



For Immediate Distribution

Goodfood Provides Strategic and Financial Update

- As part of the Project Blue Ocean drive to return to positive Adjusted EBITDA ⁽¹⁾ and achieve long term profitable growth, Goodfood will be focusing its strategy on growing its brand through its weekly meal plans and add-ons while transitioning out of Goodfood On-Demand in order to maximize Adjusted EBITDA ⁽¹⁾ and cash flow
- Based on Management's preliminary assessment, Blue-Ocean initiatives are expected to result in a non-cash impairment charge in the range of \$45 to \$50 million in the fourth quarter, primarily driven by asset consolidation and Micro-Fulfillment Center (MFC) closures in Montreal and Toronto which will drive gross margin and selling, general and administrative cost improvements
- Net sales in the fourth quarter ending September 3rd are expected to be in the range of \$50 to \$51 million with an expected Adjusted EBITDA ⁽¹⁾ loss in the range of (\$2) to (\$4) million dollars
- The Company entered into a tolerance letter with its lenders, limiting the availability of a portion of its credit facilities

Montreal (Quebec), October 14, 2022

Goodfood Market Corp. ("Goodfood" or "the Company") (TSX: FOOD) today provided an update regarding Project Blue Ocean, its strategy and selected preliminary Fourth Quarter financial results.

Blue Ocean Update

As announced during the third quarter of Fiscal 2022, Goodfood embarked on a review of its operations and overall business to drive efficiencies and to form the basis for the path to positive cash flows and long-term profitable growth. Previously announced key initiatives such as a review of meal kit and add-ons pricing, reduction of ingredients sourced, and consolidation of sourcing and fulfillment operations, among others, were completed in the fourth quarter. In addition, similarly to the recent consolidation of our breakfast facility into our main production facility on the East Coast in Montreal, we simplified our Western operations by consolidating our British Columbia production facility into our Calgary facility. Together, our Montreal and Calgary facilities will serve the whole of Canada. These and other measures provided gross margin improvements. Combined with selling, general and administrative efficiencies also completed, such as the automation of customer service and headcount streamlining, Project Blue Ocean execution is expected to result in an Adjusted EBITDA ⁽¹⁾ loss that is currently expected to be in the range of (\$2) to (\$4) million dollars for the latest quarter with a net sales base of approximately \$50 to \$51 million.

Strategy Update

With our primary objective of returning to a positive Adjusted EBITDA ⁽¹⁾ position in the first half of 2023 and to achieve long term profitable growth, we concluded a strategic review of our Goodfood On-Demand delivery model including the MFCs. Since launch, we have shipped over 340,000 orders across Montreal, Toronto, and Ottawa, introducing thousands of Canadian to the Goodfood brand and product portfolio. While we are pleased with the progress we have made, looking forward, the operating investments necessary to bring 30-minute deliveries to an attractive level of profitability would require significant additional capital and operating expense investments. As a result, we are announcing that we have or will be closing all our MFCs and the shut down of our wider 30-minute on-demand offering. Our strategy going forward is centered on building the Goodfood brand through our weekly meal plans and add-ons nationally, providing an epic selection of Goodfood branded products, as well as increasing flexibility and access to our products over time. The result of this and the previously referenced initiatives have resulted in an expected fourth quarter non-cash impairment charge of \$45 to \$50 million based on Management's preliminary assessment, with additional charges possible, along with improvements in gross margin, Adjusted EBITDA ⁽¹⁾ and cash flows.

(1) See the non-IFRS financial measures in our latest MD&A.

Available Credit Update

As a result of a breach of a covenant under our credit facilities in the fourth quarter, the Company entered into a tolerance letter with its lenders in the fourth quarter, which restricts us from using the revolver portion of the facilities, under which no amount is currently outstanding. At year-end, the Company had \$38 million of cash and cash equivalents and no amounts drawn from the revolver. Goodfood is in the process of pursuing a revised credit facility arrangement. There can be no assurance as to such an arrangement being put in place and in a timely manner, or the terms of such an arrangement.

Conclusion

“Project Blue Ocean, through pricing, operational efficiencies, and SG&A consolidation, has been contributing to gross margin and Adjusted EBITDA ⁽¹⁾ improvements. As we continue to execute on Project Blue Ocean, we are focused on growing our brand through our many loyal weekly meal plan customers, creating experiences that aim to spark joy and help our community live longer on a healthier planet,” stated Jonathan Ferrari, Chief Executive Officer of Goodfood.

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.

For further information: Investors and Media

Jonathan Roiter
Chief Financial Officer
(855) 515-5191
IR@makegoodfood.ca

Roslane Auameur
Vice President, Corporate Development
(855) 515-5191
IR@makegoodfood.ca

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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 related to the build-out and launch of on demand fulfillment centres or infrastructure and the impact of on-demand grocery and meal solution offerings supported by an optimized digital platform and the realization and impact of the foregoing. In particular, any statements herein related to Adjusted EBITDA ⁽¹⁾ loss or net sales are based on preliminary information available to the Company and its assessment based on current circumstances. Actual results may vary. 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 year ended August 31, 2021 available on SEDAR at www.sedar.com: limited operating history, negative operating cash flow and net losses, 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.

(1) See the non-IFRS financial measures in our latest MD&A.