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Goodfood Reports Strong First Quarter Results with Revenues Growing 62% to a Record $91.4 Million and Gross Profit Increasing by 82%

- Revenues reached $91.4 million in the first quarter of Fiscal 2021, an increase of $35.1 million, or 62% compared to the same period last year
- Gross margin for the quarter reached 32.3%, an improvement of 3.5 percentage points, and gross profit was $29.6 million, an increase of $13.4 million, or 82% year-over-year
- Goodfood reported positive Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) [(1)] with a 1.5% margin [(1)] in the first quarter, representing an improvement of 8.0 percentage points year-over-year
- Net loss was $2.6 million, an improvement of $2.5 million compared to the same period in Fiscal 2020, resulting in net loss per share of $0.04
- Quarterly cash flow from operating activities was $2.1 million, an improvement of $0.7 million compared to the same period last year, and Goodfood ended the quarter with a strong cash balance of $104.1 million
- Active subscribers [(1)] reached 306,000 as at November 30, 2020, an increase of 76,000, or 33%, compared to November 30, 2019

Montreal (Quebec), January 13, 2021

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 ended November 30, 2020, highlighting its continued ability to achieve strong growth while enhancing its profitability.

“We are thrilled that Fiscal 2021 has started with strong momentum highlighted by revenue growth of over 60% and the addition of 26,000 net new subscribers [(1)]. We continue to further expand our product offering, which now stands at well over 500 products, and roll out initiatives such as same-day delivery to enhance customer value,” said Jonathan Ferrari, Chief Executive Officer of Goodfood. “Our ability to generate strong growth on a larger base of members and revenues combined with these initiatives has enabled bigger basket sizes and stronger order frequency which in turn has led to stronger margin levels and positive Adjusted EBITDA [(1)]. As Canadians continue to adopt online grocery at an accelerating pace, we will continue to invest in technology and our fulfilment centre ecosystem in order to cement Goodfood’s leading role in digitizing Canada’s grocery industry,” concluded Mr. Ferrari.

“We are very pleased to report consistent expansion in gross margin which is now among the best in the Canadian grocery industry on the back of our consistently solid execution and investments in technology and automation. The strong performance of key metrics comes as a result of a sustained investment in and enhancement of our operations coupled with our ability to grow Goodfood’s topline. This allows us to unlock scale efficiencies and demonstrate clear operating leverage despite investing significantly in our product offering and incurring incremental costs related to COVID-19 safety measures,” said Neil Cuggy, President and Chief Operating Officer of

(1) See the non-IFRS financial measures and active subscribers sections at the end of this press release.

Goodfood. “As we continue to build and optimize our footprint across the country, we remain focused on growing our penetration in online grocery coast-to-coast to build the long-term scale to achieve our growth and profitability goals. With our healthy capital position and our continued investments in new capabilities and automation, we are exceptionally well positioned to benefit from the growing online grocery trends and to fulfill an increasing part of Canadians’ grocery baskets," concluded Mr. Cuggy.

FINANCIAL HIGHLIGHTS

RESULTS OF OPERATIONS – THREE-MONTH PERIODS ENDED NOVEMBER 30, 2020 AND 2019

The following table sets forth the components of the Company’s interim condensed consolidated statements of loss and comprehensive loss:

(In thousands of Canadian dollars, except per share and percentage information)

For the three-month periods ended November 30,	2020	2019	($) (1)	(%) (2)
Revenues	**$ 91,427**	$ 56,291	$ 35,136	62%
Cost of goods sold	**61,854**	40,072	(21,782)	54%
Gross profit	**$ 29,573**	$ 16,219	$ 13,354	82%
Gross margin	***32.3%***	*28.8%*	*N/A*	*3.5 pp*
Selling, general and administrative expenses	**$ 29,216**	$ 20,281	$ (8,935)	44%
Depreciation and amortization	**2,094**	993	(1,101)	111%
Net finance costs	**675**	97	(578)	596%
Net loss before income taxes	**(2,412)**	(5,152)	2,740	53%
Deferred income tax expense	**213**	–	213	–
Net loss, being comprehensive loss	**$ (2,625)**	$ (5,152)	$ 2,527	49%
Basic loss per share	**$ (0.04)**	$ (0.09)	$ 0.05	56%
Diluted loss per share	**$ (0.04)**	$ (0.09)	$ 0.05	56%

