atrium research

Research Note

Diamond Estates Wines – Mixed Quarter; Margins Holding Strong

Rating	Target Price
BUY	**$0.30**
Unchanged	*Unchanged*

August 21, 2026

Disseminated on Behalf of Diamond Estates Wines & Spirits Inc.

All figures in CAD unless otherwise stated

Diamond Estates Wines & Spirits	DWS:TSXV
Rating	BUY
Target Price	$0.30
Return to Target	82%

Market Data	
Share Price	$0.165
Average Daily TSXV Volume (K)	30.7
FD ITM Shares (M)	70.5
Market Cap ($M)	$11.6
Cash & Marketable Securities ($M)	$0.0
Debt ($M)	$15.6
Enterprise Value ($M)	$27.2

FYE Mar 31	FY26A	FY27E	FY28E
Revenue ($M)	$29.9	$30.9	$33.5
Gross Margin (%)	56%	58%	60%
Adj. EBITDA ($M)	$3.8	$4.1	$6.0
Adj. EBITDA Margin (%)	13%	13%	18%
Net Income ($M)	($1.3)	$0.7	$2.5
FCFF ($M)	$5.0	($3.2)	$8.2

Valuation	FY26A	FY27E	FY28E
EV/EBITDA	7.1x	6.6x	4.5x
EV/Sales	0.9x	0.9x	0.8x

Please refer to the applicable disclosures on the back page
Source: Atrium Research, CapitalIQ, Company Documents

Diamond Estates is a producer of high-quality wines and ciders as well as a sales agent for over 120 beverage alcohol brands across Canada. The Company operates four production facilities, three in Ontario and one in British Columbia, that produce predominantly VQA wines under such well-known brand names as 20 Bees, Creekside, D'Ont Poke the Bear, EastDell, Lakeview Cellars, Mindful, Shiny Apple Cider, Fresh Wines, Red Tractor, Seasons, and Serenity.

Nicholas Cortellucci, CFA | Equity Research Analyst | ncortellucci@atriumresearch.ca | 647-391-3314
Luca Perna | Equity Research Associate | lperna@atriumresearch.ca | 647-969-1027

What you need to know:

- DWS reported Q1/27 revenue of $7.0M (-15% YoY) vs. our estimate of $8.9M, as an LCBO system transition delayed winery shipments and the prior-year quarter carried a one-time load-in of U.S. replacement volume.
- Gross margin reached 61.1% of revenue on the Company's reported basis (56.2% on a financial statement basis), up from 55.6% in Q1/26.
- Adjusted EBITDA was $0.9M (12% margin) vs. our estimate of $1.1M, DWS' fifth consecutive quarter of positive adjusted EBITDA. Net income was $0.6M vs. our estimate of $0.2M.

Yesterday evening, Diamond Estates Wines and Spirits (DWS:TSXV, DWWEF:OTC) reported Q1/27 financials (ending June 30th) that were mixed relative to our expectations. Revenue was below expectations due to external factors, mainly ordering interruptions from the LCBO. Margins and profitability were in line with our model, reflecting the long-term structural improvements made to the business over the last year. **We are maintaining our BUY rating and target price of $0.30/share on Diamond Estates.**

Key Highlights

- Revenue came in at $7.0M, below our estimate of $8.9M and the $8.2M reported in Q1/26.
- The winery division experienced a $1.0M decline in revenue driven by temporary industry-wide ordering interruptions as a large Canadian provincial liquor board transitioned to new inventory and ordering systems. This was combined with one-off orders last year to replace the U.S. wine on the shelves.
- Agency revenue was down $0.2M YoY, driven by the exit of a non-strategic supplier relationship.
- GAAP gross margin for Q1 was 56% vs. our estimate of 57%, and 51% in Q1/26. Both divisions contributed to the YoY increase.
- Total operating expenses increased 2% YoY, showing strong cost control.
- Adjusted EBITDA was $0.9M (12% margin), which was in line with our forecast of $1.1M. This was down compared to the $1.3M reported in Q1/26 but improved largely from the $0.1M reported in Q4.
- Net income for Q1 was $0.6M, beating our estimate of $0.2M, benefitting from the gain on the change in fair value of a derivative asset.
- OCF (before WC changes) was $0.6M for the quarter, rebounding from negative levels last quarter. OCF after WC changes was $0.5M.
- DWS ended Q1 with $25.7M in current assets (including $3.9M in assets held for sale) compared to current liabilities of $24.2M and debt of $15.6M.

