



goodfood



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# Q3

## FISCAL 2020

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July 8, 2020

## Caution Regarding Forward-looking Statements



This release contains “forward-looking information” within the meaning of applicable Canadian securities legislation. Such forward-looking information includes, but is not limited to, information with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. This forward-looking information is identified by the use of terms and phrases such as “may”, “would”, “should”, “could”, “expect”, “intend”, “estimate”, “anticipate”, “plan”, “foresee”, “believe”, or “continue”, the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking information contains these terms and phrases. Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and therefore the reader is cautioned that such information may not be appropriate for other purposes. Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, the following risk factors which are discussed in greater detail under “Risk Factors” in the Company’s Annual Information Form for the year ended August 31, 2019 and in the Management’s Discussion and Analysis for the third quarter ended May 31, 2020, available on SEDAR at [www.sedar.com](http://www.sedar.com): limited operating history, negative operating cash flow, food industry, quality control and health concerns, regulatory compliance, regulation of the industry, public safety issues, product recalls, damage to Goodfood’s reputation, transportation disruptions, product liability, ownership and protection of intellectual property, evolving industry, unionization activities, reliance on management, factors which may prevent realization of growth targets, competition, availability and quality of raw materials, limited number of products, environmental and employee health and safety regulations, online security breaches and disruption, reliance on data centers, open source license compliance, future capital requirements, operating risk and insurance coverage, management of growth, conflicts of interest, litigation, and catastrophic events. Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning availability of capital resources, business performance, market conditions, and customer demand. In addition, information and expectations set forth herein are subject to and could change materially in relation to developments regarding the COVID-19 pandemic and its impact on product demand, labor mobility, supply chain continuity and other elements beyond our control. Consequently, all of the forward looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

## Q3-20 – Key Highlights



**Goodfood delivers Net Income and positive Adj. EBITDA for the first time on the back of consistently strong growth and margin improvement**

(in millions of Canadian \$ except active subscribers and margins)	Q3-20	Q3-19	Y-o-Y Δ
Active subscribers <sup>(1)</sup>	<b>272,000</b>	189,000	44%
Revenue	<b>\$86.6</b>	\$49.9	74%
Gross merchandise sales <sup>(1)</sup>	<b>99.8</b>	61.2	63%
Gross profit	<b>24.9</b>	14.1	77%
Gross margin (%)	<b>28.8%</b>	28.3%	+0.5pp
Adjusted gross profit <sup>(1)</sup>	<b>38.1</b>	25.4	50%
Adjusted gross margin (%) <sup>(1)</sup>	<b>38.2%</b>	41.6%	-3.4pp
Adjusted EBITDA <sup>(1)</sup>	<b>6.0</b>	(2.4)	+\$8.4
Adjusted EBITDA margin (%) <sup>(1)</sup>	<b>6.9%</b>	(4.8%)	+11.7pp
Net Income (Loss)	<b>2.8</b>	(3.6)	+\$6.4
Cash flows provided by operations	<b>8.6</b>	2.3	266%
Cash, cash equivalents and restricted cash	<b>80.5</b>	49.7	62%

(1) This is a Metric or non-IFRS measure. Please refer to page 13 of this presentation for more details.

## Q3-20 – Key Business Highlights

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### Delivered record financial results driven by strong and sustained demand

- GMS for the quarter standing at \$99.8M, run-rate GMS<sup>(1)</sup> at \$418M, turning in Net Income and positive Adj. EBITDA<sup>(1)</sup> for the first time

### Expanded operating footprint to serve Canadians better

- Successful leasing/build-out of 2 fulfillment centres in the GTA, one of which is already operational
- Opening and ramp up of Vancouver fulfillment centre
- Finished construction of in-house kitchen for ready-to-eat meals
- Expanded footprint combined with Goodcourier last-mile initiative creating cost efficiencies and enhancing customer experience



### Further built product offering to provide fuller share of Canadian grocery basket

- Continuing to refine and expand product offering to capture a larger size of consumer basket
- Significantly expanded Private Label grocery products to over 300, over 150 new products added since last quarter
- Added new products to Meal Solutions: breakfast sandwich, in-house salads, among others



