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Goodfood Achieves Significant Gross Margin Expansion, Improves Adjusted EBITDA¹ by 89% Year-over-Year and Reaffirms Expectation of Positive Adjusted EBITDA¹ in First Half of FY2023

- Net sales of \$50 million for the quarter, a 37% decrease compared to the same quarter last year
- Gross margin increased to 28.3% for the quarter, an improvement of 5.4% compared to the same period last year
 - Adjusted gross margin¹ was 30.7% for the quarter, excluding the \$1.2 million charge related to the discontinuance of Goodfood On-Demand
- Net loss for the quarter was \$58 million compared to \$22 million in the same period in 2021, an increase of \$36 million
 - Net loss primarily driven by the previously announced one-time \$46 million charge related to Blue Ocean initiatives and \$1.2 million of discontinuance of products related to Goodfood On-Demand
- Adjusted EBITDA¹ loss improved by 89% to \$2 million for the quarter compared to a loss of \$18 million in the same quarter of the prior year
 - Reaffirming expectation to achieve positive Adjusted EBITDA¹ and cash flows in the first half of Fiscal 2023, with net sales in the first quarter of Fiscal 2023 estimated in the \$46-48 million range on the back of steady and growing volume and without significant contribution from On-Demand, and gross margin expected in the 32-34% range

Montreal (Quebec), December 2, 2022

Goodfood Market Corp. (“Goodfood” or “the Company”) (TSX: FOOD), a leading Canadian online meal solutions company, today announced financial results for the fourth quarter and Fiscal 2022, ended September 3, 2022.

“In our fourth quarter, we have continued to demonstrate progress on executing Project Blue Ocean and improving profitability. Our gross margin for the quarter surpassed 30% for the first time in over a year when adjusted for non-recurring inventory charges related to the closure of our On-demand service. This improvement occurred despite inflationary pressures and is the direct result of our Blue Ocean initiatives which have included footprint and supplier consolidation, ingredients and operational simplification, and price increases. Combined with rigorous discipline in reducing our selling, general and administrative costs, the gross margin improvement has reduced our Adjusted EBITDA¹ loss to \$2 million this quarter compared a loss of \$18 million in the same quarter last year, laying our foundation for profitable future growth and positive cash flows in the near future,” said Jonathan Ferrari, Chief Executive Officer of Goodfood.

“As we complete the execution of the final steps of Project Blue Ocean focused on further headcount reductions and SG&A reductions, we are building a focused business with a disciplined cost structure,” added Mr. Ferrari. “Our primary objective is returning to a positive and growing Adjusted EBITDA¹ position in the first half of 2023 to drive positive cash flows, and to achieve long-term profitability.”

“Our teams are focused on building Canada’s most loved digitally native food brand with loyal customers coast-to-coast. We see a significant opportunity to continue growing our client base, order frequency and basket sizes by offering unparalleled service to Canadians as they explore our differentiated and delicious meal solutions including meal kits and prepared meals, and accompanied by exciting Goodfood branded add-ons,” concluded Mr. Ferrari.

1. See the non-IFRS financial measures and Active Customer sections at the end of this press release.

FINANCIAL HIGHLIGHTS

RESULTS OF OPERATIONS – FOURTH QUARTER OF FISCAL 2022 AND 2021

The following table sets forth the components of the Company's consolidated statement of loss and comprehensive loss:

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

For the 13-weeks periods ended	September 3, 2022	August 31, 2021	(\$)	(%)
Net sales	\$ 50,357	\$ 79,358	\$ (29,001)	(37)%
Cost of goods sold	36,101	61,205	(25,104)	(41)%
Gross profit	\$ 14,256	\$ 18,153	\$ (3,897)	(21)%
Gross margin	28.3%	22.9%	N/A	5.4 p.p.
Selling, general and administrative expenses	18,850	37,479	(18,629)	(50)%
Depreciation and amortization	4,853	2,176	2,677	123%
Impairment of non-financial assets	46,085	–	46,085	N/A
Reorganization and other related costs	1,160	–	1,160	N/A
Net finance costs	1,677	524	1,153	220%
Loss before income taxes	\$ (58,369)	\$ (22,026)	\$ (36,343)	(165)%
Deferred income tax expense	39	97	(58)	(60)%
Net loss, being comprehensive loss	\$ (58,408)	\$ (22,123)	\$ (36,285)	(164)%
Basic and diluted loss per share	\$ (0.78)	\$ (0.31)	\$ (0.47)	(152)%