	Q1/27A	Atrium Est.	YoY
Revenue ($M)	**$7.0**	$8.9	-15%
Gross Margin (%)	**56%**	57%	+526 bps
Adj. EBITDA ($M)	**$0.9**	$1.1	-33%
EBITDA Margin (%)	**12%**	12%	-333 bps
Net Income ($M)	**$0.6**	$0.2	+64%

Figure 1: Q1/27 Financials Summary

Outlook

Management framed the decline as "a temporary pause rather than a change in trajectory". This was due to an element out of their control and affected all of its competitors. The core fundamentals of Diamond remain strong, and the Company remains positive on its future, specifically mentioning Ontario's retail expansion into G&C, enhanced government support, and the buy-local movement.

Our Take

As mentioned, Q1 was mixed relative to our expectations, breaking Diamond's streak of four consecutive quarters of positive revenue growth. Profitability was in line with our expectations; we were particularly impressed by the 12% adjusted EBITDA margin, well above the 2% reported in Q4 and above the levels of most of its peers that we are tracking. We believe this is a strong signal that even when revenue is lower, cashflow and margins remain strong; if the uncontrollable interruption did not happen, we would expect even stronger margins. We expect revenue to catch up in Q2 and through the rest of the year as we don't think the demand simply disappeared; we expect revenue of $9.1M (+10% YoY) and adjusted EBITDA of $1.3M (14% margin) for Q2 (unchanged). Despite being "behind the 8-ball" now, we still expect FY27 revenue and adjusted EBITDA to grow YoY.

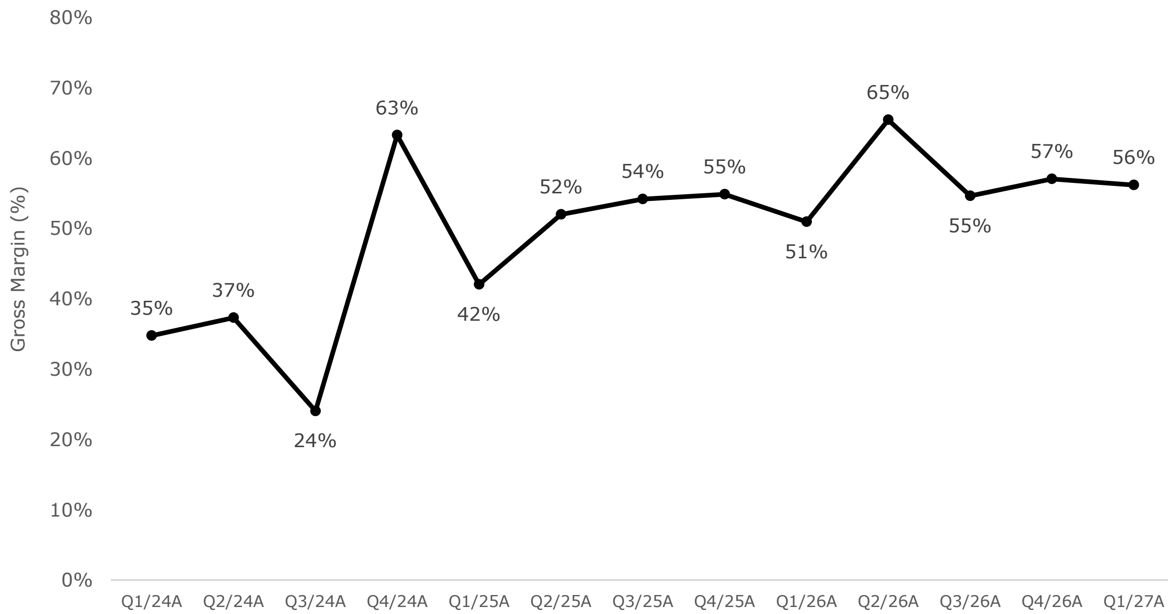

Figure 2: Quarterly Gross Margin

Subsequent Events

On August 4th, DWS announced that effective July 31st, it entered into a further amendment to its second amended and restated credit agreement (SARCA) with Bank of Montreal. The amendment extended the maturity date of the SARCA to October 30th, 2026, while interest rates remained unchanged.

In August, DWS also received an additional advance of $750K from Lassonde. The loan is unsecured and bears interest at BMO prime plus 2.25%. This is due the earlier of October 31st or receipt of the next Wine Sector Support Program payment, which was received in September last year.

Furthermore, DWS paid the third and final installment for the Perigon Beverage Group, issuing 0.9M shares at $0.19/share (premium to market).

