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**GOODFOOD DELIVERS STRONG GROWTH AND MARGIN IMPROVEMENT IN Q1 2020  
WITH GROSS PROFIT UP BY 150%, ADJUSTED EBITDA MARGIN<sup>1</sup>  
IMPROVEMENT OF 6.7%**

- Revenue in the first quarter reached \$56.3 million, a year-over-year increase of 90%
- Gross profit reached \$16.2 million, a year-over-year growth of 150%
- Net loss reached \$5.1 million, an increase of \$0.3 million year-over-year
- Gross merchandise sales<sup>1</sup> reached \$68.0 million in the first quarter, a year-over-year increase of 83%
- Adjusted EBITDA margin<sup>1</sup> reached -6.5% compared to -13.2% this quarter last fiscal year, an improvement of 6.7 percentage points, building on solid and consistent margin improvement
- Generated positive cash from operations of \$1.5 million; continuing to finance growth with company-generated cash flow
- Solid financial position with cash, cash equivalents and restricted cash of \$47.0 million
- Reached a milestone of 230,000 active subscribers<sup>1</sup> as at November 30, 2019, a net increase of 30,000 quarter-over-quarter

**Montreal (Quebec), January 8, 2020**

Goodfood Market Corp. (“Goodfood” or “the Company”) (TSX:FOOD), a leading online grocery company in Canada, today announced strong financial results for the first quarter of Fiscal 2020 ended November 30, 2019.

“Fiscal 2020 has started with strong momentum resulting in the addition of 30,000 net new subscribers<sup>1</sup> and gross merchandise sales run-rate<sup>1</sup> of \$276 million, a new record for Goodfood. Demand for our private label grocery essentials and most recent meal solutions continues to grow as the Goodfood basket of our members expands. We are thrilled to see the accelerating adoption of e-commerce for grocery and meal-prep as we are ideally positioned to capitalize on this positive secular trend,” said Jonathan Ferrari, Chief Executive Officer of Goodfood.

“We are pleased with our solid first quarter results. Goodfood continues to increase its penetration across the country and we continue to deliver a unique member experience with an expanded product offering. In addition to the strong top-line growth, we have also delivered

<sup>1</sup> See the non-IFRS financial measures and active subscribers sections at the end of this press release.

year-over-year gross margin and adjusted EBITDA<sup>1</sup> margin improvements of, respectively, 6.9 percentage points and 6.7 percentage points, mostly from continuous investments in automation and growing scale. This improvement has driven our consistent ability to generate positive cash flow from operating activities, which has in turn helped us grow our business and maintain a solid and stable cash position,” said Neil Cuggy, President and Chief Operating Officer of Goodfood.

## FINANCIAL HIGHLIGHTS

Financial highlights for the three-month periods ended November 30, 2019 and 2018:

| (Amounts are in thousands of Canadian dollars – Unaudited) | Q1 2020   | Q1 2019   | Variance  |
|--|-----------|-----------|-----------|
| Revenue  | \$ 56,291 | \$ 29,617 | \$ 26,674 |
| <i>Growth %</i>  |           |           | 90%       |
| Gross profit   | 16,219    | 6,494     | 9,725     |
| <i>Gross margin %</i>                                      | 28.8%     | 21.9%     | 6.9 pp    |
| Gross merchandise sales <sup>1</sup>                       | 68,036    | 37,105    | 30,931    |
| <i>Growth %</i>  |           |           | 83%       |
| Adjusted gross profit <sup>1</sup>                         | 27,964    | 13,982    | 13,982    |
| <i>Adjusted gross margin %<sup>1</sup></i>                 | 41.1%     | 37.7%     | 3.4 pp    |
| Net loss   | (5,152)   | (4,851)   | (301)     |
| Cash provided by operating activities                      | 1,461     | 1,750     | (289)     |

### REVENUE AND GROSS MERCHANDISE SALES<sup>1</sup>

Revenue for the first quarter of Fiscal 2020 increased by 90% to \$56.3 million, compared to \$29.6 million in the corresponding period of Fiscal 2019. Gross merchandise sales<sup>1</sup> (“GMS”), rose 83% for the first quarter of Fiscal 2020 to reach \$68.0 million, compared to \$37.1 million for the corresponding period of the previous fiscal year. The increase in revenue and GMS<sup>1</sup> was primarily driven by the continued growth in the number of active subscribers<sup>1</sup>, an increase in average order value and the expansion of our product offering to include private label grocery products, new meal solutions and expanded ready-to-cook plans. The increase in revenue has also been driven by a reduction of incentives and credits as a percentage of GMS<sup>1</sup>.

The GMS run-rate<sup>1</sup> was \$276 million at the end of the first quarter of Fiscal 2020, compared to \$226 million at the end of the fourth quarter of 2019, surpassing its previous high of \$257 million achieved in the third quarter of Fiscal 2019. This variance is explained by the continued growth of the business and by the first quarter being seasonally stronger than the fourth quarter of the year.

