

Research Note

Diamond Estates Wines – Lassonde Converts Debentures at a Large Premium

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

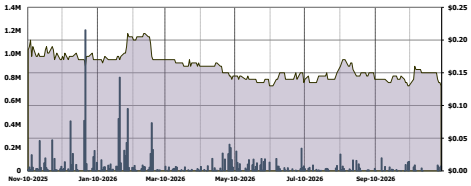
Diamond Estates Wines & Spirits	DWS:TSXV
Rating	BUY
Target Price	$0.30
Return to Target	131%

Market Data	
Share Price	$0.130
Average Daily TSXV Volume (K)	12.6
FD ITM Shares (M)	103.9
Market Cap ($M)	$13.5
Cash & Marketable Securities ($M)	$0.0
PF Debt ($M)	$10.9
Enterprise Value ($M)	$24.4

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)	$1.2	$3.6
FCFF ($M)	$5.0	($7.6)	$14.2

Valuation	FY26A	FY27E	FY28E
EV/EBITDA	6.4x	5.9x	4.1x
EV/Sales	0.8x	0.8x	0.7x

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 announced that it will be converting $4.7M of its convertible debentures to equity at $0.22/share, a 69% premium to market. The Company will also convert $1.5M of accrued and unpaid interest at the market price of $0.13/share.
- Both liabilities were owned by the Lassonde Group, increasing their ownership to 66.6% and aligning the two companies further.
- The transaction decreases debt from $15.6M to $10.9M and decreases quarterly interest expense from $0.5M to $0.2M.

On Friday after market close, Diamond Estates Wines and Spirits (DWS:TSXV, DWWEF:OTC) announced that it will be converting $4.7M of its 10.0% unsecured convertible debentures into common shares at $0.22/share, a 69% premium to the $0.13/share last closing price. DWS also intends to convert $1.5M of accrued and unpaid interest at $0.13/share, equating to a blended price of $0.19/share. The debentures were held by Lassonde Industries (LAS.A:TSX) and Pierre-Paul Lassonde, which together will own ~66.6% of DWS following the conversions. **We are maintaining our BUY rating and target price of $0.30/share on Diamond Estates.**

The $4.7M debentures will convert into ~21.2M common shares, and the $1.5M in interest will convert into 11.3M common shares, adding to the 38.2M previously held by Lassonde Industries and 2.1M owned by Pierre-Paul Lassonde. The transaction brings down debt from $15.6M at the end of Q1 to $10.9M (interest payable was included in A/P), resulting in net debt to EBITDA decreasing from 3.8x to 2.7x on FY27E. Making these changes to our model, quarterly interest payments move down from $0.5M to $0.2M, with the full effect seen in Q4. Shares outstanding move up to 101.2M, translating to a market cap of $13.5M and enterprise value of $24.4M. As such, post-transaction, DWS is trading at 5.9x FY27E EBITDA compared to the Andrew Peller transaction at 9.5x forward EBITDA and public peers at 10.0x.

Our Take

We view this transaction as a clear large positive for DWS and its minority shareholders. The principal converts at $0.22/share, a massive premium to the market price, illustrating Lassonde's deep commitment to Diamond. Based on our math on the $4.7M, DWS is issuing ~14.6M fewer shares than it would have to do at the market price (21.2M vs. 35.8M), resulting in significantly less dilution. The transaction also cleans up the balance sheet by eliminating $6.1M in total liabilities without using any cash, which matters because the BMO covenants would not have permitted repayment and because it removes the November 9th maturity as an overhang.

The conversion also reduces interest expense by $0.47M annually (10% on $4.7M), equal to ~12% of FY26 adjusted EBITDA of $3.8M and frees up cash flow and balance sheet capacity for the growth initiatives stated in the three-year plan. Finally, the transaction further aligns Lassonde and Diamond. Lassonde Group is taking its ownership from 50.8% to 66.6%, choosing to deepen its equity commitment rather than seek repayment. **We view the transaction as a meaningful de-risking event and a strong signal of Lassonde's long-term conviction in the three-year plan summarized below. We believe the stock should at least re-rate to the blended conversion price of $0.19/share**, with further upside to our target price as management can re-focus attention on growth initiatives and operational excellence.



Figure 1: Debt & Interest Reduction

3-Year Plan Summary

On September 17th, DWS released its three-year strategic plan, outlining a transition from its recent financial turnaround toward sustainable, profitable growth through FY29. The strategy focuses on four key pillars: profitable growth, brand power, operational excellence, and culture and execution. The Company plans to expand distribution across all six sales channels, particularly grocery, convenience, and big-box retailers, while growing international exports and direct-to-consumer sales. Additional priorities include investing in six core growth brands, pursuing strategic acquisitions, improving procurement and warehousing efficiency, and reducing debt.

The strategy will be executed in three phases: Build (FY26), Scale (FY27), and Optimize (FY28–FY29), transitioning from turnaround initiatives to distribution expansion and operational optimization. We forecast revenue growing from $29.9M in FY26 to $35.9M in FY29, while adjusted EBITDA nearly doubles from $3.8M to $7.5M, with margins expanding from 13% to 21%. Our full note on the plan can be found here.

Insider Buying

On October 9th, CFO Basman Alias bought 38.8K shares ($4.9K) at $0.1255/share. This brings his total to ~294K shares.

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, ~$1.6B market cap), holds ~67% 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

Tear Sheet

Market Data	
Ticker	DWS:TSXV
Stock Price	$0.130
Rating	BUY
Target Price	$0.30
Upside	131%
Market Cap ($M)	$13.5
Cash ($M)	$0.0
Debt ($M)	$10.9
EV ($M)	$24.4

Capital Structure	
Basic Shares Outstanding (M)	101.2
Warrants (M)	0.0
Options (M)	5.9
FD Shares (M)	107.1
FD ITM Shares (M)	103.9

Ownership	
Lassonde Industries	67%
Management & Board	2%
Retail & Institutions	31%

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	0.6	0.2	1.2	3.6
EPS (Basic)	(0.04)	0.01	0.00	(0.00)	(0.02)	(0.02)	0.01	0.00	0.01	0.00	0.02	0.04
FCFF ($M)	(1.3)	3.8	0.3	3.6	(2.7)	5.0	0.2	(4.9)	(1.8)	(0.8)	(7.6)	14.2

Figure 2: 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**	$30.9	**$33.5**	$33.5
Gross Margin (%)	**59.0%**	59.0%	**60.0%**	60.0%	**58.4%**	58.4%	**60.0%**	60.0%
Adj. EBITDA ($M)	**$1.3**	$1.3	**$1.3**	$1.3	**$4.1**	$4.1	**$6.0**	$6.0
Net Income ($M)	**$0.4**	$0.4	**$0.6**	$0.4	**$1.2**	$0.7	**$3.6**	$2.5

Figure 3: Estimate Revisions

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