



Ten Peaks Coffee Company

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NEWS RELEASE: via The Canadian Select Disclosure Network and SEDAR

For release: **March 12, 2015 at 1:05 pm Pacific (4:05 pm Eastern)**

Attention: Business/Financial Editors

Ten Peaks Coffee Company Inc.

TRADING SYMBOL: **The Toronto Stock Exchange – TPK**

Ten Peaks Coffee Company Declares Quarterly Dividend and Reports Record Results for 2014

Processing Volumes, Revenue, Gross Profit, Net Income and EBITDA All Up Over 2013

*Ten Peaks Coffee Company Inc. will hold a conference call to discuss its financial results for the three months and year ended December 31, 2014 **today, March 12 at 2:30 pm Pacific Time (5:30 pm Eastern Time)**. To participate, please dial 1-800-952-4972 (toll free) or 416-340-8527 (GTA and international) approximately five minutes before the call and provide the company name. A replay will be available through March 27, 2015 at 1-800-408-3053 (toll free) or 905-694-9451 (GTA and international) passcode: 4123854.*

VANCOUVER, BC, March 12, 2015/ Marketwired / Ten Peaks Coffee Company Inc. ("Ten Peaks" or "the company") today reported financial results for the three months and year ended December 31, 2014. The three-month period represents the fourth quarter of the company's 2014 fiscal year. Ten Peaks is a leading specialty coffee company doing business through two wholly owned subsidiaries, Swiss Water Decaffeinated Coffee Company, Inc. ("SWDCC") and Seaforth Supply Chain Solutions Inc. ("Seaforth"), the company's green coffee handling and storage subsidiary. SWDCC is a premium green coffee decaffeinator located in Burnaby, BC, which employs the proprietary SWISS WATER® Process to decaffeinate green coffee without the use of chemicals. It is the company's primary business, and the results reported here reflect SWDCC's operating performance.

During the three months ended December 31, 2014, SWDCC maintained the robust sales momentum it recorded in the first three quarters of the year. As a result, 2014 was a record year for Ten Peaks, with annual processing volumes, revenues, gross profit, net income and EBITDA all up significantly over 2013. This is the fifth year in a row that SWDCC has achieved volume growth, with total processing volumes now up by 39% over 2009 levels.

<i>In \$000s except per share amounts</i>	3 months ended		12 months ended	
	December 31		December 31	
	2014	2013	2014	2013
Sales	\$ 19,456	\$ 15,794	\$ 66,180	\$ 53,873
Gross profit	3,221	1,948	11,361	6,211
EBITDA ⁽¹⁾	3,109	1,201	7,070	4,210
Net income	1,672	343	3,017	1,654
<u>Per share amounts:</u>				
EBITDA per share	0.46	0.18	1.05	0.63
Net income per share	0.25	0.05	0.45	0.25

(1) EBITDA is defined in the company's Management's Discussion and Analysis, which will be posted on SEDAR on March 12, 2015.

During 2014, SWDCC maintained its focus on delivering superior, 100% chemical free decaffeinated coffees backed by excellent customer service. As a result, the company continued to grow its share of the decaffeinated coffee market, with annual processing volumes growing by 12% over 2013. The company's long-term strategy of targeting specialty regional accounts also contributed to the strong sales growth. These smaller, quality-focused customers are a natural fit with SWDCC, as they place a high value on the company's customer support programs, as well as the ability to sell premium decaffeinated coffees to their own customers. During the fourth quarter, processing volumes to specialty regional accounts grew by 18% over Q4 2013. Volumes to national accounts declined by 2% in the quarter. For 2014, volumes to specialty regional accounts grew by 29%, representing the fourth consecutive year this customer segment has recorded double-digit growth. Annual processing volumes to SWDCC's large national accounts also grew, rising by 6% over 2013. On a geographic basis, the company recorded a 32% increase in shipments to the US, while volumes to markets outside North America increased by 45% in the year.

"We are extremely pleased with our performance in 2014, especially as we have succeeded in building sales within every segment of our business," said Frank Dennis, President and CEO of Ten Peaks. "We have dramatically grown our market share in the US, added new business in international markets and maintained our market position in Canada. Notably, we achieved these results despite a higher NY'C', which typically dampens sales across the specialty coffee market."

During 2014, the coffee commodity price, or NY'C', averaged US\$1.78, up by 41% from an average of US\$1.26 in 2013. The higher price was related to a severe drought in Brazil (the world's largest coffee-producing country) which drove market concern about the quality and quantity of Brazilian coffee that would be available in 2014 and 2015. All else being equal, a higher average NY'C' will increase the value of green coffee included in Ten Peaks' revenues and its cost of sales. Additionally, a rising NY'C'

benefits the company's gross profit, as SWDCC sells coffee based on the current market price (and not at the price it paid).