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# COVID-19 Impact

## The COVID-19 pandemic has changed how Canadians shop for food and grocery

- Faster shift to online e-commerce grocery, accelerating adoption and driving more frequent and larger orders
- Goodfood's e-commerce and fulfilment models have supported increased demand
  - Current shift will have significant permanent impact

## Goodfood has experienced sustained rising demand for all products, leading to an increase in revenue, but also some additional costs

- Goodfood has seen a rise in demand for all products, particularly Private Label grocery
- Operations pressured by increased demand, labor in particular
- Some expenses incurred in Q3 are deemed non-recurring (Labor, Food), ~\$2.4 million
- Matched our marketing spend to our supply chain capabilities during Q3

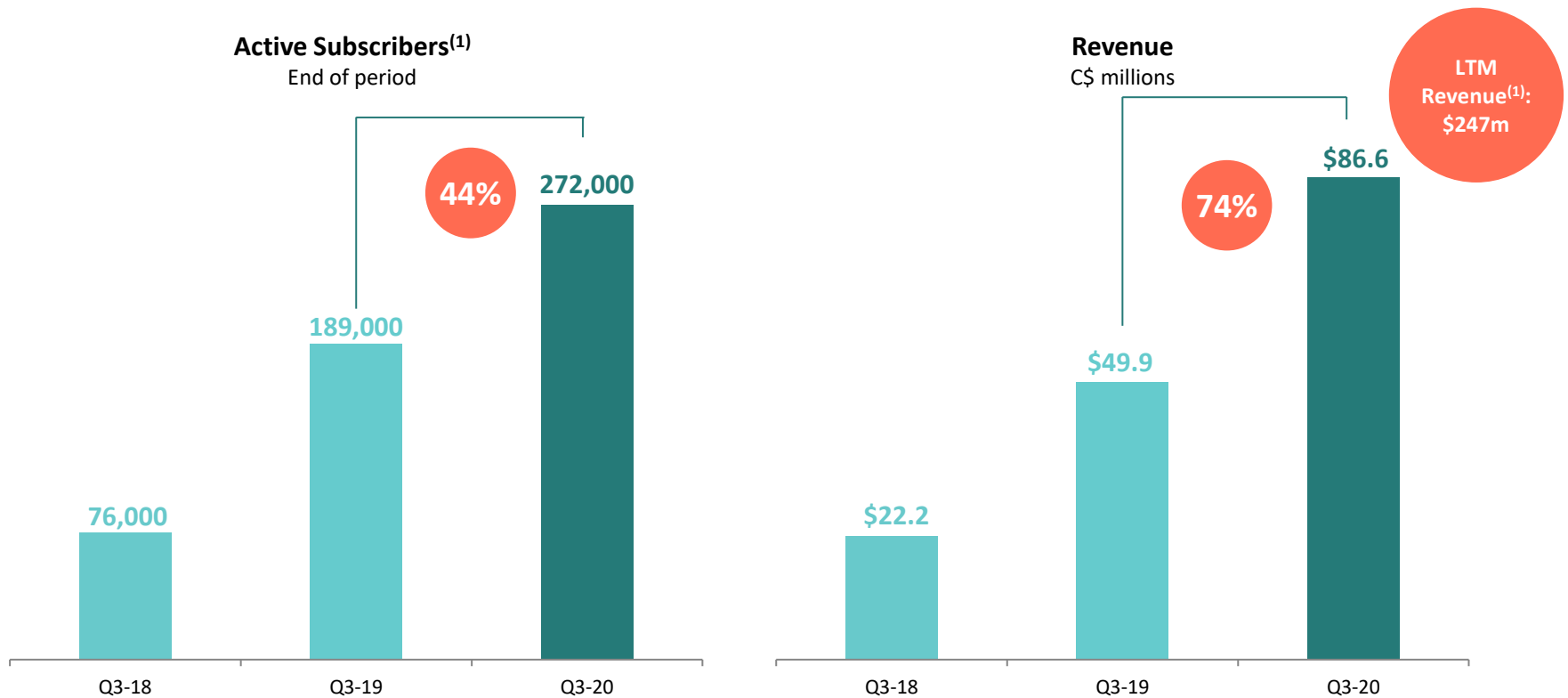


	COVID-19 IMPACT	Goodfood Initiatives
New subscribers <sup>(1)</sup>	<ul style="list-style-type: none"> <li>• Increased subscriber count in Q3</li> </ul>	<ul style="list-style-type: none"> <li>✓ Heightened already strict hygiene measures to ensure safety of employees and members</li> </ul>
Order rate	<ul style="list-style-type: none"> <li>• Increased orders from existing customers on a weekly basis</li> </ul>	<ul style="list-style-type: none"> <li>✓ Hired 1,000+ new employees to face demand</li> </ul>
Average order value	<ul style="list-style-type: none"> <li>• Larger basket size, now including more Private Label and Ready-to-Eat products</li> </ul>	<ul style="list-style-type: none"> <li>✓ Expanded grocery products to fulfill demand</li> </ul>
