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Research Note

Diamond Estates Wines – Highly Bullish Three-Year Strategic Plan

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

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

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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	114%

Market Data	
Share Price	$0.140
Average Daily TSXV Volume (K)	15.7
FD ITM Shares (M)	70.5
Market Cap ($M)	$9.9
Cash & Marketable Securities ($M)	$0.0
Debt ($M)	$15.6
Enterprise Value ($M)	$25.4

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	6.6x	6.2x	4.2x
EV/Sales	0.9x	0.8x	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.

What you need to know:

- DWS released a three-year strategic plan built on four pillars: profitable growth, brand power, operational excellence, and culture and execution.
- Execution is framed in three phases: Build in FY26, Scale in FY27, and Optimize across FY28 and FY29. Click here to view the deck.
- 2025 appraisals of Lakeview ($21.4M) and Creekside ($3.8M) against $16.7M of PP&E book value leave ~$8.4M of unrecognized value.
- Lassonde's stake is disclosed at 60.1% fully diluted, with $23.6M committed across equity and debt since 2019.

Yesterday evening, Diamond Estates Wines and Spirits (DWS:TSXV, DWWEF:OTC) released its three-year strategic plan focusing on profitable growth, brand power, operational excellence, and culture/execution. We are highly impressed by the strategic direction of the Company, and if it can achieve these goals, the stock should rise significantly. **We are maintaining our BUY rating and target price of $0.30/share on Diamond Estates.**

Profitable Growth

- Grocery, convenience, and big box are identified as the primary growth engines, with the Company leveraging established distribution wins to expand shelf presence, drive volume, and scale direct delivery to those stores.
- Growth is targeted across all six channels, including expanded LCBO shelf presence and new SKU listings, icewines and premium VQA exports into Asia and select European markets, on-premise listings for Creekside and Lakeview, and DTC through winery experience infrastructure, wine club, and e-commerce.

Brand Power

- Investment will concentrate on six growth brands, D'Ont Poke the Bear, 20 Bees, Creekside, Mindful, Shiny Apple Cider, and Fresh, with above-the-line marketing funded by harvesting cash flow from stable established brands.
- A formal stage gate process will govern the innovation pipeline, spanning premium icewine extensions, seasonal limited editions, and multipacks and RTD formats for G&C. Six brand redesigns were completed in FY24 and FY25, and the Creekside mid/premium redesign is launching now.
- Trajectory Beverage Partners is to grow by acquiring brands and deepening existing partnerships through licensed and proprietary initiatives.

Operational Excellence

- Securing a warehousing solution to support volume growth, intended to reduce complexity and cost as the business scales.
- Capex is to be allocated to the highest-return projects across winery capacity, DTC infrastructure and brand-building assets. Management notes that it intends to secure capital in FY28 to fund the Optimize Phase.
- Initiating a proactive grower strategy to secure quality grape supply at competitive cost and driving procurement savings across all input categories.

Cultural & Execution

- The ONE DIAMOND operating model aligns the four wineries, Trajectory Beverage Partners and all support functions under a single strategic direction with shared KPIs and performance management.
- Management and board compensation is tied to shareholder value creation through long-term quality alignment, alongside talent and succession planning intended to reduce key-person risk.