Revenues for the three months and year ended December 31, 2014 were both up on a year-over-year basis, due mainly to SWDCC's increased volumes and the higher NY'C'. A strong US dollar ("US\$") also contributed to the gains, as 73% of the company's sales were generated in US\$, up from 62% in 2013. During 2014, the US\$ averaged \$1.10, an increase of 7% over 2013. During the fourth quarter, the US\$ averaged \$1.14, up by 8% from \$1.05 in Q4 2013.

Fourth quarter sales grew by 23% to \$19.5 million, while annual revenue increased by 23% to \$66.2 million. Process revenue (the amount customers are charged for decaffeinating their coffee) totaled \$4.6 million for the fourth quarter and \$16.2 million for the year, representing year-over-year increases of 12% and 19%, respectively. In both periods, the revenue growth was driven by higher processing volumes and a stronger US\$. Green revenue (the base amount customers are charged for green coffee) grew by 26% to \$13.9 million during the fourth quarter and by 23% to \$46.9 million for 2014. In this revenue category, gains were related to a higher NY'C' (as discussed above), the stronger US\$ and increased volumes. Distribution revenue (the amount customers are charged for shipping, handling and warehousing) grew by 38% to \$0.9 million in Q4 and by 48% to \$3.1 million for the full year. Here, the gains reflect the expansion of Seaforth's business, as well as the increase in SWDCC's processing volumes.

Cost of sales totaled \$16.2 million for the fourth quarter and \$54.8 million for the full year. This represents a year-over-year increase of 17% and 15%, respectively. In both cases, the increase was mainly due to higher green coffee costs, which were driven by increased processing volumes and the higher NY'C', as well as rising freight costs and utilities charges. In addition, the labour dispute at the Port Metro Vancouver in March 2014 increased inbound coffee costs for the year. The full year cost of sales also reflects the expansion of Seaforth's business, which took place in the second half of 2013.

Gross profit increased by 65% for the fourth quarter and by 83% for the full year, totaling \$3.2 million and \$11.4 million respectively. In both periods, the growth was driven by higher sales revenue, which more than offset the increases in cost of sales.

Sales and marketing expenses were \$0.5 million for the fourth quarter and \$1.5 million for the year. This represents an increase of \$0.1 million in both periods. The increase was related to additional market research and advertising in Q4 2014, which was undertaken in support of the SWISS WATER® brand.

Occupancy costs, which include the cost of renting administration offices, were up somewhat for the quarter and full year, as SWDCC opened a new sales office in Seattle, WA in Q2 2014. The Seattle location gives the company a greater presence in the US market, where SWDCC is continuing to experience double-digit volume growth.

Administration expenses rose by 48% to \$1.3 million in the fourth quarter, and by 32% to \$4.0 million for the full year. In both periods, higher stock-based compensation and professional fees, together with performance bonuses related to the company's strong financial results, drove the increase.

SWDCC enters into coffee futures contracts to manage the effects of changes in the NY'C' between the time the company commits to buy coffee at a fixed price and the time it sells that coffee at the then-current market price. In addition, it enters into foreign exchange forward contracts to mitigate the effects of changes in the US-Canadian dollar exchange rates. Realized gains and losses on these derivative instruments are recorded when they mature. In addition, as Ten Peaks does not use hedge accounting, unrealized gains and losses are also recorded at the end of the reporting period, calculated using the market values of the NY'C' and the US\$ at quarter-end.

During 2014, Ten Peaks recorded net losses on commodity futures contracts of \$0.5 million, compared to a gain of \$0.8 million in 2013. The increased gross profit associated with the rising NY'C' more than offset losses on commodity futures contracts.

The US\$ appreciated significantly throughout 2014, which resulted in \$0.7 million in losses on foreign exchange forward contracts being recorded during the year. This compares to a loss of \$0.2 million in 2013. In addition, as Ten Peaks is a net borrower of US\$, the increase in the value of the US\$ generated losses on the company's US\$ denominated debt. For 2014, Ten Peaks recorded a \$0.3 million loss on its foreign exchange, compared to a loss of \$0.1 million in 2013.

Net income for the fourth quarter of 2014 was \$1.7 million, up from \$0.3 million in Q4 2013. Full year net income was \$3.0 million, an increase of 82% from \$1.7 million in 2013.

EBITDA increased on a year-over-year basis as well, rising by 159% to \$3.1 million in Q4 and by 68% to \$7.1 million for the full year. In both periods, the significant increase in gross profit drove the gains in EBITDA, which was partially offset by increased operating costs and the loss on commodity futures contracts.