The reconciliation of revenue to GMS<sup>1</sup> for the three-month periods ended November 30, 2019 and 2018, is as follows:

| (Amounts are in thousands of Canadian dollars – Unaudited) | Q1 2020   | Q1 2019   |
|--|-----------|-----------|
| Revenue  | \$ 56,291 | \$ 29,617 |

<sup>1</sup> See the non-IFRS financial measures and active subscribers sections at the end of this press release.

|   |           |           |
|---|-----------|-----------|
| Credits removed from cancelled accounts | -         | -         |
| Incentives and credits                  | 11,745    | 7,488     |
| Gross merchandise sales <sup>1</sup>    | \$ 68,036 | \$ 37,105 |

### **GROSS MARGIN AND ADJUSTED GROSS MARGIN<sup>1</sup>**

The gross margin for the first quarter of 2020 increased substantially to 28.8%, compared to 21.9% for the corresponding period of Fiscal 2019. Adjusted gross margin<sup>1</sup> was 41.1% for the first quarter of Fiscal 2020, compared to 37.7% for the corresponding period last year, an improvement of 3.4 percentage points. The increase in gross margin and adjusted gross margin<sup>1</sup> resulted from lower production costs as a percentage of revenue and lower unit costs for food, packaging and shipping due to increased operational efficiencies, additional automation investments, increased density among the delivery zones and purchasing power with key suppliers, but also due to lower incentive and credits as a percentage of revenue. This was partially offset by the increase in our product offering, with our ready-to-cook meal solution presenting a higher gross margin at this stage than the new meal solutions and private label grocery products. The Company expects that fixed costs as a percentage of revenues will continue to decrease with Goodfood's continued growth which should further increase gross margin and adjusted gross margin<sup>1</sup> in the future.

The reconciliation of adjusted gross profit<sup>1</sup> and adjusted gross margin<sup>1</sup> for the three-month periods ended November 30, 2019 and 2018, is as follows:

|  |           |           |
|--|-----------|-----------|
| (Amounts are in thousands of Canadian dollars – Unaudited) | Q1 2020   | Q1 2019   |
| Gross merchandise sales <sup>1</sup>                       | \$ 68,036 | \$ 37,105 |
| Cost of goods sold   | 40,072    | 23,123    |
| Adjusted gross profit <sup>1</sup>                         | \$ 27,964 | \$ 13,982 |
| Adjusted gross margin <sup>1</sup>                         | 41.1%     | 37.7%     |

### **ADJUSTED EBITDA<sup>1</sup>, NET LOSS AND NET LOSS PER SHARE**

Adjusted EBITDA margin<sup>1</sup> improved by 6.7 percentage points in the first quarter of Fiscal 2020. The increase is primarily the result of higher revenues and operating leverage, lower production labour costs as a percentage of revenue, and lower unit costs with regards to food, packaging and shipping which generated a higher gross profit, offset by an increase in selling, general and administrative expenses driven in large part by new salaried hires and the launch of new product offerings. Net loss for the first quarter of Fiscal 2020 was \$5.2 million, or \$0.09 per share (basic and diluted), compared to a net loss of \$4.9 million, or \$0.09 per share (basic and diluted) for the corresponding period of Fiscal 2019. The increase in net loss was mainly attributable to factors explained above.

<sup>1</sup> See the non-IFRS financial measures and active subscribers sections at the end of this press release.

The reconciliation of net loss to EBITDA, Adjusted EBITDA<sup>1</sup> and Adjusted EBITDA margin<sup>1</sup> for the three-month periods ended November 30, 2019 and 2018, is as follows:

| (Amounts are in thousands of Canadian dollars – Unaudited) | Q1 2020    | Q1 2019    |
|--|------------|------------|
| Net loss   | \$ (5,152) | \$ (4,851) |
| Net finance expenses                                       | 97         | 87         |
| Depreciation and amortization expense                      | 993        | 487        |
| EBITDA <sup>1</sup>  | \$ (4,062) | \$ (4,277) |
| Share-based payments                                       | 411        | 375        |
| Adjusted EBITDA <sup>1</sup>                               | \$ (3,651) | \$ (3,902) |
| Revenue  | \$ 56,291  | \$ 29,617  |
| Adjusted EBITDA margin <sup>1</sup> (%)                    | (6.5%)     | (13.2%)    |

### **LIQUIDITY AND CAPITAL RESOURCES**

Cash provided by operating activities in the first quarter of Fiscal 2020 amounted to \$1.5 million compared to cash provided by operating activities of \$1.8 million for the same period last year, with the difference primarily due to a change in net working capital.

In the first quarter of Fiscal 2020, the Company used its cash mainly for capital expenditures of \$1.7 million for continued investments in automation. The Company still expects to spend between \$10 million and \$12 million in capital expenditures in Fiscal 2020.

As at November 30, 2019, the Company had total debt of \$14.5 million and \$47.0 million in cash, cash equivalents and restricted cash.