VARIANCE ANALYSIS FOR THE FOURTH QUARTER OF 2022 COMPARED TO FOURTH QUARTER OF 2021

- Net sales decreased compared to the same period last year mainly due to the change in customer behaviors driven by removal of lock-down restrictions, the increased vaccine coverage as well as the current economic conditions partially offset by a higher on-demand active customer base in the fourth quarter of Fiscal 2022 compared to the same quarter last year.
- The decrease in gross profit primarily resulted from a decrease in net sales. The increase in gross margin was driven by larger basket sizes, lower credit and incentives, lower product costs and lower fulfilment costs as a percentage of sales driven by improved efficiencies.
- The decrease in selling, general and administrative expenses is primarily due to lower marketing spend and wages and salaries driven primarily by lower net sales and the Company's Blue Ocean initiatives. Selling, general and administrative expenses as a percentage of net sales decreased from 47.2% to 37.4%.
- Reorganization and other related costs were incurred in the fourth quarter of Fiscal 2022 mainly consisting of headcount reduction costs and external advisor fees related to the execution of Project Blue Ocean.
- Impairment of non-financial assets incurred in the fourth quarter of Fiscal 2022 was primarily related to the discontinuation of Goodfood On-Demand and other Blue Ocean initiatives primarily related to closure of facilities.
- 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.
- The increase in net finance costs is mainly due to the Company's \$30 million convertible debenture issued in February 2022 and higher lease obligations compared to the same quarter last year.
- The increase in net loss in the fourth quarter of 2022 compared to the same quarter last year is mainly due to an impairment of non-financial assets, lower net sales and higher depreciation and amortization partly offset by higher gross margin and lower wages and salaries and marketing spend.

RESULTS OF OPERATIONS – FISCAL 2022 AND 2021

The following table sets forth the components of the Company's consolidated statement of loss and comprehensive loss:

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

For the 52-weeks periods ended	September 3, 2022	August 31, 2021	(\$)	(%)
Net sales	\$ 268,586	\$ 379,234	\$ (110,648)	(29)%
Cost of goods sold	200,531	263,140	(62,609)	(24)%
Gross profit	\$ 68,055	\$ 116,094	\$ (48,039)	(41)%
Gross margin	25.3%	30.6%	N/A	(5.3) p.p.
Selling, general and administrative expenses	115,956	136,257	(20,301)	(15)%
Depreciation and amortization	17,295	8,820	8,475	96%
Impairment of non-financial assets	46,085	–	46,085	N/A
Reorganization and other related costs	6,742	139	6,603	4,750%
Net finance costs	5,233	2,170	3,063	141%
Loss before income taxes	\$ (123,256)	\$ (31,292)	\$ (91,964)	(294)%
Deferred income tax (recovery) expense	(1,495)	500	(1,995)	N/A
Net loss, being comprehensive loss	\$ (121,761)	\$ (31,792)	\$ (89,969)	(283)%
Basic and diluted loss per share	\$ (1.62)	\$ (0.45)	\$ (1.17)	(260)%

VARIANCE ANALYSIS FOR FISCAL 2022 COMPARED TO FISCAL 2021

- Net sales decreased year-over-year mainly due to the change in customer behaviors driven by the removal of lock-down restrictions and the increased vaccine coverage and the current economic conditions partially offset by a higher Goodfood On-Demand active customer base during Fiscal 2022.
- The decrease in gross profit and gross margin primarily resulted from a decrease in net sales leading to operating de-leverage as well as the current extraordinary inflationary pressures, both impacting our input costs mainly on food, labour, production and shipping costs. The increase in food costs was also driven by the expansion of our private label grocery offering. Higher production costs primarily resulted from an increase in production and fulfillment labour due to inflationary increases in wages and operating de-leverage.
- The decrease in selling, general and administrative expenses is primarily due to lower marketing spend driven by lower net sales and the Company's reorganization initiatives, including Project Blue Ocean, to align its workforce and marketing spend towards its current net sales base which primarily impacted the second half of Fiscal 2022 results. Selling, general and administrative expenses as a percentage of net sales increased from 35.9% to 43.2%, primarily due to volume de-leverage and the timing of impacts realized from Project Blue Ocean impacting results in the second half of Fiscal 2022.
- Reorganization and other related costs were incurred in Fiscal 2022 mainly consisting of headcount reduction costs and external advisor fees related to the execution of Project Blue Ocean.
- 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 as the Company expanded its product offering of grocery products and the ramp-up of new facilities across Canada prior to the strategic review of its strategy which began in the fourth quarter of Fiscal 2022.
- Impairment of non-financial assets incurred in the fourth quarter of Fiscal 2022 was primarily related to the discontinuation of Goodfood On-Demand and other Blue Ocean initiatives mainly related to closure of facilities.
- The increase in net finance costs is mainly due to the Company's increase of new facilities as the Company expanded its product offering of grocery products and the ramp-up of new facilities across Canada as well as the Company's \$30 million convertible debenture issued in February 2022.
- A deferred income tax recovery was recognized due to the issuance of \$30 million convertible debentures in February 2022.