Why We Like DWS

- DWS has completed the early stages of a turnaround, reaching profitability and outpacing the industry with strong topline revenue growth. Gross margins have increased from 32% in FY23 to 56% in FY26.
- DWS is positioned to capitalize on a series of tailwinds that support Ontario-made wine. With access to over 1,000 grocery and 4,200 convenience stores, enhanced VQA rebates, and margin upside from cider reforms, the Company is poised to drive significant high-margin growth.
- DWS is backed by Lassonde Industries (LAS.A:TSX, $1.7B market cap), which owns 32.8M shares (~50%). This strategic alignment strengthens DWS's positioning across grocery, big-box, and wholesale channels, while bringing valuable capital and operating expertise.
- Diamond trades at a discount to both small and large-cap wine companies.

Catalysts

- Quarterly Financial Results – Ongoing
- Strategic Acquisitions – Ongoing
- Three-Year Strategic Plan – Coming Months

Tear Sheet

Market Data	
Ticker	DWS:TSXV
Stock Price	$0.165
Rating	BUY
Target Price	$0.30
Upside	82%
Market Cap ($M)	$11.6
Cash ($M)	$0.0
Debt ($M)	$15.6
EV ($M)	$27.2

Capital Structure	
Basic Shares Outstanding (M)	67.8
Warrants (M)	0.0
Options (M)	5.9
FD Shares (M)	73.7
FD ITM Shares (M)	70.5

Ownership	
Lassonde Industries	52%
Management & Board	2%
Retail & Institutions	46%

Financial Estimates	FY25A	Q1/26A	Q2/26A	Q3/26A	Q4/26A	FY26A	Q1/27A	Q2/27E	Q3/27E	Q4/27E	FY27E	FY28E
Revenue ($M)	**24.5**	**8.2**	**8.3**	**7.8**	**5.7**	**29.9**	**7.0**	**9.1**	**8.5**	**6.4**	**30.9**	**33.5**
% YoY	*-14%*	*32%*	*7%*	*21%*	*35%*	*22%*	*-15%*	*10%*	*9%*	*12%*	*3%*	*9%*
Gross Profit ($M)	**12.1**	**4.2**	**5.4**	**4.2**	**3.2**	**16.8**	**3.9**	**5.4**	**5.1**	**3.7**	**18.0**	**20.1**
Gross Margin	*49%*	*51%*	*65%*	*55%*	*57%*	*56%*	*56%*	*59%*	*60%*	*58%*	*58%*	*60%*
Adj. EBITDA ($M)	**0.8**	**1.3**	**1.8**	**0.7**	**0.1**	**3.8**	**0.9**	**1.3**	**1.3**	**0.7**	**4.1**	**6.0**
Adj. EBITDA Margin	*3%*	*16%*	*22%*	*8%*	*2%*	*13%*	*12%*	*14%*	*15%*	*11%*	*13%*	*18%*
Net Income ($M)	(2.5)	0.4	(0.0)	(0.1)	(1.5)	(1.3)	0.6	0.4	0.4	(0.1)	0.7	2.5
EPS (Basic)	(0.04)	0.01	0.00	(0.00)	(0.02)	(0.02)	0.01	0.01	0.01	(0.00)	0.02	0.04
FCFF ($M)	(1.3)	3.8	0.3	3.6	(2.7)	5.0	0.2	1.8	(2.6)	(2.3)	(3.2)	8.2

Figure 3: Tear Sheet

Estimate Revisions

	Q2/27E		Q3/27E		FY27E		FY28E	
	New	Previous	New	Previous	New	Previous	New	Previous
Revenue ($M)	**$9.1**	$9.1	**$8.5**	$8.5	**$30.9**	$32.9	**$33.5**	$35.7
Gross Margin (%)	**59.0%**	59.0%	**60.0%**	60.0%	**58.4%**	58.5%	**60.0%**	60.0%
Adj. EBITDA ($M)	**$1.3**	$1.3	**$1.3**	$1.3	**$4.1**	$4.6	**$6.0**	$6.9
Net Income ($M)	**$0.4**	$0.4	**$0.4**	$0.4	**$0.7**	$0.8	**$2.5**	$3.1

Figure 4: Estimate Revisions

Disclosures

Analyst Certification
Each authoring analyst of Atrium Research on this report certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated securities discussed (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the research, (iii) to the best of the authoring analyst's knowledge, she/he is not in receipt of material non-public information about the issuer, (iv) the analyst does not own common shares, options, or warrants in the company under coverage, (v) the analysts adhere to the CFA Institute guidelines for analyst independence, and (vi) this report belongs to the CFA Institute.

Atrium Research Ratings System
BUY: The stock is expected to generate returns of over 20% over the next 24 months.
HOLD: The stock is expected to generate returns of 0-20% over the next 24 months.
SELL: The stock is expected to generate negative returns over the next 24 months.
NOT RATED (N/R): Atrium does not provide research coverage on the respective company.

