Sucro Announces First Quarter 2024 Results

Achieves record results for quarterly Sugar Deliveries, Revenues, Net Income, Free Cash Flow, and refinery contributions

CORAL GABLES, Fla. (May 30, 2024) - Sucro Limited (TSXV: SUG / OTCQB: SUGCF) ("Sucro" or the "Company"), an integrated sugar refiner focused primarily on serving the North American sugar markets, today announced financial results for the three months ended March 31, 2024. All amounts are in United States dollars ("U.S. $" or "$") unless otherwise noted.

Financial Highlights for the First Quarter of 2024

- Revenue of $184.3 million on sugar deliveries of 182,865 metric tons, setting new quarterly records for both measures
- Net income of $19.7 million, a new quarterly record
- Adjusted gross profit[1] of $15.98 million and adjusted gross profit margin[1] percentage of 8.7%
- EBITDA[1] of $31.0 million and Adjusted EBITDA[1] of $10.5 million
- Adjusted gross profit per metric ton delivered[1,2] of $87.38
- For our refineries, Q1 volumes of 46,754 metric tons, and Adjusted gross profit[1] of $6.7 million, a new quarterly record for the latter measure
- Completed $20.3 million of debt financings for our new refinery in Hamilton, Ontario

Q1 2024 Highlights (unaudited)	**Three Months Ended March 31**		
In 000s of U.S. $ except per share and volume metrics.	**2024**	**2023**	***Change***
Sugar Deliveries (Metric Tons)	**182,865**	143,046	*28%*
Revenue	**$ 184,325**	$ 125,086	*47%*
Gross profit	**37,107**	25,459	*46%*
Adjusted gross profit[1]	**15,979**	10,445	*53%*
Adjusted gross profit margin[1]	**8.7%**	8.4%	
EBITDA[1]	**31,043**	19,756	*57%*
Adjusted EBITDA[1]	**10,468**	4,722	*122%*
Adjusted EBITDA Margin[1]	**5.7%**	3.8%	
Net Income (Loss)	**19,739**	11,498	*72%*
Per share (basic)	**2.88**	2.21	*30%*
Per share (diluted)	**0.83**	0.53	*57%*
Adjusted gross profit per metric ton delivered[1,2]	**87.38**	73.02	*20%*
Free cash flow[1]	**5,004**	**(1,523)**	
Refineries Results:			
Refineries Volume (Metric Tons)	**46,754**	40,474	*16%*
Adjusted gross profit[1]	**$ 6,741**	$ 4,221	*60%*
Adjusted gross profit per metric ton delivered[1]	**144.18**	104.29	*38%*

1. This is not a standardized financial measure under IFRS and may not be comparable to similar financial measures of other issuers. Please refer to "Non-IFRS and Other Financial Measures (Key Performance Indicators)" in Sucro's Q1 2024 MD&A for further details which are incorporated by reference herein and available for viewing and download on SEDAR+ at www.sedarplus.ca.
2. Net of cash settlements.

"Strong execution throughout our refining and merchant wholesaling businesses led to significant improvements in our financial results for the first quarter of 2024, including new record levels for quarterly deliveries, revenues, net income, free cash flow, and adjusted gross profit from our refineries," noted Jonathan Taylor, Founder and Chief Executive Officer of Sucro. "As our refinery teams maintained their focus on expanding our production and maintaining solid margins, the merchant wholesaling division capitalized on new sugar sales opportunities in Latin America, amplifying per tonne margins and earnings."

Taylor further commented "Alongside our efforts to continually improve the output of our Lackawanna and Hamilton facilities, we are highly focused on executing our refinery expansion projects in both Hamilton and Chicago. We have secured new debt financing for our new refinery in Hamilton, and we're on track to make rapid progress on construction through the remainder of the year. We remain very well-positioned to strengthen our role as a premier sugar supplier in the North American market, targeting continued profitable growth for shareholders."

Results from Operations - Three Months Ended March 31, 2024

Quarter Ended March 31				
In 000s of USD except per share and volume metrics.		**2024**		**2023**
Sugar Deliveries (Metric Tons)		182,865		143,046
Revenue	$	184,325	$	125,086
Cost of sales		147,218		99,627
Gross Profit		37,107		25,459
Adjusted gross profit[2]		15,979		10,445
Adjusted gross profit margin[2]		8.7%		8.4%
Income From Operations		29,579		18,140
Income Before Income Taxes		24,651		14,718
Net Income		19,739		11,498
Income from continuing operations– per share (basic)[1]		2.88		2.21
Income from continuing operations– per share (diluted)[1]		0.83		0.53
EBITDA[2]		31,043		19,756
Adjusted EBITDA[2]		10,468		4,722
Adjusted EBITDA Margin[2]		5.7%		3.8%
Return on equity (annualized)[2]		19.9%		43.7%
Adjusted gross profit per metric ton delivered[2] (net of cash settlements)		87.38		73.02
Free cash flow[2]		5,004		(1,523)
Refineries Results				
Refineries Volume (Metric Tons)		46,754		40,474
Adjusted Gross Profit[2]	$	6,741	$	4,221
Adjusted Gross Profit per MT[2]		144.18		104.29

