



# goodfood

## Q1-2023 Earnings Presentation

January 17, 2023

# Caution Regarding Forward-Looking Statements



This presentation 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](http://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, net sales and operating results could be impacted by changes in the overall economic condition in Canada and by the continuing inflationary pressures and by the impact these conditions could have on consumer discretionary spending. Fears of a looming recession, increases in interest rates, uncertainty surrounding the COVID-19 pandemic, continuing supply chain disruptions, increased input costs are expected to have a continuing significant impact on our economic condition that could materially affect our financial condition, results of operations and cash flows.

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.

# On the Path to Reach Profitability



## 1 Significant improvement in gross margin ...

- Project Blue Ocean nearing completion with operating efficiencies showing strong results
- Gross margin improved 11%+ y-o-y; surpassing 35%

## 2 ... with Continued SG&A and Asset Streamlining ...

- SG&A excluding marketing reduced by over \$30 million annual run-rate year-over-year
- Exiting assets and leases to further reduce cash outflows and related SG&A expenses, nearing target of 2 main operating facilities
- Reaffirming expected return to positive Adjusted EBITDA<sup>1</sup> in Q2 FY 2023

## 3 ... and Marketing Initiatives to Turn Focus to Growth

- Focus to take our customer experience to the next level and increasing customer lifetime values
- Initiatives such as a new VIP customer program, restaurant collab, launch of exciting new marketing campaign with an important Canadian athlete

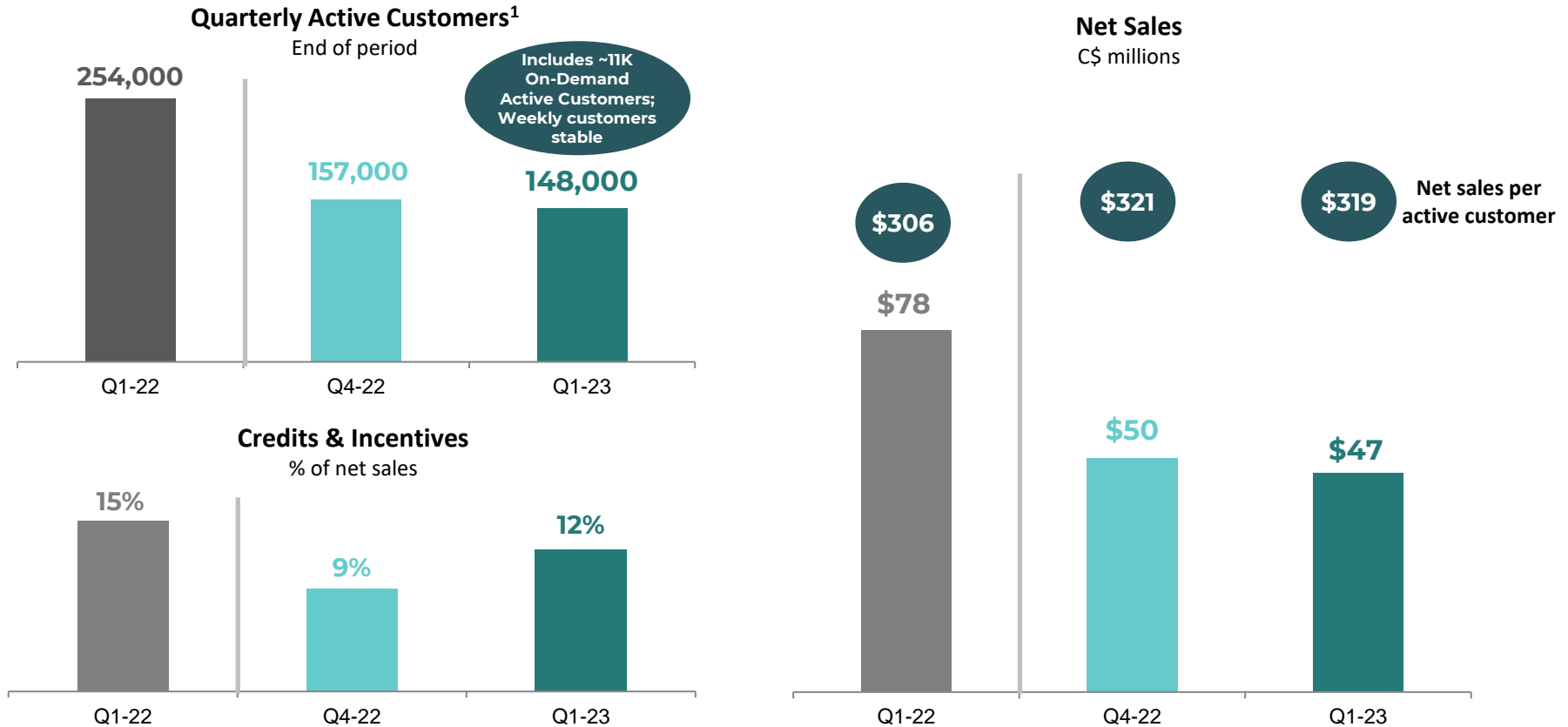
<sup>1</sup> This is a Metric or non-IFRS measure. Please refer to page 10 of this presentation for more details.