Gross Margin	<ul style="list-style-type: none"> <li>• Increased food and labor costs, driven in part by Goodfood's Essential Canadian Pay Program, pressure on supply chain and additional sanitary measures</li> </ul>	<ul style="list-style-type: none"> <li>✓ Increased pay of operations and production staff by at least \$2 per hour</li> <li>✓ Increased inventory on more complex SKUs and ramped up co-packing with suppliers to alleviate pressure on operations</li> </ul>
Marketing	<ul style="list-style-type: none"> <li>• Strategic reduction in marketing spend during Q3 to match our supply chain capabilities</li> </ul>	<ul style="list-style-type: none"> <li>✓ Established weekly communication from CEO to members providing update on impact of pandemic on Goodfood</li> </ul>
Adj. EBITDA <sup>(1)</sup>	<ul style="list-style-type: none"> <li>• Cost base amortized over larger revenue base led to positive Adj. EBITDA</li> </ul>	<ul style="list-style-type: none"> <li>✓ Matched donations by members and employees to the Breakfast Club of Canada</li> <li>✓ Announced partnership with CHUM Foundation and MGH to donate meals to frontline workers</li> </ul>

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# Q3-20 – Subscribers<sup>(1)</sup> and Revenue

Increased order rates and basket sizes led to a revenue growth surpassing significantly subscriber growth



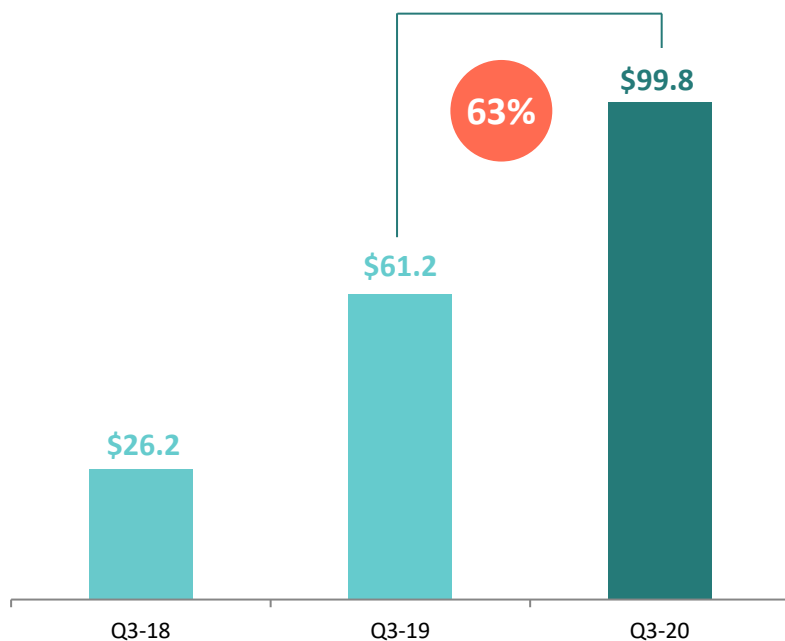
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## Q3-20 – Gross Merchandise Sales<sup>(1)</sup>