- The Company’s continued focus on its strategy to become Canada’s leading online grocer by increasing its product offering and flexibility for members through same-day delivery impacted positively the average basket size and order frequency which, combined with a larger subscriber [3] base, resulted in increased revenues. The decrease in incentives and credits as a percentage of revenues from 20.9% to 10.8%, due to an efficient marketing strategy and low level of quality issues, also contributed to the increase in revenues.
- The increase in gross profit and gross margin primarily resulted from a decrease in incentives and credits as a percentage of revenues, lower unit costs for packaging and shipping explained by an increased density among the delivery zones, the expansion of our delivery capabilities and improved purchasing power with key suppliers. This was offset by supplemental costs incurred directly related to the COVID-19 pandemic for additional production employees and other production costs such as personal protection equipment and sanitizers.
- The increase in selling, general and administrative expenses is primarily due to higher wages and salaries as the Company continues to grow and expand its operations and product offerings across Canada. Selling, general and administrative expenses as a percentage of revenues decreased from 36.0% to 32.0%, primarily resulting from a controlled decrease in marketing spend as a percentage of revenues.
- The increase in depreciation and amortization expense is mainly due to the recognition of right-of-use assets from new facility lease agreements and related additions of leasehold improvements.

(1) A positive variance represents an increase in net income or a decrease in net loss and a negative variance represents a decrease in net income or an increase in net loss.
(2) Percentage change is presented in absolute values.
(3) See the non-IFRS financial measures and active subscribers sections at the end of this press release.

- The increase in net finance costs is mainly due to a higher level of indebtedness arising from the issuance of convertible debentures in the second quarter of Fiscal 2020, as well as higher lease obligations from the recognition of new facility lease agreements.
- The deferred income tax expense relates to the reversal of deferred tax assets relating to tax losses recorded in the second quarter of Fiscal 2020 resulting from the conversion of convertible debentures into common shares in the first quarter of Fiscal 2021.
- The decrease in net loss is explained principally by higher revenues and gross profit, slightly offset by higher wages and salaries to support the growth of the business.

NET LOSS, EBITDA [(1)], ADJUSTED EBITDA [(1)] AND ADJUSTED EBITDA MARGIN [(1)]

The reconciliation of net loss to EBITDA [(1)], adjusted EBITDA [(1)] and adjusted EBITDA margin [(1)] is as follows:

(In thousands of Canadian dollars, except percentage information)

	For the three-month periods ended November 30,	
	2020	2019
Net loss	**$ (2,625)**	$ (5,152)
Net finance costs	**675**	97
Depreciation and amortization	**2,094**	993
Deferred income tax expense	**213**	–
EBITDA [(1)]	**$ 357**	$ (4,062)
Share-based payments	**997**	411
Adjusted EBITDA [(1)]	**$ 1,354**	$ (3,651)
Revenues	**$ 91,427**	$ 56,291
Adjusted EBITDA margin [(1)] (%)	**1.5%**	(6.5%)

For the three-month period ended November 30, 2020, adjusted EBITDA margin [(1)] improved by 8.0 percentage points, compared to the corresponding period in 2019. The increase in adjusted EBITDA margin [(1)] resulted primarily from an improvement in gross margin of 3.5 percentage points driven by a larger revenue base, a decrease in incentives and credits as a percentage of revenues from 20.9% to 10.8%, and lower unit costs for packaging and shipping. In addition, the increase in our revenue base accelerated the operating leverage effect as selling, general and administrative expenses as a percentage of revenues decreased from 36.0% to 32.0%, primarily explained by a decrease of marketing spend as a percentage of revenues. The improvement in adjusted EBITDA margin [(1)] was partially offset by additional expenses resulting from the launch of new product offerings, higher wages and salaries as the Company continues to grow its national footprint, as well as additional costs incurred due to COVID-19.

LIQUIDITY AND CAPITAL RESOURCES

Net cash flows provided by operating activities increased by $0.7 million to $2.1 million for the quarter ended November 30, 2020 compared to the same period last year, primarily due to the improvement of net loss, 2020, offset by an unfavorable variance in change in non-cash operating working capital mainly explained by an increase in inventory resulting from the growth of the business, the opening of new facilities and the expansion of product offerings.

As at November 30, 2020, the Company had $104.1 million in cash and cash equivalents.

(1) See the non-IFRS financial measures and active subscribers sections at the end of this press release.

COVID-19 IMPACT AND MEASURES

The global pandemic has had an impact on Goodfood's overall business and operations. As the Company is deemed an essential service in Canada, Goodfood has continued to operate without interruption.