1. *Per share figures for periods prior to Dec. 31, 2023, are adjusted for the Reorganization. Basic calculation counts each PVS as one share.*
2. *This is not a standardized financial measure under IFRS and may not be comparable to similar financial measures of other issuers. Please refer to "Non-IFRS and Other Financial Measures (Key Performance Indicators")" in Sucro's Q1 2024 MD&A for further details which is incorporated by reference herein and available for viewing and download on SEDAR+ at www.sedarplus.ca.*

For the three months ended March 31, 2024, customer deliveries increased by 27.8% compared with the three months ended March 31, 2023, from 143,046 MTs in 2023 to 182,865 MTs in 2024, primarily due to an increase in cost, insurance, and freight (CIF) world market white sugar volumes sold to Latin American destinations and additional volumes shipped from our Lackawanna refinery.

Adjusted EBITDA was $10.5 million for the three months ended March 31, 2024, compared with $4.7 million for the corresponding 2023 period, a 121.7% increase, mainly as a result of higher Adjusted Gross Profit ($16.0 million for the three months ended March 31, 2024, compared with $10.4 million for the corresponding 2023 period). This improvement was driven by higher Adjusted Gross Profit derived from our strategic focus on higher-margin business at our U.S. and Canada refining operations. As our refining operations in Lackawanna grow relative to the size of our overall sales book until we achieve full operating capacity, we expect margins to continue improving. Likewise, EBITDA was $31.0 million for the three months ended March 31, 2024, compared with $19.8 million for the corresponding 2023 period, a 57.1% increase driven mainly by higher Adjusted Gross Profit and unrealized mark-to-market gains on physical sugar contracts.

Net income for the three months ended March 31, 2024, amounted to $19.7 million, an increase of $8.2 million or 71.7% when compared to net income of $11.5 million for the three months ended March 31, 2023. This increase was driven primarily by higher unrealized mark-to-market gains on physical sugar contracts and higher Adjusted Gross Profit realized.

Revenue for the three months ended March 31, 2024, increased by 47.4%, to $184.3 million, from $125.1 million for the three months ended March 31, 2023. This increase was mainly driven by the higher sales volume previously discussed and higher average sugar prices during the three months ended March 31, 2024, compared with the corresponding period in 2023, because of market conditions.

The composition of the Company's revenue for the three months ended March 31, 2024, and 2023, was as follows:

Three Months Ended March 31 *(000s of USD)*		**2024**		**2023**
Tolling	$	185	$	505
Warehousing		82		317
Commodity		184,538		124,203
Futures and options results		(480)		61
Total revenue	**$**	**184,325**	**$**	**125,086**

During the three months ended March 31, 2024, the Company's futures and options losses were $0.5 million, compared with a $0.1 million gain for the corresponding 2023 period, a $0.5 million decrease relating to market losses on Sugar 11 Contract futures contracts positions, which are used as hedging instruments for our physical positions. For the same periods, tolling and warehousing revenues declined by $0.3 million (63.4%) and $0.2 million (74.1%), respectively, as we continue to decrease third-party operations at our Chicago facility to focus on internal volumes and operations.

The composition of cost of sales for the Company for the three months ended March 31, 2024, and 2023, was as follows:

Three Months Ended March 31 *(000s of USD)*		**2024**		**2023**
Purchases	$	133,606	$	79,708
Production and processing		16,955		18,129
Logistics/ freight		11,804		11,901
Labor		2,285		1,347
Overheads		2,189		2,590
Foreign exchange loss		557		125
Depreciation on plant and equipment		894		745
Depreciation on right-of-use plant and equipment		79		96
Mark to market unrealized positions		(21,151)		(15,014)
Total cost of sales	**$**	**147,218**	**$**	**99,627**

Cost of sales increased by $47.6 million (47.8%) from $99.7 million for the three months ended March 31, 2023, to $147.2 million for the three months ended March 31, 2024. The main driver for the increase is the cost of sugar due to market conditions (a $53.9 million or 67.6% increase).

Mark-to-market gains on forward contracts and, to a lesser extent, futures contracts, drove the $21.2 million gains on unrealized mark-to-market positions for the three months ended March 31, 2024 (compared with $15.0 million for the same period in 2023). Unrealized mark-to-market (non-cash) losses on inventory for the three months ended March 31, 2024, was $4.9 million ($5.4 million gain in 2023). This result was driven by a decrease in the Company's overall inventory volumes, as well as lower average sugar market prices. During the three months ended March 31, 2024, the Company had net unrealized mark-to-market gains on forward sugar contracts of $20.9 million compared with $8.3 million in 2023. The mark-to-market gains on commodity forward contracts were primarily driven by higher margins on booked forward contracts (in particular for organic sugar and Mexican wholesale operations) as of March 31, 2024, compared to a year earlier.