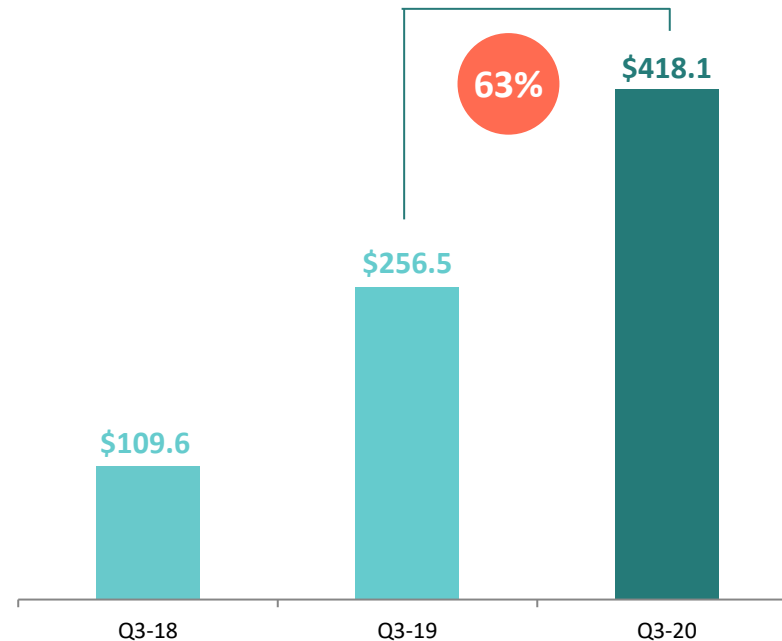


Goodfood surpassed the \$400 million GMS run-rate<sup>(1)</sup> milestone as at May 31, 2020 to hit a new record on the back of nearly \$100 million of GMS<sup>(1)</sup> in Q3-20

**Gross Merchandise Sales<sup>(1)</sup>**  
C\$ millions



**GMS Run-rate<sup>(1)</sup>**  
C\$ millions



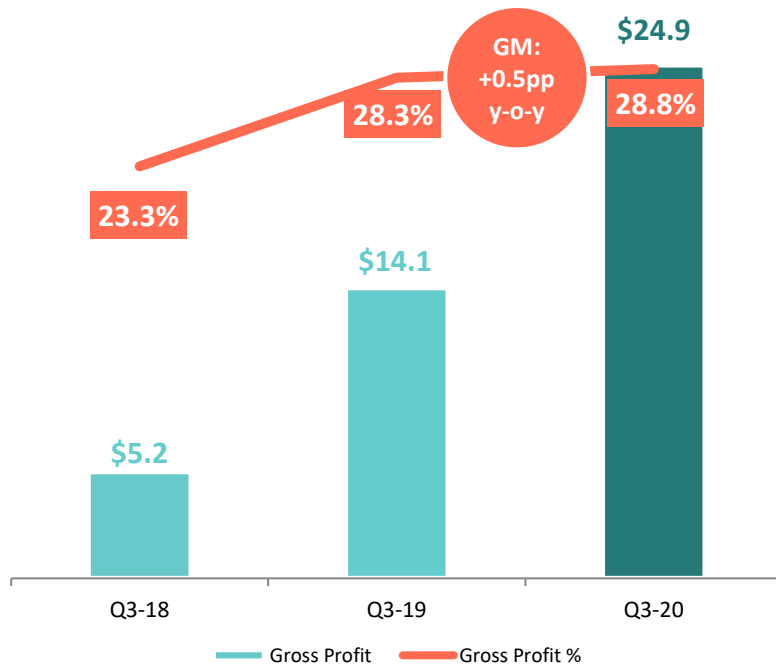
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# Q3-20 – Gross Profit and Adjusted Gross Profit<sup>(1)</sup>