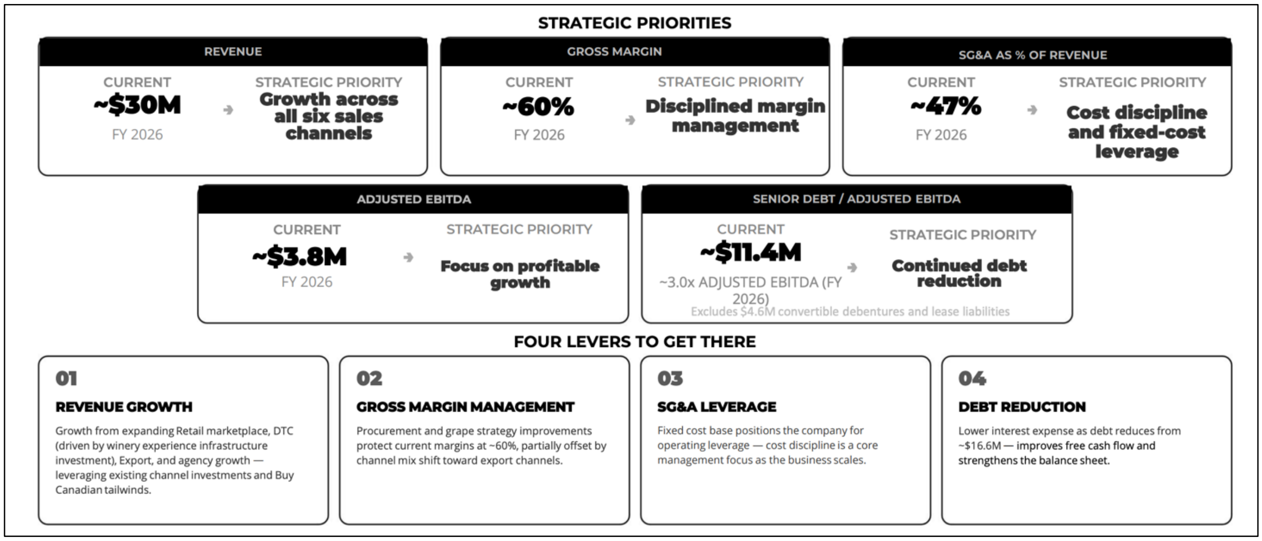

Figure 1: Strategic Priorities (Source: Company Documents)

DWS breaks down the execution of this strategy into three phases: build, scale, and optimize. The build phase occurred in FY26 when DWS expanded its sales force, introduced innovative brands, completed key capex programs, and reduced debt. FY27 (this year) will be focused on scaling the sales channels, agency portfolio, and export development. FY28 and FY29 will be the optimize phase, positioning its premium portfolio, streamlining operations, and evaluating strategic opportunities.

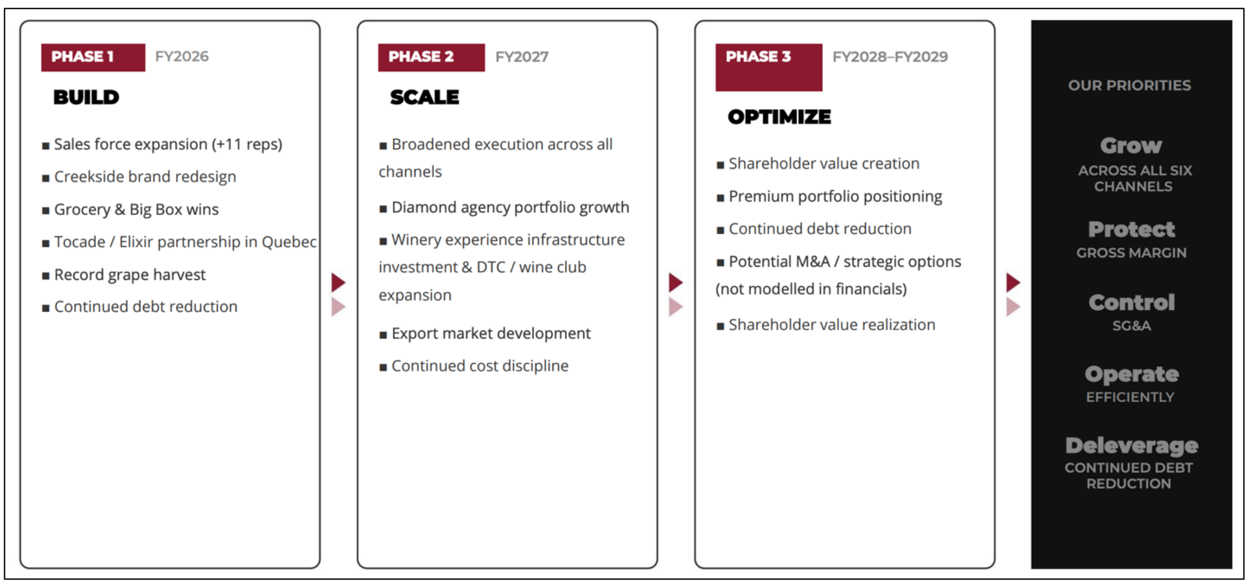

Figure 2: Execution Roadmap (Source: Company Documents)

Investment Thesis

DWS frames its investment opportunity with 4 pillars: 1) proven financial results, 2) tailwinds accelerating, 3) clear growth path, and 4) experienced leadership. This comes on the back of adjusted EBITDA improving from ($1.8M) in FY24 to $3.8M in FY26, largely from product gross margins increasing from 41% to 60%. The Company's new strategic vision is "To be Canada's most admired wine and spirits company" while its mission is "We craft and market award-winning VQA wines and ciders and build compelling beverage alcohol brands for our partners".