# Active Customers<sup>1</sup> and Net Sales



Reduction of Quarterly Active Customers<sup>1</sup> impacted by discontinuing On-Demand, Flex business has remained stable



Goodfood is focused on **achieving profitability through topline** by focusing on **meal kit orders and add-ons** and adding customers with the profile to be **long-term, high-value clients**

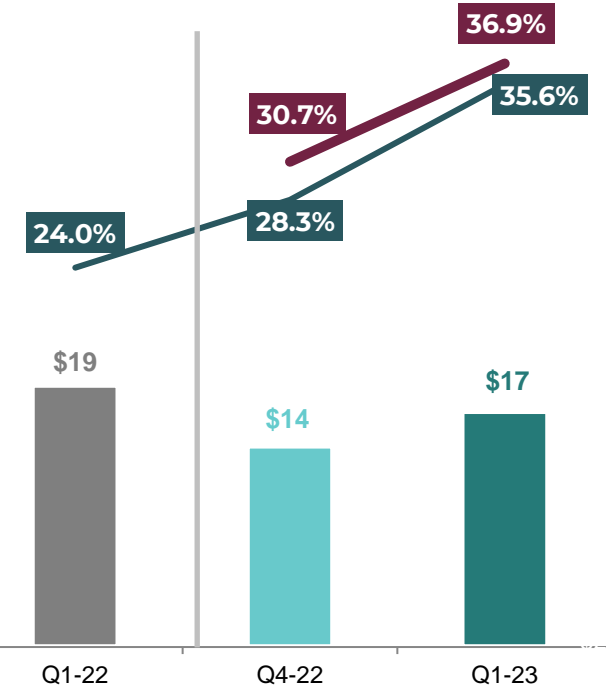
Note: Quarterly Active Customers include on-demand active customers before discontinuation of service.  
 1 This is a Metric or non-IFRS measure. Please refer to page 10 of this presentation for more details.

# Gross Profit, Adjusted EBITDA<sup>2</sup> and Net Loss

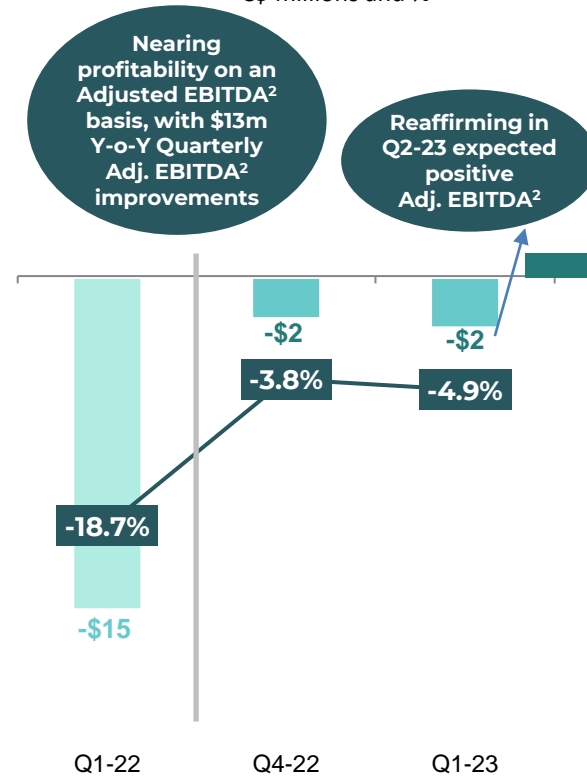


Gross Margin improved 730 and 1,160 basis points Q-o-Q and Y-o-Y respectively as operational improvements drove Adjusted EBITDA<sup>2</sup> improvements, further buoyed by cost structure initiatives reducing SG&A