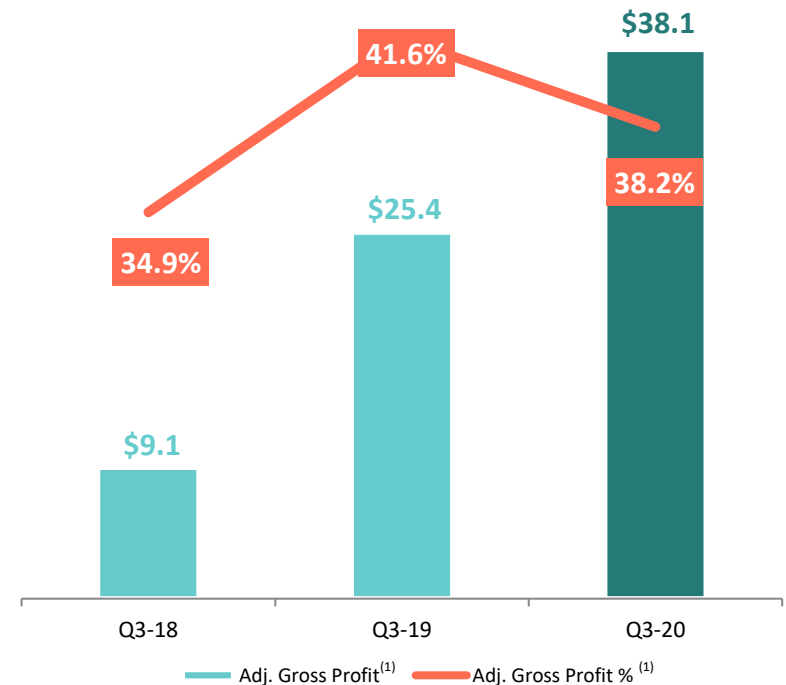


Gross Profit and Adj. Gross Profit<sup>(1)</sup> increased substantially even as operational pressures have limited Gross Margin expansion and reduced Adj. Gross Margin<sup>(1)</sup>

**Gross Profit  
& Gross Margin**  
C\$ millions and %



**Adjusted Gross Profit<sup>(1)</sup>  
& Adjusted Gross Margin<sup>(1)</sup>**  
C\$ millions and %



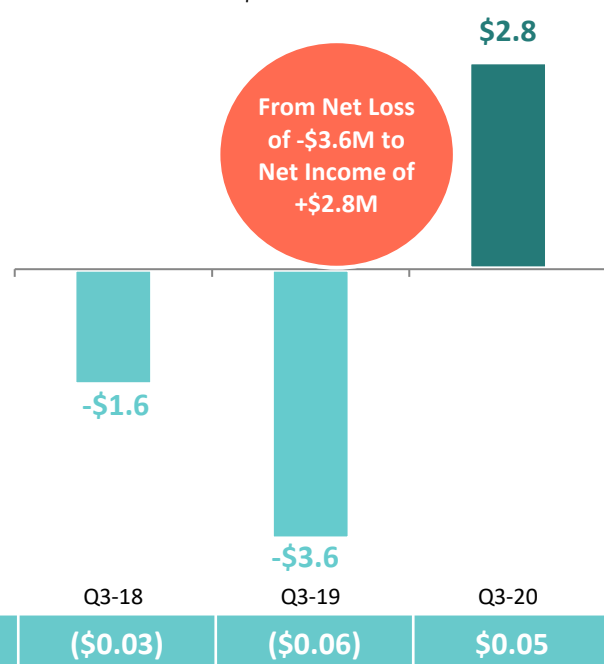
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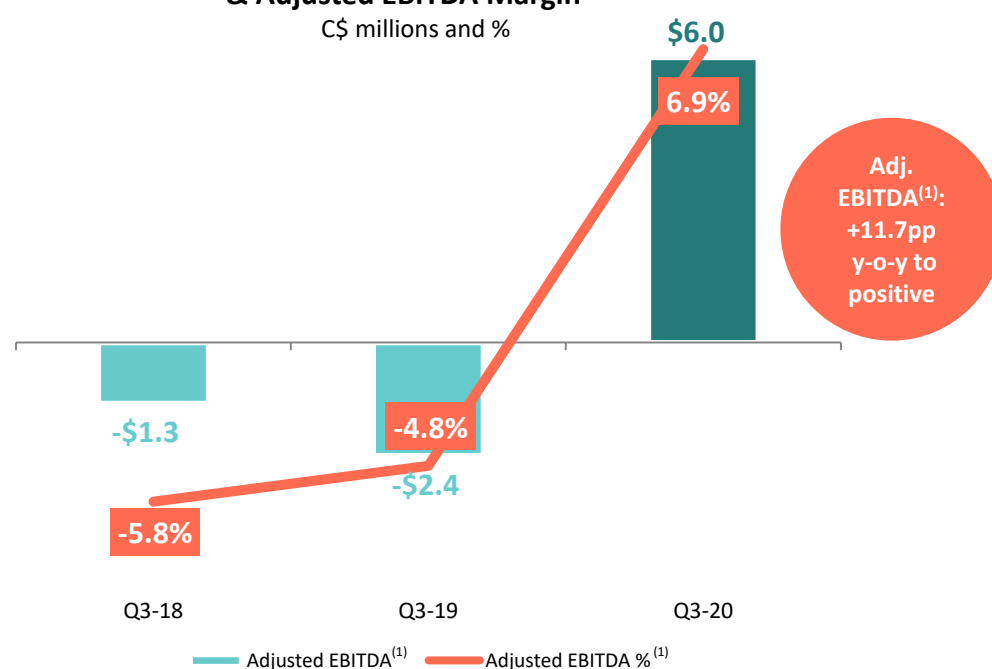
# Q3-20 – Net Income and Adjusted EBITDA<sup>(1)</sup>