During 2014, Ten Peaks generated \$6.3 million in cash from operations before changes in non-cash working capital. This was up from \$5.1 million for 2013. Overall, the

company used \$1.7 million in cash for operating activities, compared to cash generation of \$5.7 million in 2013. Increases in inventory costs (owing to a higher NY'C', stronger US\$ and higher inventory levels to facilitate sales growth) together with higher accounts receivable (also due to sales growth) increased working capital requirements. As at December 31, 2014, net debt (bank indebtedness less cash on hand) was \$6.9 million. This represents an increase of \$4.7 million since January 1, 2014.

Outlook

Management expects that SWDCC's decaffeination business will continue to grow during 2015, though not as rapidly as in 2014, when total volumes increased by 12%. Sales growth is expected to come both from within North America and internationally, as SWDCC continues working to build trade and consumer awareness of the SWISS WATER® Process and its unique benefits.

"Looking ahead, we are forecasting ongoing sales increases as we continue to win new accounts and grow the business we do with existing customers," said Dennis. "Over the past few years, the SWISS WATER® Process has gained a large and loyal following, as its ability to preserve the unique quality of fine coffees throughout the decaffeination process becomes increasingly well known. We have also seen our business grow as more customers trust us to perform more inventory services on their behalf. In short, we are very proud to have earned a reputation for integrity within our industry and confident that we will continue winning market share as we go forward."

After two years of tremendous growth, Seaforth Supply Chain Solutions will focus on improving customer service and ensuring the accurate and timely handling of green coffee during 2015. While it will never be a large financial driver of Ten Peaks' overall operating results, Seaforth offers services that are an essential part of the coffee value chain. As such, it has allowed SWDCC to improve its customer service by providing a more integrated approach to green coffee decaffeination.

Payment of Quarterly Dividend

On January 15, 2015, the company paid an eligible quarterly dividend of \$0.0625 per share to shareholders of record on December 31, 2014.

In addition, the company today announced that its board of directors has declared an eligible dividend of \$0.0625 per share, to be paid on April 15, 2015 to shareholders of record on March 31, 2015.

Additional Information

A more detailed discussion of Ten Peaks' fourth quarter and annual financial results and management's outlook can be found in the company's Management's Discussion and Analysis ("MD&A") for the three months and year ended December 31, 2014. This document, along with Ten Peaks' consolidated financial statements, will be posted on SEDAR (www.sedar.com) and on the company's website (<http://www.tenpeakscoffee.ca>) on March 12, 2015.

Readers are cautioned that the summary information contained in this press release is not a suitable source of information for readers who are unfamiliar with Ten Peaks. This press release should be considered a precursor to, and not a substitute for, reading the financial statements and MD&A, which provide more detailed information related to the company's performance and future prospects.

Company Profile

Ten Peaks is a publicly traded company that owns all of the interests of the Swiss Water Decaffeinated Coffee Company Inc. (SWDCC), a premium green coffee decaffeinator located in Burnaby, BC. It also owns and operates Seaforth Supply Chain Solutions Inc. (Seaforth), a green coffee handling and storage business located in Metro Vancouver.

About SWDCC

SWDCC employs the proprietary SWISS WATER® Process to decaffeinate green coffee without the use of chemicals, leveraging science-based systems and controls to produce coffee that is 99.9% caffeine free. The SWISS WATER® Process is a 100% chemical free water process for coffee decaffeination, as well as the world's only consumer-branded decaffeination process. It is certified organic by the Organic Crop Improvement Association.

SWISS WATER® Process decaffeinated green coffees are sold to many of North America's leading specialty roaster retailers, specialty coffee importers and commercial coffee roasters. SWDCC also sells coffees internationally through regional distributors.

About Seaforth

Seaforth provides a complete range of green coffee logistics services including devanning coffee received from origin; inspecting, weighing and sampling coffees; and storing, handling and preparing green coffee for outbound shipments. Seaforth's warehouse and handling operation is certified organic by Ecocert Canada.



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Forward-Looking Statements

Certain statements in this press release may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. When used in this press release, such statements may include such words as “may”, “will”, “expect”, “believe”, “plan” and other similar terminology. These statements reflect management’s current expectations regarding future events and operating performance, as well as management’s current estimates, but which are based on numerous assumptions and may prove to be incorrect. These statements are neither promises nor guarantees, but involve known and unknown risks and uncertainties, including, but not limited to, risks related to processing volumes and sales growth, operating results, supply of coffee, general industry conditions, commodity price risks, technology, competition, foreign exchange rates and general economic conditions.

The forward-looking statements and financial outlook information contained herein are made as of the date of this press release and are expressly qualified in their entirety by this cautionary statement. Except to the extent required by applicable securities law, Ten Peaks Coffee Company Inc. undertakes no obligation to publicly update or revise any such statements to reflect any change in management’s expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those described herein.