### **OUTLOOK**

The online grocery industry is one of the fastest growing industries in the world. As a result, Goodfood believes that there are significant opportunities and advantages to rapidly grow its subscriber<sup>1</sup> base by continuing to invest in increased household penetration through highly targeted marketing campaigns, in capacity expansion through additional facilities and investments in automation, and in increasing its product offering and in continuing to expand its national platform.

Goodfood's strategy is in part to delay short-term profitability in order to invest in long-term shareholder value creation. Goodfood's strategy continues to focus on growing its subscriber<sup>1</sup> base while investing in improving its cost structure to achieve its long-term margin goals. Growing Goodfood's subscriber<sup>1</sup> base, market share, scale and product offerings will allow the Company to deliver greater value to its customers while attaining high returns on invested capital. As the Company grows its subscriber<sup>1</sup> base, we are confident that Goodfood will achieve economies of scale and additional efficiencies which will lead to improvements in profitability while maintaining an unrivalled experience for subscribers<sup>1</sup>.

<sup>1</sup> See the non-IFRS financial measures and active subscribers sections at the end of this press release.

## **CONFERENCE CALL**

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Goodfood will hold a conference call to discuss these results on January 8, 2020, at 8:00AM Eastern Time. Interested parties can join the call by dialing 1-647-788-4922 (Toronto or overseas) or 1-877-223-4471 (elsewhere in North America). To access the webcast and view the presentation, click on this link: <https://www.makegoodfood.ca/en/investisseurs/evenements>

Parties unable to call in at this time may access a recording by calling 1-800-585-8367 and entering the passcode 9475358. This recording will be available on Wednesday, January 8, 2020 as of 11:00 AM Eastern Time until 11:59 PM Eastern Time on Wednesday, January 15, 2020.

A full version of the Company's Management's Discussion and Analysis (MD&A) and audited Financial Statements for the quarter ended November 30, 2019 will be posted on <http://www.sedar.com> later today.

## **NON-IFRS FINANCIAL MEASURES**

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Certain financial and non-financial measures included in this news release do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. The Company includes these measures because it believes they provide to certain investors a meaningful way of assessing financial performance. For a more complete description of these measures and a reconciliation of Goodfood's non-IFRS financial measures to financial results, please see Goodfood's Management's Discussion and Analysis for the three-month period ended November 30, 2019.

Goodfood's definition of the non-IFRS terms are as follows:

- Gross merchandise sales measure the total retail value of all goods sold by the Company before taking into account all incentives and credits.
- Gross merchandise sales run-rate is defined as gross merchandise sales for the four-week period ended as at the date indicated multiplied by thirteen. Management believes that gross merchandise sales run-rate is a useful measure of financial performance because it is indicative of gross merchandise sales on an annual basis for the Company's current level of active subscribers.
- Adjusted gross profit is calculated as gross merchandise sales less cost of goods sold.
- Adjusted gross margin is calculated as adjusted gross profit divided by gross merchandise sales.
- EBITDA is defined as net income or loss before net finance expenses (income), depreciation and amortization expense and income tax expense.
- Adjusted EBITDA is defined as EBITDA excluding share-based payments as they are an equity compensation item.
- Adjusted EBITDA margin is defined as adjusted EBITDA divided by revenue.

## **ACTIVE SUBSCRIBERS**

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An active subscriber is defined as 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 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.

## **ABOUT GOODFOOD**

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Goodfood (TSX:FOOD) is a leading online grocery company in Canada, delivering fresh meal solutions and grocery items that make it easy for members from coast to coast to enjoy delicious meals at home every week. Goodfood's mission is to make the impossible come true, from farm to kitchen, by enabling members to do their weekly meal planning and grocery shopping in less than 1 minute. Goodfood members get access to a unique selection of products online as well as exclusive pricing made possible by its world class direct to consumer fulfilment ecosystem that cuts out food waste and expensive retail overhead. The Company has its main production facility and administrative offices based in Montreal, Quebec, a second production facility in Calgary, Alberta, a breakfast facility in Montreal, Quebec and is currently building out its new production facility in Vancouver. Goodfood had 230,000 active subscribers<sup>1</sup> as at November 30, 2019. [www.makegoodfood.ca](http://www.makegoodfood.ca)

Except where otherwise indicated, all amounts in this press release are expressed in Canadian dollars.

### **For further information:**

#### **Investors**

Philippe Adam  
Chief Financial Officer  
(855) 515-5191  
[IR@makegoodfood.ca](mailto:IR@makegoodfood.ca)

Roslane Aouameur  
Head of Investor Relations  
(855) 515-5191  
[IR@makegoodfood.ca](mailto:IR@makegoodfood.ca)

#### **Media**

Pierre Boucher  
President, MaisonBrison  
(514) 731-0000  
[pierre@maisonbrison.com](mailto:pierre@maisonbrison.com)

Jennifer McCaughey  
Vice-President, Investor Relations MaisonBrison  
(514) 731-0000  
[jennifer@maisonbrison.com](mailto:jennifer@maisonbrison.com)

<sup>1</sup> See the active subscribers section in this press release.

## **FORWARD-LOOKING INFORMATION**

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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 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. 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.