Investments in market share leadership, scale, penetration, automation and density demonstrating operating leverage and, combined with increased demand, leading to Net Income and positive Adj. EBITDA<sup>(1)</sup> for the first time in Company history

**Net Income**  
C\$ millions



**Adjusted EBITDA<sup>(1)</sup> & Adjusted EBITDA Margin<sup>(1)</sup>**  
C\$ millions and %



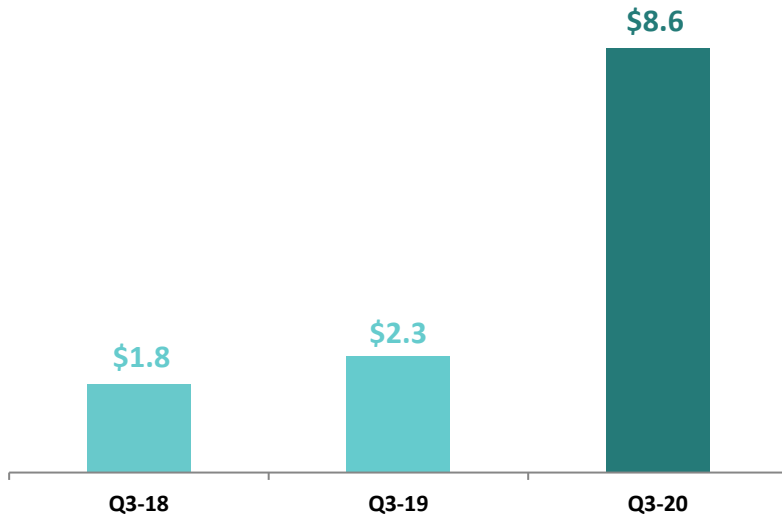
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## Q3-20 – CFO and CAPEX

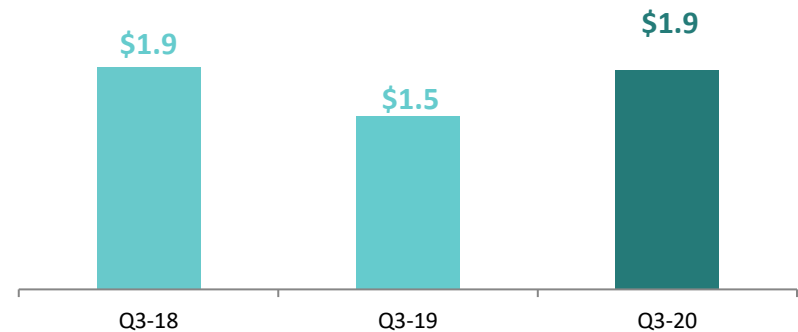


Driven by increased profitability, Cash Flow Provided by Operations continues to build positive momentum while Goodfood is still on track to invest around \$10 million in capital expenditures for the year