Market Tailwinds

- **Grocery and Convenience Modernization** – as mentioned many times in our research, shelf space and penetration are growing in this channel, creating an opportunity for DWS given its outsized market share in the category.
- **Export Opportunity** – improving Canada's relations with China can open a key market for icewine and premium VQA.
- **Buy Canadian Movement**
- **VQA Tax Burden Reduction**

Our Take

We view the three-year plan as an important milestone as comes out of the turnaround phase. After two years of the story being told through improving results, management has now formalized where the business goes next, with clear priorities, a phased timeline, and accountability built in through shared KPIs. The plan builds on what is already working, led by grocery and convenience where DWS already holds an outsized share, and most of the build phase is complete. We believe the Company is on a strong trajectory heading into the scale phase, and the plan reinforces our thesis.

We believe Diamond can grow in the mid-to-high single digits for the coming three years, with sales reaching $35.9M by the end of the three-year plan in FY29. For FY29, we forecast 61% gross margins (at the accounting level) and adjusted EBITDA margins scaling up to 21% or $7.5M as seen below. We believe these numbers are quite achievable.

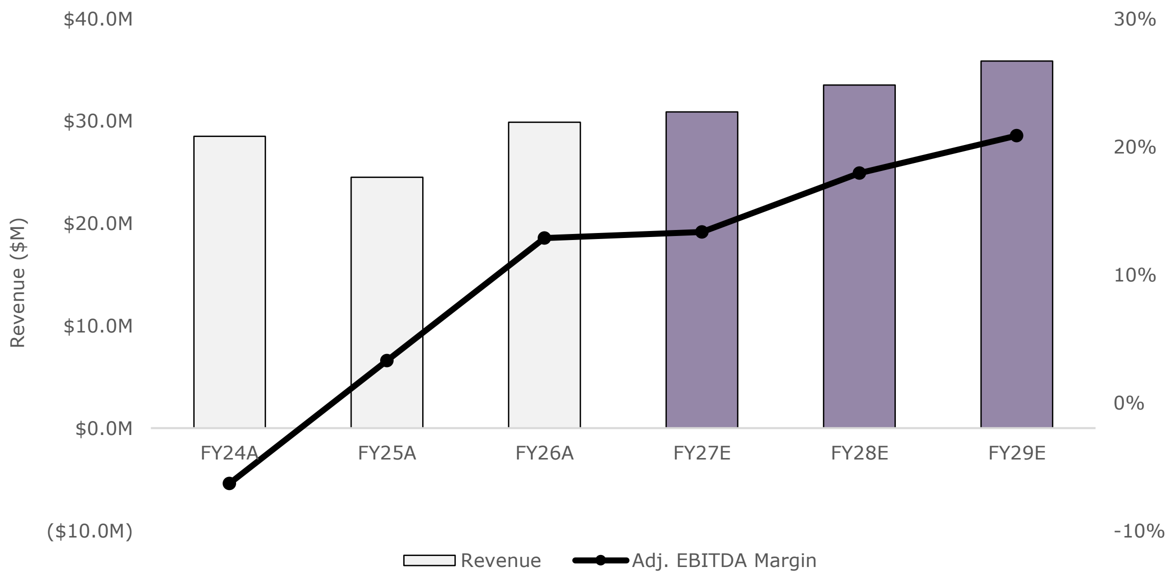

Figure 3: Revenue & EBITDA Projections

Q2/27 Preview

DWS is expected to report Q2/27 financial results (ending September 30th) in late November. We remind readers that Q2/26 was one of the Company's strongest quarters in recent history on both gross margin and adjusted EBITDA, making it a tough comparison. Our estimates for the quarter are set out below:

- Revenue of $9.1M (+10% YoY) vs. $8.3M in Q2/26
- Gross profit of $5.4M (59% margin) vs. $5.4M last year (65% margin)
- Adjusted EBITDA of $1.3M (14% margin) vs. $1.8M last year (22% margin)
- Net income of $0.4M vs. ($0.0M) in Q2/26.

Figure 4: Site Visit Photos

Why We Like DWS

- DWS has completed the early stages of a turnaround, reaching profitability and outpacing the industry with strong top-line 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), holds 60.1% of the Company on a fully diluted basis and has committed $23.6M across equity and debt since 2019. 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	$0.140
Rating	BUY
Target Price	$0.30
Upside	114%
Market Cap ($M)	$9.9
Cash ($M)	$0.0
Debt ($M)	$15.6
EV ($M)	$25.4

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 5: Tear Sheet

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