduces oxidative damage and may help prevent diseases like heart disease, cancer, and type 2 diabetes.

Recent research from the [Harvard](#) School of Public Health concurs with this view. Coffee consumption – of both caffeinated and decaffeinated beverages - has been linked to long-term reduction in risk of heart disease, certain cancers, and other chronic conditions. Moreover, both caffeinated and decaffeinated coffee contain polyphenols, which are linked to improved metabolism and gut health.

Importantly, Swiss Water’s proprietary Swiss Water® Process is a chemical-free way to decaffeinate coffee. The process is certified organic by the Organic Crop Improvement Association. Decaffeination is the process of removing caffeine from coffee beans. The process is regulated to ensure that all but trace amounts of the chemical solvents are removed before the coffee is roasted and that the caffeine has been largely removed. The U.S. Food and Drug Administration (FDA) mandates that at least 97% of the caffeine be removed in order for coffee to be labeled decaffeinated. Certain decaffeination processes incorporate the use of methylene chloride. The FDA has deemed the use of methylene chloride safe in the decaffeination process, indicating that only trace amounts remain in the beverage. However, as it is considered a possible carcinogen, many countries do not allow the importation of coffee that has been decaffeinated with it. In fact, many of the various solvents used in most commercial decaffeination processes are considered carcinogenic or toxic but since only trace amounts wind up in the finished goods following the decaffeination process, these methods have been deemed safe and the majority of worldwide decaffeination capacity utilizes chemical decaffeination methods.

We believe that as the overall market for decaffeinated coffee expands, the market for chemical free decaffeination will continue to grow, particularly given people’s continued trend towards health consciousness and awareness of environmentally friendly practices. A 2025 outlook report from food conglomerate Nestle points out that about “82% of U.S. consumers currently view wellness as a top or important priority in their lives.” This is a likely factor behind why demand for organic coffee continues to rise. About 39% of consumers indicate that they are more likely to purchase coffee that is certified organic...

SWP volumes up in first nine months of 2025 despite volatile market conditions

The company’s strategy is to maintain flexibility to meet demand amid shifting timing of customer purchases in an uncertain pricing environment, with measures including potentially sourcing coffee from markets with low or no tariffs, inventory management to optimize inventories and remain positioned to respond to customer demand, controlling costs to optimize operating performance, and hedging actions. Through September 30, 2025, the company’s processed volumes increased 4% year-over-year and revenue increased 56%, despite volatile market conditions, as the company manages risk and also focuses on expanding its global footprint (see below).

In addition to impacting its volume shipments and revenues, volatility of the NY’C’ impacts SWP’s cost of sales and working capital needs. Based on the company’s experience, when the NY’C’ trends upward, SWP’s customers generally tend to work through their inventories rather than build inventories.

Conversely, when the NY'C' is in a sustained period of decline, customers tend to build inventories. Uncertainty around tariffs and their potential impact on trade and the economy adds further complexity.

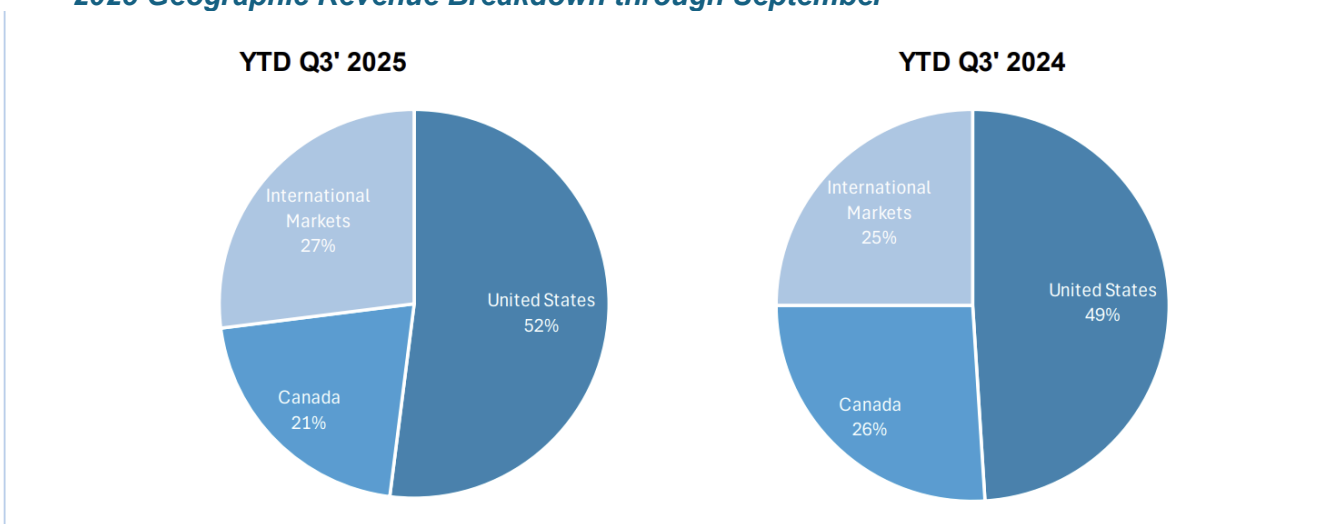
The company has also made progress in strengthening its balance sheet (see below) has continued this quarter through repayments of construction loan and credit facilities. SWP's agreement with Mill Road Capital to repurchase and cancel outstanding warrants include year-to-date repayment of C\$4.0 million of construction debt.