COVERED COMPANIES
56

About Atrium Research
Atrium Research provides institutional quality company sponsored research on public equities in North America. Our investment philosophy takes a 3-5 year view on equities currently being overlooked by the market. Our research process emphasizes understanding the key performance metrics for each specific company, trustworthy management teams, and an in-depth valuation analysis. For further information on our team, please visit https://www.atriumresearch.ca/team.

General Information
Atrium Research Corporation (ARC) has created and distributed this report. This report is a general discussion of the merits and risks of a security or securities only, was prepared for general circulation, is not in any way meant to be tailored to the needs and circumstances of any recipient and does not provide investment recommendations specific to individual investors. As such, the securities discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation, utilizing their own financial advisors as they deem necessary.

This report is based on information we considered reliable; we have not been provided with any material non-public information by the company (or companies) discussed in this report. We do not represent that this report is accurate or complete and it should not be relied upon as such; further any information in this report is subject to change without any formal or type of notice provided. Investors should consider this report as only one factor in their investment decisions; this report is not intended as a replacement for investor's independent judgment.

ARC is not a CIRO registered dealer and does not offer investment-banking services to its clients. ARC (and its employees) do not own, trade or have a beneficial interest in the securities of the companies we provide research services for and does not serve as an officer or Director of the companies discussed in this report. ARC does not make a market in any securities. This report is not disseminated in connection with any distribution of securities and is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal.

ARC does not make any warranties, expressed or implied, as to the results to be obtained from using this information and makes no express of implied warranties for particular use. Anyone using this report assumes full responsibility for whatever results they obtain. This report does not constitute a personal recommendation or take into account any financial or investment objectives, portfolio holdings, strategy, financial situations or needs of individuals. This report has not been prepared for any particular individual or institution. As such, any advice or recommendation in this report may not be suitable for a particular recipient. ARC assumes recipients of this report are capable of evaluating the information contained herein and of exercising independent judgment. A recipient of this report should not make any investment decision without first considering whether any advice or recommendation in this report is suitable for the recipient based on the recipient's particular circumstances and, if appropriate or otherwise needed, seeking professional advice, including tax advice. ARC does not perform any suitability or other analysis to check whether an investment decision made by the recipient based on this report is consistent with a recipient's investment objectives, portfolio holdings, strategy, financial situation, or needs. Past performance is not an indication or guarantee of future results, future returns are not guaranteed, and loss of original capital may occur. By providing this report, ARC does not accept any authority, discretion, or control over the management of the recipient's assets. Any action taken by the recipient of this report, based on the information in the report, is at the recipient's sole judgment and risk. The recipient must perform his or her own independent review of any prospective investment. Neither ARC nor any person employed by ARC accepts any liability whatsoever for any direct or indirect loss resulting from any use of its research or the information it contains.

This report contains "forward-looking" statements. Forward-looking statements regarding the Company and/or stock's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Such statements involve a number of risks and uncertainties such as competition, market demand, and the company's (and management's) ability to correctly forecast financial estimates. As a result, the actual results, events, performance or achievements of the financial product may be materially different from those expressed or implied in such statements. Please see the Company's MD&A "Risk Factors" Section for a more complete discussion of company specific risks for the company discussed in this report. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. ARC assumes no obligation to maintain or update this report based on subsequent information and events.

ARC is receiving a cash compensation from Diamond Estates Wines & Spirits Inc. for 7-months of research coverage. This report was disseminated on behalf of Diamond Estates Wines & Spirits Inc. ARC retains full editorial control over its research content. ARC does not have investment banking relationships and does not expect to receive any investment banking driven income. ARC reports are primarily disseminated electronically and, in some cases, printed form. Electronic reports are simultaneously available to all recipients in any form. This report or any portion hereof may not be copied, reprinted, sold, or redistributed or disclosed by the recipient or any third party, by content scraping or extraction, automated processing, or any other form or means, without the prior written consent of ARC. Any unauthorized use is prohibited. Neither ARC nor any of its respective directors, officers or employees is responsible for guaranteeing the financial success of any investment, or accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

To receive future reports on covered companies please visit https://www.atriumresearch.ca/research or subscribe on our website.

This report has been prepared independently of any issuer of securities mentioned herein and not as agent of any issuer of securities. No ARC personnel have authority whatsoever to make any representations or warranty on behalf of the Company. Any comments or statements made herein are those of ARC.

The information contained herein is not, and under no circumstances is to be construed as, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators, if applicable, and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon this research report, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence.

The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.