- The increase in net loss year-over-year is mainly due to lower net sales and gross profit as well as the previously referenced impairment of non-financial assets, higher depreciation and amortization expense as well as higher reorganization and other related costs.

EBITDA¹, ADJUSTED EBITDA¹ AND ADJUSTED EBITDA MARGIN¹

The reconciliation of net loss to EBITDA¹, Adjusted EBITDA¹ and Adjusted EBITDA margin¹ is as follows:

(In thousands of Canadian dollars, except percentage information)

	For the 13-weeks ended		For the 52-weeks ended	
	September 3,	August 31,	September 3,	August 31,
	2022	2021	2022	2021
Net loss	\$ (58,408)	\$ (22,123)	\$ (121,761)	\$ (31,792)
Net finance costs	1,677	524	5,233	2,170
Depreciation and amortization	4,853	2,176	17,295	8,820
Deferred income tax expense (recovery)	39	97	(1,495)	500
EBITDA ¹	\$ (51,839)	\$ (19,326)	\$ (100,728)	\$ (20,302)
Share-based payments expense	1,472	1,587	5,986	4,857
Discontinuance of products related to on-demand offering	1,194	–	1,194	–
Impairment of non-financial assets	46,085	–	46,085	–
Reorganization and other related costs	1,160	–	6,742	139
Adjusted EBITDA ¹	\$ (1,928)	\$ (17,739)	\$ (40,721)	\$ (15,306)
Net sales	\$ 50,357	\$ 79,358	\$ 268,586	\$ 379,234
Adjusted EBITDA margin ¹ (%)	(3.8)%	(22.4)%	(15.2)%	(4.0)%

For the fourth quarter of 2022, Adjusted EBITDA margin¹ improved by 18.6 percentage points compared to the corresponding period in 2021 mainly driven by stronger adjusted gross margin and lower selling, general and administrative expenses resulting in lower marketing expense and lower salary base from Blue Ocean initiatives, partly offset by a lower net sales base.

For the 52-weeks ended September 3, 2022, Adjusted EBITDA margin¹ decreased by 11.2 percentage points compared to the corresponding period in 2021 mainly due to a lower sales base. The lower sales were the result of a shift in customer behaviors from post COVID-19 effects as well as the current economic conditions partially offset by a higher on-demand active customer base compared to Fiscal 2021. A decrease in gross margin contributed to the lower Adjusted EBITDA margin¹ primarily due to a decrease in net sales leading to operating de-leverage as well as the timing gap between inflationary pressures across all input costs and subsequent price increases. In addition, lower Adjusted EBITDA margin¹ can be explained mainly by higher wages and salaries as a percentage of net sales resulting from the expansion of the management team and related administrative functions needed to build out the physical and digital on-demand fulfillment infrastructure, including the product offering required to support the Company's Goodfood On-Demand offering as well as marketing spend as a percentage of net sales.

FINANCIAL OUTLOOK

Goodfood's core purpose is to create experiences that spark joy and help our community live longer on a healthier planet. As a food brand with a cult following from Canadians coast to coast, Goodfood is focused on growing its brand through our meal solutions including meal kits and prepared meals with a range of exciting Goodfood branded add-ons to be explored.