EXPECTED BENEFITS OF EXPANDING SWP CUSTOMER BASE

And worldwide prices appear to respond to improving supply outlook

Given the size of the population, the U.S. is the largest market for coffee consumption in the world and for SWP. However, coffee consumption is rising in many international markets and tariffs are not exerting the pressures seen domestically. We also believe SWP is benefitting from its strategy to expand its geographic reach and customer base. Demand in Europe has been strong and the company is also focused on growing its presence in new markets in Asia and elsewhere. In fact, Swiss Water has indicated that it is seeing growing demand from new and existing customers in Asia and the Middle East, among other markets.

2025 Geographic Revenue Breakdown through September



Source: Zacks from [Company reports](#)

The company recorded higher revenue from all of its key markets in 3Q25. Sales volume in North America increased by 1% and sales volume in international markets increased by 14%. The company continues to pursue growth in international markets and to expand its customer base, particularly development efforts in the Asian market and early development efforts in the Middle East. According to Food & Hospitality Asia ([FHA](#)), “[t]he Asia-Pacific region is estimated to be the fastest-growing specialty coffee market in the world.”

STRENGTHENING BALANCE SHEET

Enhanced financial flexibility

SWP is focused on optimizing its financial flexibility and strengthening its balance sheet. We believe this will give the company greater ability to navigate potential industry responses amid the unclear tariff and economic environment. The company entered into an agreement with Mill Road Capital II, L.P. to purchase the outstanding warrant entitling Mill Road Capital to acquire up to 2.25 million Swiss Water shares at an exercise price of \$3.33 per share. The warrants were set to expire on April 30, 2026. Cancellation of the warrants (for C\$675k) simplifies the company's capital structure and eliminates an overhang on the shares. SWP had strengthened its balance sheet earlier with the 4Q24 repayment in full of \$15.9 million Mill Road debentures with warrants.

SWP also completed the renewal and amendment of its revolving credit facility, both increasing and extending terms of the prior existing facility. We view it as a positive that SWP obtained an additional \$35 million of incremental borrowing capacity, which enhances its liquidity. The additional \$35 million consists of \$10 million of expanded credit capacity with CIBC and a new \$25 million revolving credit facility with Rabobank. The company also extended the expiration on its existing CIBC revolving facility to June 23, 2027, from October 19, 2025, with the option to extend the maturity to June 23, 2028. We view the amended terms and new Rabobank revolver, as well as the company's elimination of the Mill Road warrant overhang, as positives. As of September 30, 2025, the company had cash of C\$3.9 million.

VALUATION

We believe the uncertain industry environment could constrain the share price multiple in the near-term. Nevertheless, reflecting the positive trends in consumption of decaffeinated coffee and rising consumer interest in natural food and beverages, we believe the company is well-positioned to benefit from these industry trends over time and are optimistic about Swiss Water's growth prospects. We anticipate that any potential constraints on consumption arising from upward pressure on coffee bean prices and beverages will likely be temporary. We also view SWP's ability to expand its customer base and improve liquidity and balance sheet strength amid substantial economic and price volatility as positive.

It is difficult to compare Swiss Water shares to those of other publicly traded companies, as there are no other public companies that directly compete with Swiss Water Decaffeinated Coffee and therefore there does not seem to be a direct public competitor.

We believe using an EV/EBITDA multiple, particularly as the fluctuations in commodity prices of coffee beans impacts the company's revenue, but this impact is generally offset at the adjusted EBITDA level. Over the past few years, the EV/EBITDA for the S&P 500 has generally been a range of about 13x to 17x. We believe, however, that smaller cap companies likely trade at lower average EV/EBITDA multiples and we therefore apply a discount to the above noted S&P 500 average.

We forecast adjusted EBITDA of C\$14.5 million in 2025, up from C\$14.3 million generated in 2024. We expect multiple expansion over the long-term, although we believe the multiple could be constrained in the near-term reflecting uncertainty and volatility discussed in this report. We derive a near-term valuation of about C\$5.65 to C\$7.00 (about US\$4.00 to US\$5.00) per share, or about C\$6.10 at the midpoint, which is still well below the multiple the S&P 500 commands.