In the first quarter of Fiscal 2021, Goodfood continued to experience positive impacts on its financial results related to the second wave of the COVID-19 pandemic across Canada, such as continued subscriber [(1)] growth, number of orders and average order values, which positively impacted revenues. The Company incurred direct COVID-19 incremental costs of approximately $0.9 million for the three-month period ended November 30, 2020, consisting of additional production costs and temporary agency premiums (but do not include the cost of standard hourly wages).

The Company continues to follow precautionary measures at its facilities in addition to its already rigorous food safety standards to safeguard the health and safety of its employees as well as ensuring the quality of its products to its customers.

FINANCIAL OUTLOOK

The online grocery industry is among the fastest growing industries in the world. As a result, Goodfood believes there are significant opportunities to continue to rapidly grow its subscriber [(1)] base and basket sizes by investing in highly targeted marketing campaigns, capacity expansion through additional facilities and investments in automation, increasing its product offering and in continuing to expand its national platform.

Goodfood's strategy involves delaying in part short-term profitability in order to invest in generating long-term shareholder value creation, and also to continue improving its cost structure to achieve long-term margin and profitability goals. Growing Goodfood's subscriber [(1)] base, market share, scale and product offering will allow the Company to deliver greater value to its customers while attaining high returns on invested capital. As the Company grows its subscriber [(1)] base, it is confident that it will achieve economies of scale and additional efficiencies which will lead to improvements in profitability while maintaining an unrivalled customer experience.

The COVID-19 pandemic has had an impact on Goodfood's overall business and operations. As an essential service in Canada, Goodfood has been operating throughout the pandemic and experienced an acceleration of growth in demand. Pressure on supply chains, inventory levels and increased operational costs or disruptions and labor shortages could increase depending on the duration and severity of the pandemic as well as any changes to Goodfood's industry regulatory framework. The magnitude, duration, and severity of the COVID-19 pandemic are difficult to predict and could affect the significant estimates and judgements used in the preparation of the Company's interim condensed consolidated financial statements.

As a result of the COVID-19 pandemic, the number of employees working remotely has increased significantly, which has also increased demands on information technology resources and systems and increased the risk of phishing and other cybersecurity attacks.

Objectives are based upon assumptions and are subject to risks and uncertainties, many of which are beyond our control. These risks and uncertainties could cause actual results to differ materially from objectives. See the "Forward-Looking Statements" and "Business Risk" sections of this MD&A.

(1) See the non-IFRS financial measures and active subscribers sections at the end of this press release.

CONFERENCE CALL

Goodfood will hold a conference call to discuss these results on January 13, 2021, 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 2083587. This recording will be available on Wednesday, January 13, 2021 as of 11:00 AM Eastern Time until 11:59 PM Eastern Time on Wednesday, January 20, 2021.

A full version of the Company's Management's Discussion and Analysis (MD&A) and Consolidated Financial Statements for the first quarters ended November 30, 2020 and 2019 will be posted on http://www.sedar.com later today.

NON-IFRS FINANCIAL MEASURES

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 first quarter ended November 30, 2020.

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

- EBITDA is defined as net income (loss) before net finance costs, depreciation and amortization and income taxes.
- Adjusted EBITDA is defined as EBITDA excluding share-based payments.
- Adjusted EBITDA margin is defined as the percentage of Adjusted EBITDA to revenues.

ACTIVE SUBSCRIBERS

An account that is scheduled to receive a delivery, has elected to skip delivery in the subsequent weekly delivery cycle or that is registered to Goodfood WOW. 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 the Company's Consolidated Financial Statements, we believe that active subscribers is a useful metric for investors because it is indicative of potential 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

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 across Canada to enjoy delicious meals at home every day. Goodfood's vision is to be in every kitchen every day by enabling members to complete their grocery shopping and meal planning in minutes. Goodfood members have access to a unique selection of online products as well as exclusive pricing made possible by its world class direct-to-consumer infrastructure and technology that eliminate food waste and costly retail overhead. The Company's main production facility and administrative offices are based in Montreal, Québec, with five additional production facilities located in the provinces of Québec, Ontario, Alberta, and British Columbia. A seventh production facility located in the province of Ontario is currently under construction and is scheduled to commence operations in 2021. As at November 30, 2020, Goodfood had 306,000 active subscribers [(1)].

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

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(1) See the non-IFRS financial measures and active subscribers sections at the end of this press release.

FORWARD-LOOKING INFORMATION

This press 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”, and “continue”, as well as 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, 2020 available on SEDAR at 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, 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, limited number of products, conflicts of interest, litigation, catastrophic events, risks associated with payments from customers and third parties, being accused of infringing intellectual property rights of others and, climate change and environmental risks. 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 the 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, labour 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.