Meal kits are estimated to have reached over \$1 billion dollar in size in Canada as part of the \$144 billion Canadian Grocery industry, with roughly 8.4% of households subscribed to a meal kit service (see Annual Information Form for additional details). We believe that consumers' willingness to simplify their meal planning combined with their desire for joyful and nourishing food experiences at home while reducing food waste provides for significant room to increase online food delivery penetration. With a future household penetration of 20%, the market for weekly meal plans including meal kits, prepared meals and add-ons in

1. See the non-IFRS financial measures and Active Customer sections at the end of this press release.

Canada could reach approximately \$3 billion in the coming years and Goodfood is ideally positioned to capture a significant share of that market.

Investing in efficient and highly targeted marketing strategies to capture new customers, increase order frequency and grow basket sizes through effective cross selling remains at the forefront of Goodfood's near-and-long-term goals. The Company's current focus however is centered around growing Adjusted EBITDA¹ and cash flows in the coming quarters while continuing to invest in a customer value proposition that will provide years of profitable growth. We established Project Blue Ocean to drive profitability and have implemented the majority of the identified initiatives:

- Ingredients simplification with ingredients sourced declining from over 400 to below 200
- Alignment of workforce with scale leading to significant headcount reductions
- Footprint rationalization leading to consolidation of production in 2 facilities in Montreal and Calgary
- Reduction of capital investments (capex)
- Meal kit and add on products price increases

These initiatives and the recently announced discontinuation of on-demand are having a positive impact on the financial performance of the business. For the first quarter of 2023, in light of the stable demand driven by our weekly subscriptions and improved margins, we now expect net sales of approximately \$46-48 million and a gross margin in the 32-34% range. Towards the end of the first quarter of fiscal 2023, we initiated further selling general and administrative expenses reduction through headcount streamlining and contract re-negotiations to align our cost structure to our go-forward operating model. As a result, we are reconfirming our expected path to return to positive quarterly Adjusted EBITDA¹ in the first half of 2023 with continued growth thereafter.

Despite recent challenges (see the discussions at "Basis of Presentation" and "Capital Management" in the MD&A filed today including uncertainty regarding our ability to continue as a going concern), our focus on profitability and cash flows has started to bear fruit and, coupled with our unrelenting focus on nurturing our customer relationships, remains our top priority towards which we continue to strive. The Goodfood team is fully focused on building Canada's most loved millennial food brand.

TRENDS AND SEASONALITY

The Company's net sales and expenses are impacted by seasonality. During the holiday season and the summer season, the Company anticipates net sales to be lower as a higher proportion of customers elect to skip their delivery. The Company generally anticipates the number of Active Customers¹ to be lower during these periods. During periods with warmer weather, the Company anticipates packaging costs to be higher due to the additional packaging required to maintain food freshness and quality. The Company also anticipates food costs to be positively affected due to improved availability during periods with warmer weather.

CONFERENCE CALL

Goodfood will hold a conference call to discuss these results on December 2, 2022, at 8:00AM Eastern Time. Interested parties can join the call by dialing 1-416-764-8658 (Toronto or overseas) or 1-888-886-7786 (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 1-877-674-7070 and entering the playback passcode 151101#. This recording will be available on December 2, 2022, as of 11:00 AM Eastern Time until 11:59 PM Eastern Time on December 9, 2022.

A full version of the Company's Management's Discussion and Analysis (MD&A) and Consolidated Financial Statements for the fourth quarters ended September 3, 2022, and August 31, 2021, and for the Fiscal years 2022 and 2021, will be posted on <http://www.sedar.com> later today.

1. See the non-IFRS financial measures and Active Customer sections at the end of this press release.

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 fourth quarter ended September 3, 2022.