If the company delivers milestones on its growth initiatives earlier than anticipated, it could impact the multiple. Any delay or failure in successful execution of the strategy or short-term constraint in market demand could represent a potential risk to the company's valuation and cause the share price to decline. We believe the risk / reward ratio could be attractive for investors who have a higher than average risk tolerance and longer time horizon.

RECENT NEWS

- Swiss Water reported 3Q25 results on November 6, 2025.
- Swiss Water announced its purchase of warrants from Mill Road Capital on June 30, 2025.
- On June 24, 2025, the company announced the extension and expansion of its credit facilities.
- On May 9, 2024, the company reported voting results from its annual general meeting.
- Swiss Water launched its second production line in the Delta, BC facility on November 6, 2023.
- The company completed its second production line in Delta, BC on August 8, 2023.

RISKS

We believe risks to Swiss Water achieving its goals and to our valuation, include the following, among others.

- Tariffs could have a greater impact on prices than we currently anticipate and price increases could have a greater or more sustainable impact on consumption and company sales.
- Swiss Water might not gain market share as quickly as the company expects, which could lead to slower than anticipated revenue ramp.
- The company could incur unanticipated costs associated with market initiatives.
- Competition could increase.
- The company might need to raise capital to support its strategy that might be dilutive to current shareholders.
- Demand might exceed the company's production capacity, which would likely impose constraints on revenue growth.
- Commodity bean prices fluctuate. Although the impact is usually offset at the company's adjusted EBITDA level, there could be lags that in the short-term impact results more than anticipated.
- Given that the majority of Swiss Water revenue is generated outside of its home market of Canada, FX rates might have a greater impact on consolidated revenue and results than anticipated.
- Futures prices and consequently likely increased coffee prices could constrain demand for coffee more than currently anticipated.

PROJECTED FINANCIALS

Swiss Water Decaffeinated Coffee Inc (\$000 Canadian except per share amounts)

	1Q24	2Q24	3Q24A	4Q24A	2024A	1Q25A	2Q25A	3Q25A	4Q25E	2025E
Revenue	38,730	43,372	41,778	49,249	173,129	62,272	67,695	62,747	48,264	240,978
COGs	33,615	35,707	35,342	42,275	146,939	54,985	62,447	56,307	41,748	215,487
Gross profit	5,115	7,665	6,436	6,974	26,190	7,287	5,248	6,440	6,516	25,491
Administration exp	2,837	2,947	2,747	2,803	11,334	2,435	2,962	3,341	3,274	12,012
Sales & marketing exp	<u>914</u>	<u>970</u>	<u>909</u>	<u>1,008</u>	<u>3,801</u>	<u>954</u>	<u>902</u>	<u>885</u>	<u>826</u>	<u>3,567</u>
Total OpEx	3,751	3,917	3,656	3,811	15,135	3,389	3,864	4,226	4,100	15,579
Operating income	1,364	3,748	2,780	3,163	11,055	3,898	1,384	2,214	2,415	9,911
Gain (loss) risk mgmt ac	(149)	(519)	(1,970)	477	(2,161)	(2,839)	(1,101)	(728)		
Gain (loss) fair value em	(891)	83	144	(315)	(979)	1,111	546			
Other gains	-	-								
Finance income	460	446	509	334	1,749	378	362	407		
Finance expense	(2,288)	(2,293)	(2,294)	(1,865)	(8,740)	(1,718)	(1,702)	(1,635)		
FX gain (loss)	<u>380</u>	<u>206</u>	<u>(269)</u>	<u>1,070</u>	<u>1,387</u>	<u>(159)</u>	<u>(110)</u>	<u>144</u>	<u>-</u>	<u>-</u>
Total other	(2,488)	(2,077)	(3,880)	(299)	(8,744)	(3,227)	(2,005)	(1,812)	(2,002)	(9,046)
Pretax income (loss)	(1,124)	1,671	(1,100)	2,864	2,311	671	(621)	402	413	865
Taxes	(224)	724	(309)	851	1,042	156	(247)	186	112	207
Net income (loss)	(900)	947	(791)	2,013	1,269	515	(374)	216	302	659
Net loss after effect of diluted securities							(920)			
EPS	(\$0.10)	\$0.07	(\$0.08)	\$0.21	\$0.13	\$0.05	(\$0.04)	\$0.02	\$0.03	\$0.07
Adj EPS	(\$0.10)					(\$0.06)	(\$0.10)	\$0.02	\$0.03	(\$0.09)
Avg shares out*	9,224	9,502	9,518	9,518	9,440	9,531	9,545	9,545	9,574	9,548

Source: Company reports, Zacks estimates

*Ex RUSs

HISTORICAL STOCK PRICE



Source: Yahoo Finance

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