**Cash Flow Provided by Operations**  
C\$ millions



**CAPEX**  
C\$ millions



# Outlook



## The current pandemic has changed consumer habits across multiple markets

- Shift to e-commerce across multiple consumer markets, with grocery a particularly strong area of growth
- Translating into less trips to physical grocery stores
- Goodfood's e-commerce and fulfilment models have supported increased demand
  - Current shift will have significant permanent impact

## Some consequences of the pandemic will almost certainly reverse

- Goodfood incurred ~\$2.4 million of non-recurring expenses in Q3, some of which are no longer in effect in Q4
- Strategic reduction in marketing spend during Q3 to match our supply chain capabilities

## However, as each and everyone of us across the globe continues to adapt to the new reality brought about by the pandemic, it is too early to provide an indication of medium-to-long-term forecasted performance

- Acceleration of online grocery growth certain – penetration forecasted for years ahead occurred in months
- Goodfood anticipates that:
  - A significant percentage of traditional grocery shopping has permanently shifted online
  - A large portion of food consumption has moved from restaurants to grocery and home meal solutions
- Goodfood is in an ideal position to capitalize on these growth opportunities
  - Well-developed footprint, best-in-class last mile logistics and well-established brand

## Seasonality of the fourth quarter unpredictable

- Q4 typically slow with lower demand levels: lower order rates, lower marketing expense, fewer new subscribers, lower margins
- Pandemic has accelerated penetration but may not significantly change the seasonal dynamics affecting our next quarter
- Difficult to predict consumers behavior; we will monitor the situation closely and be ready to adjust our operations accordingly

# Q & A



# Metrics and Non-IFRS Financial Measures



Goodfood reports its financial results in accordance with International Financial Reporting Standards ("IFRS"). Goodfood also uses non-IFRS measures in this presentation that do not have any standardized meaning prescribed by IFRS, including gross merchandise sales, gross merchandise sales run-rate, adjusted gross profit, adjusted gross margin, and EBITDA. These non-IFRS measures may not be comparable to similar measures presented by other companies. For further details of these non-IFRS measures, including a reconciliation to the most directly comparable IFRS financial measures, refer to Goodfood's Management's Discussion and Analysis.

Metrics	Definition
Active Subscribers	An account that is scheduled to receive a delivery or has elected to skip delivery in the subsequent weekly delivery cycle. Active subscribers exclude cancelled accounts. For greater certainty, an Active subscriber is only accounted for once, although different products might have been ordered in a given weekly delivery cycle. While Active subscribers is not an IFRS or Non-IFRS Financial Measure, and therefore, does not appear in, and cannot be reconciled to, a specific line item in our consolidated financial statements, we believe that Active subscribers is a useful metric for investors because it is indicative of future revenues. The Company reports the number of Active subscribers at the beginning and end of the period, rounded to the nearest thousand.

Non-IFRS Financial Measures	Definition
Gross Merchandise Sales	Gross merchandise sales ("GMS") measures the total retail value of goods sold by the Company and is calculated before taking into account all incentives and credits included in revenue. Incentives and credits, presented at retail value, are principally comprised of sign-up inducements, which typically provide new Active subscribers with a discount on their first delivery.
Gross Merchandise Sales Run-rate	Calculated as gross merchandise sales for the four-week period ended as at the date indicated multiplied by thirteen.
Adjusted Gross Profit & Adjusted Gross Margin	Adjusted gross profit and Adjusted gross margin measure gross profit and gross margin on a retail value basis. Adjusted gross profit is calculated by subtracting the cost of goods sold from GMS. Adjusted gross margin is expressed in percentage terms and calculated as Adjusted gross profit divided by GMS.
EBITDA	EBITDA is defined as net income or loss before net finance expenses (income), depreciation and amortization expense and income tax expense.
Adjusted EBITDA	Adjusted EBITDA is defined as EBITDA excluding share-based compensation expenses as they are an equity compensation item and other items that we believe do not necessarily arise as part of the Company's normal day-to-day operations and could distort the analysis of trends in business performance.
LTM Revenue	LTM Revenue is defined as revenue from the last twelve months calculated as the addition of the Revenue of the last four consecutive quarters.

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