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

- Adjusted gross profit and adjusted gross margin: Adjusted gross profit is defined as gross profit excluding the impact of the discontinuance of products related to Goodfood On-Demand offering pursuant to the Company's Blue Ocean initiative. Adjusted gross margin is defined as the percentage of adjusted gross profit to net sales. The Company uses adjusted gross profit and adjusted gross margin to measure its performance from one period to the next excluding the variation caused by the items described above. Adjusted gross profit and adjusted gross margin are non-IFRS financial measures. We believe that these metrics are useful measures of financial performance to assess underlying trends in our ongoing operations.
- EBITDA, Adjusted EBITDA & Adjusted EBITDA margin: EBITDA is defined as net income or loss before net finance costs, depreciation and amortization and income taxes. Adjusted EBITDA is defined as EBITDA excluding share-based payments expense, the impact of write-down due to the discontinuance of products related to Goodfood On-Demand offering, impairment of non-financial assets and reorganization and other related costs pursuant to the Company's Blue Ocean initiative. Adjusted EBITDA margin is defined as the percentage of Adjusted EBITDA to net sales. EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin are non-IFRS financial measures. We believe that EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin are useful measures of financial performance to assess the Company's ability to seize growth opportunities in a cost-effective manner, to finance its ongoing operations and to service its long-term debt. They also allow comparisons between companies with different capital structures.
- Total net (debt) cash is a non-IFRS measure that measures how much total cash the Company has after taking into account its total debt. Total cash include cash and cash equivalent. Total debt includes the current and long-term portions of the debt as well as the liability component of the convertible debentures. We believe that total cash, net of debt measure is a useful measure to assess the Company's overall financial position.
- Total net (debt) cash to total capitalization is a non-IFRS measure that is calculated as total net (debt) cash over total capitalization. Total capitalization is measured as total debt plus shareholder's equity. We believe this non-IFRS financial ratio to be a useful measure to assess the Company's financial leverage.

ACTIVE CUSTOMERS

An active customer is a customer that has placed an order within the last three months. Active customers include customers who have placed an order (1) received as part of our weekly meal subscription plan, a subscription active customer; and (2) received on a next-day, same-day or less basis, an on-demand active customer. For greater certainty, an active customer is only accounted for once, although different products and multiple orders might have been purchased within a quarter. While the active customers metric 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 the active customers metric is a useful metric for investors because it is indicative of potential future net sales. The Company reports the number of active customers at the beginning and end of the period, rounded to the nearest thousand.

A subscription active customer and an on-demand active customer should be evaluated independently, as a customer of the Company's platform can be counted as both a subscription active customer and an on-demand active customer. For example, this could occur if the customer has made an on-demand order in the three months prior to the relevant measurement date and holds a subscription account which has not been cancelled on or before the relevant measurement date.

Pursuant to the Company shutting down its Goodfood On-Demand offering as result of Project Blue Ocean, the Company will no longer differentiate active customers as subscription active customers or on-demand active customers in future quarters.

ABOUT GOODFOOD

Goodfood (TSX: FOOD) is a leading digitally native meal solutions brand in Canada, delivering fresh meals and add-ons that make it easy for customers from across Canada to enjoy delicious meals at home every day. The Goodfood team is building Canada's most loved millennial food brand, with the mission to create experiences that spark joy and help our community live longer on a healthier planet. Goodfood customers have access to uniquely fresh and delicious products, as well as exclusive pricing, made possible by its world class culinary team and direct-to-consumer infrastructures and technology. We are passionate about connecting our partner farms and suppliers to our customers' kitchens while eliminating food waste and costly retail overhead. The Company's administrative offices are based in Montreal, Québec, with production facilities located in the provinces of Quebec and Alberta.

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

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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, assumptions, estimates and intentions, including, without limitation, statements in the “Financial Outlook” section of the MD&A. 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 trends, current condition, 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 52-weeks ended September 3, 2022 available on SEDAR at www.sedar.com: limited operating history, negative operating cash flow and net losses, going concern risk, food industry including current industry inflation levels, COVID-19 pandemic impacts and the appearance of COVID variants, quality control and health concerns, regulatory compliance, regulation of the industry, public safety issues, product recalls, damage to Goodfood’s reputation, transportation disruptions, storage and delivery of perishable foods, product liability, unionization activities, consolidation trends, ownership and protection of intellectual property, evolving industry, reliance on management, failure to attract or retain key employees which may impact the Company’s ability to effectively operate and meet its financial goals, factors which may prevent realization of growth targets, inability to effectively react to changing consumer trends, competition, availability and quality of raw materials, environmental and employee health and safety regulations, the inability of the Company’s IT infrastructure to support the requirements of the Company’s business, online security breaches, disruptions and denial of service attacks, 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. This is not an exhaustive list of risks that may affect the Company’s forward-looking statements. Other risks not presently known to the Company or that the Company believes are not significant could also cause actual results to differ materially from those expressed in its forward-looking statements. 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 duration and severity of the COVID-19 pandemic and the appearance of COVID variants 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.