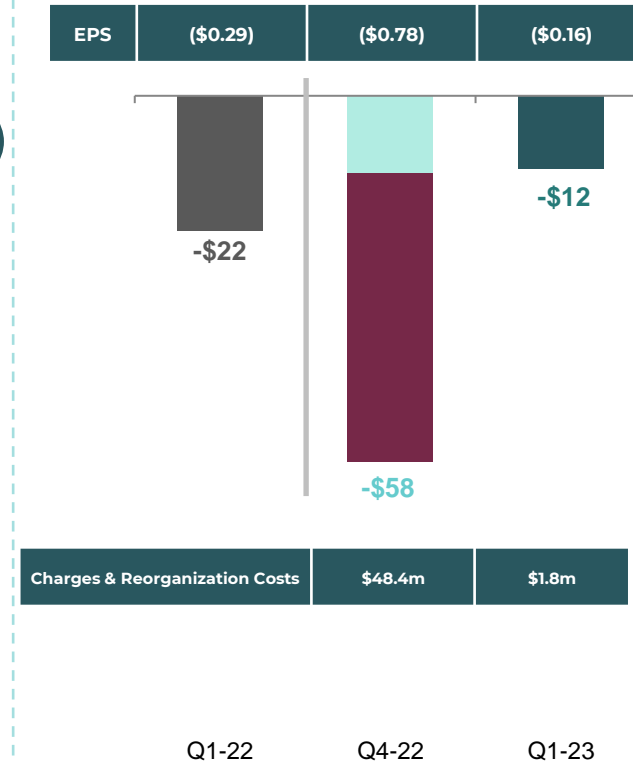
**Gross Profit & Gross Margin**  
C\$ millions and %



**Adjusted EBITDA<sup>2</sup> & Adjusted EBITDA Margin<sup>2</sup>**  
C\$ millions and %



**Net Income**  
C\$ millions



— Gross Profit — Gross Profit % — Adjusted Gross Profit %<sup>1</sup> — Adjusted EBITDA<sup>2</sup> — Adjusted EBITDA %<sup>2</sup>

■ Net Loss ■ Charges & Reorg Costs

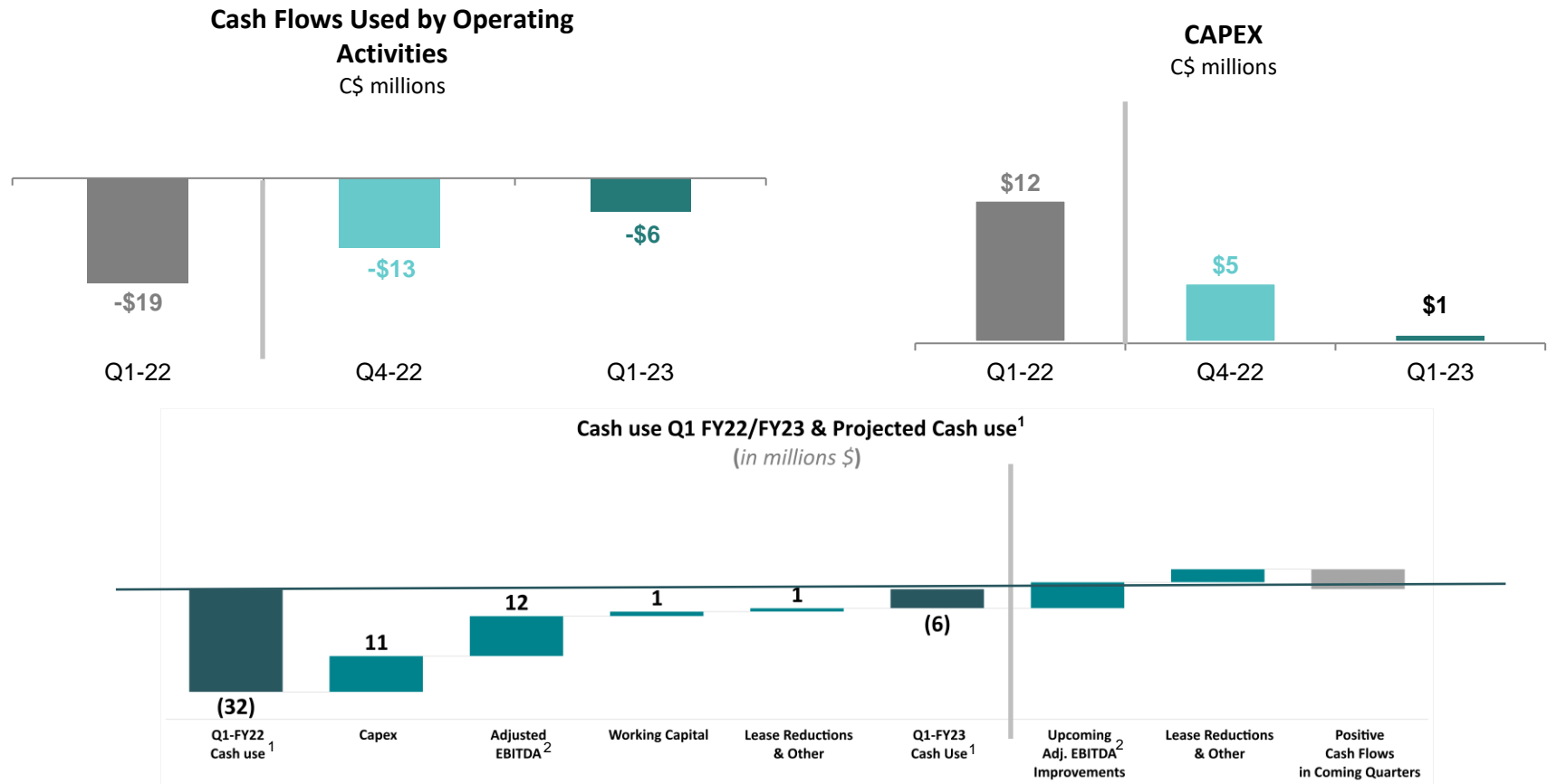
<sup>1</sup> Adjusted Gross Profit excludes \$0.6m of product discontinuance charge related to the shutdown of Goodfood On-Demand.