During the three months ended March 31, 2024, the Company had unrealized gains of $4.1 million and $1.0 million on sugar futures contracts and foreign currency forwards, respectively (2023 - $1.4 million gain, and $0.0 million loss, respectively). These gains relate to hedging of Sugar 11 and Sugar 16 Contracts and Mexican Peso positions on our inventory, forward contracts, and accounts receivable. See "Financial Risk Management" below.

The composition of selling, general and administrative expenses for the three months ended March 31, 2024, and 2023, was as follows:

Three Months Ended March 31 *(000s of USD)*		**2024**		**2023**
Administrative expenses	$	5,475	$	5,154
Selling and distribution expenses		407		743
Other operating expenses		465		797
Depreciation		381		290
Depreciation of right-of-use assets		156		134
Equity-based compensation		644		201
Total Selling, General and Administrative Expenses	**$**	**7,528**	**$**	**7,319**
Total Selling, General and Administrative Expenses / Revenue		**4.08%**		**5.85%**

The Company's selling, general and administrative expenses amounted to $7.5 million for the three months ended March 31, 2024, an increase of $0.2 million (2.9%) when compared to expenses of $7.3 million for the three months ended March 31, 2023. As our operations continue to grow and scale, we expect selling, general and administrative expenses as a percentage of revenue to continue to decrease over time.

Administrative expenses, which include staff payroll, benefits and pension costs, professional fees, insurance, bank service charges and other office expenses were $5.5 million for the three months ended March 31, 2024, an increase of $0.3 million (6.2%) from $5.2 million for the three months ended March 31, 2023. The most significant driver for this increase was a one-time compensation expense to non-executive board members relating to the settlement of their equity appreciation rights ("EARs").

During the three months ended March 31, 2024, the Company saw a decrease in its selling and distribution expenses of $0.3 million, or 45.2%, from $0.7 million incurred during the three months ended March 31, 2023, to $0.4 million in the three months ended March 31, 2024. The main reason for this was lower commissions paid to third parties for sugar origination, as a higher proportion of volumes were originated by the Company.

During the three months ended March 31, 2024, other operating expenses, including travel, business taxes and licenses, bad debts, outside labor and IT expenses, amounted to $0.5 million, a decrease of $0.3 million (41.7%) when compared to expenses of $0.8 million for the three months ended March 31, 2023. This decrease was mainly driven by lower bad debt provision.

During the three months ended March 31, 2024, the Company incurred interest expense of $5.2 million, an increase of $1.3 million, or 33.8%, over the three months ended March 31, 2023. The increase was due to a combination of higher overall borrowings, primarily to fund inventory and accounts receivable, and higher SOFR, which increased by 47 basis points in the U.S. from March 31, 2023, to March 31, 2024. SOFR affects interest incurred on Sucro's short-term financial liabilities.

The Company's current and deferred income tax expense increased by $1.7 million from $3.2 million for the three months ended March 31, 2023, to $4.9 million for the three months ended March 31,

2024. The Company recognized $0.1 million and $4.8 million in current and deferred income tax expense, respectively, during the year ended December 31, 2023, owing to deductions associated with unrealized gains on inventory and forward, futures and foreign exchange contracts, as well as with the difference between accounting and tax depreciation rates of property, plant, and equipment.

Outlook

A delay in the expansion of our production capacity at Lackawanna has impacted the facility's refinery production volumes to date. While we expect that increased production through the second half of 2024 will make up a majority of the production shortfall for the year, we are withdrawing our production guidance for Lackawanna of between 120,000 and 135,000 MT and updating our aggregate 2024 production estimate for the Hamilton and Lackawanna refineries from a range of 225,000 to 250,000 MT to a new revised production estimate of between 210,000 and 230,000 MT.

Q1 2024 Investor Call

The Company will host a conference call on Thursday, May 30, 2024, at 10:00 am Eastern time during which Jonathan Taylor, Founder and Chief Executive Officer, and Stefano D'Aniello, Chief Financial Officer, will discuss Sucro's financial performance for the first quarter ended March 31, 2024.

Date:	Thursday, May 30, 2024	
Time:	10:00 a.m. ET	
Conference Call:	Toll-Free	(888) 664-6392
	Local (GTA)	(416) 764-8659
	Please dial in at least five minutes before the call begins.	

Replay:	Available through June 13, 2024	
Replay Access:	Toll-Free	(888) 390-0541
	Local (GTA)	(416) 764-8677
	Passcode	668250 #

Annual Meeting

The Company will hold its annual and special meeting of shareholders in the York Room of the Sheraton Centre Hotel, 123 Queen Street West, Toronto, Canada on Thursday, May 30, 2024 at 1:00 p.m. (EST).

About Sucro

Sucro is a growth-oriented sugar company that operates throughout the Americas, with a primary focus on serving the North American sugar market. The Company operates a highly integrated and interconnected sugar supply business, utilizing the entire sugar supply chain to service its customers. Sucro's integrated supply chain includes sourcing raw and refined sugar from countries throughout Latin America, and refined sugar from its own refineries, and delivering to customers in North America and the Caribbean. Since its inception in 2014, Sucro has achieved significant growth by creating value for customers through continuous process innovation and supply chain re-engineering. Sucro has established a broad production, sales, and sourcing network throughout North America with two cane sugar refineries and an additional value-added processing facility. The Company has offices in Miami, Mexico City, Cali, Sao Paulo, and Port of Spain. For more information, visit sucro.us and follow us on LinkedIn.

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Non-IFRS and Other Financial Measures

In this Press Release, reference is made to the following non-IFRS measures: “EBITDA”, “EBITDA Margin”, “Adjusted EBITDA”, “Adjusted EBITDA Margin”, “Adjusted Gross Profit”, “Adjusted Gross Profit Margin”, “Adjusted Gross Profit Per Metric Ton Delivered”, “Return on Equity’ and “Free Cash Flow”. Such non-IFRS financial measures are not standardized financial measures under International Financial Reporting Standards (“IFRS”) and might not be comparable to similar financial measures disclosed by other issuers. For details on the composition and a reconciliation between such non-IFRS measures and the most directly comparable financial measure in our financial statements, please refer to the "Non-IFRS and Financial Measures (Key Performance Indicators)" section in our MD&A dated May 30, 2024 and filed on SEDAR+ at www.sedarplus.ca, which is specifically incorporated by reference herein.

Forward-Looking Statements

This Press Release contains “forward-looking information” and “forward-looking statements” (collectively, “forward-looking information”) within the meaning of applicable Canadian securities laws. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “annualized”, “plans”, “targets”, “expects”, “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “pro forma”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “will be taken”, “occur” or “be achieved”, or the negative of these terms, or other similar expressions intended to identify forward-looking statements. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

This forward-looking information includes, among other things, statements relating to: our expectations regarding our profit and operating margins; our expectations for selling, general and administrative expenses as a percentage of revenue to decrease over time; our expectation for revenues for the 2024 fiscal year; projected sales from our Lackawanna refinery; our revised combined production guidance for our Lackawanna and Hamilton refineries for 2024; the sufficiency of our working capital and capital resources to meet its current and long-term financial obligations; expected capital costs, production capacity and commencement dates for operations for our new Hamilton, Ontario and University Park refineries; and expectations regarding capital expenditures in the next 12 month period and the expected funding of those expenditures.

This forward-looking information and other forward-looking information are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions include: revenue; our ability to build our market share; our ability to complete our proposed new refineries on time and on budget and with the anticipated processing capacity; our ability to retain key personnel; our ability to maintain and expand geographic scope; our ability to execute on our expansion plans; our ability to continue investing in infrastructure to support our growth; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; our ability to respond to any changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards are material factors made in preparing forward-looking information and management's expectations.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that, while considered to be appropriate and reasonable as of the date of this Press Release, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including, but not limited to, our ability to maintain and renew licenses and permits; fluctuations in the price of sugar that we purchase, process and sell; development of new or expansion of our existing refineries may experience cost-overruns and/or delays and actual costs, operational efficiencies, production volumes or economic returns may differ materially from the Company's estimates and variances from expectations; disruptions to our supply chains as a result of outbreaks of illness, geopolitical events or other factors; inflation and rising interest rates; the risk of unhedged trading positions and counterparty defaults; a significant portion of our current credit facility is uncommitted and requests for additional advances may be refused; elimination or significantly reduction of protective duties relating to foreign sugar imports; our limited operating history and our recent growth may not be indicative of our future growth; dependence on management's ability to implement its strategy; risks of early stage companies; competitive risks; our dependence on a small number of key persons; demands of growth on our management and our operational and financial resources; and the other risk factors discussed in greater detail under "Risk Factors" in the Company's annual information form ("AIF") dated April 18, 2024 and filed on SEDAR+ at www.sedarplus.ca, which section of the AIF is specifically incorporated by reference herein.

The above-mentioned factors should not be construed as exhaustive. If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information.

Prospective investors should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this Press Release represents our expectations as of the date of this Press Release (or as of the date they are otherwise stated to be made) and is subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws. For additional information, readers should also refer to our AIF and other information filed on www.sedarplus.ca.