<sup>2</sup> This is a Metric or non-IFRS measure. Please refer to page 10 of this presentation for more details.

# CFO and CAPEX



Reduced total cash outflow as CFO continues to improve and capital expenditures continue to be reduced compared to \$12m invested in Q1 of Fiscal 2022, with overall cash use reduced by \$26m on path to positive cash flows



**Improved profitability combined with lower capex putting foundation in place for positive cash flows and high cash flow conversion in the short term**

<sup>1</sup> Cash Use defined as CFO + CFI + Lease payments.

<sup>2</sup> This is a Metric or non-IFRS measure. Please refer to page 10 of this presentation for more details.

# Key Financial Highlights



Goodfood continues to drive meaningful gross margin and Adjusted EBITDA<sup>1</sup> improvements on its path to return to profitability and positive cash flows

<i>(in millions of Canadian \$ except for percentage information)</i>	Q1-23	Q1-22	Y-o-Y $\Delta$
Net Sales	<b>\$47.1</b>	\$77.8	-39%
Gross Profit	<b>16.8</b>	18.6	-10%
Gross Margin (%)	<b>35.6%</b>	24.0%	+11.6pp
Adjusted EBITDA <sup>1</sup>	<b>(2.3)</b>	(14.6)	N/A
Adjusted EBITDA Margin (%) <sup>1</sup>	<b>-4.9%</b>	-18.7%	+13.8pp
Net Loss	<b>(11.7)</b>	(21.6)	N/A
Cash Flows Used in Operating Activities	<b>(6.1)</b>	(18.9)	N/A
Cash and Cash Equivalents	<b>28.6</b>	104.8	N/A

<sup>1</sup> This is a Metric or non-IFRS measure. Please refer to page 10 of this presentation for more details.

# Outlook: Our Core Purpose Driving Profitable Growth



## 1 Goodfood's Core Purpose

- Create experiences that spark joy and help our community to live longer on a healthier planet
- Focus on meal kits as our cornerstone product delivered weekly with add-ons to help complete our solution to meal planning

## 2 Initiatives Driving Return to Profitability and Positive Cash Flows

- We have improved profitability significantly through Project Blue Ocean
- Gross margin exceeds 35% (compared to 25% in FY22 & 32-34% Q1 expectations) and Adjusted EBITDA<sup>1</sup> Loss in the low single-digits
- Growth to be driven by efficient marketing, focused on high-value meal kit customers, new initiatives
- Further cash flow improvements driven by continued capex reductions, contract re-negotiations and lease exits

## 3 Balance Sheet Update

- Credit facilities in place, no longer in breach of covenants
- Exited multiple leases, with path to 2 facilities well advanced
- Reduced annual lease payments by over \$6m, with more to come

## 4 Further Improvement in Q2

- Reiterating expectation of positive Adjusted EBITDA<sup>1</sup> in Q2 of FY 2023

**Re-centering on our core purpose through our weekly meal kit delivery to spark joy with customers and have a clear path to positive Adjusted EBITDA<sup>1</sup>**

<sup>1</sup> This is a Metric or non-IFRS measure. Please refer to page 10 of this presentation for more details.



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## Q&A

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# Metrics and Non-IFRS Financial Measures



The table below defines metrics and non-IFRS financial measures used by the Company throughout this presentation. Non-IFRS financial measures do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. They are provided as additional information to complement IFRS measures and to provide a further understanding of the Company's results of operations from our perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS and should be read in conjunction with the financial statements for the periods indicated. For a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures, as applicable, see the "Metrics and Non-IFRS Financial Measures – Reconciliation" of the Company's latest Management Discussion & Analysis.

Metrics	Definition
Active Customer	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.

Non-IFRS Financial Measures	Definition
EBITDA	EBITDA is defined as net income or loss before net finance costs, depreciation and amortization and income taxes.
Adjusted EBITDA and Adjusted EBITDA margin	Adjusted EBITDA is defined as EBITDA excluding share-based payments expense, the impact of the 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.



[makegoodfood.ca](http://makegoodfood.ca)

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