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Goodfood Reports First Quarter Gross Margin of 35.6% and Reaffirms Expectation of Positive Adjusted EBITDA¹ Next Quarter Following an 85% Year-over-Year Improvement this Quarter

- Net sales of \$47 million for the quarter, a 39% decrease compared to the same quarter last year
- Record quarterly gross margin of 35.6%, an improvement of 11.6% compared to the same period last year, with Adjusted gross margin¹ coming in at 36.9%, when excluding inventory write-offs related to discontinuing Goodfood On-Demand
- Net loss for the quarter was \$12 million, including \$2 million of non-recurring charges, an improvement of \$10 million compared to \$22 million in the same period in 2022
- Adjusted EBITDA¹ loss of \$2 million for the quarter, an 85% improvement compared to a loss of \$15 million in the same quarter of the prior year
- Cash used in Operating activities for the quarter was \$6 million, including \$2 million cash impact of reorganization and related costs, versus cash used of \$19 million for the same period last year
- Reaffirming expectation of positive Adjusted EBITDA¹ in the second quarter of Fiscal 2023, on the back of expected continued strength in gross margin and further reductions in selling, general and administrative expenses

Montreal (Quebec), January 17, 2023

Goodfood Market Corp. (“Goodfood” or “the Company”) (TSX: FOOD), a leading Canadian online meal solutions company, today announced financial results for the first quarter of Fiscal 2023, ended December 3, 2022.

“We are encouraged to begin our new Fiscal year with a strong gross margin, highlighting the diligent operational execution of Project Blue Ocean. Our gross margin surpassed the 35% mark for the first time in Goodfood’s history with lower net sales of \$47 million being driven by our focus on attracting and retaining higher value customers that require lower incentives, leading to better profitability metrics. Combined with continued discipline in our selling, general and administrative costs, our Adjusted EBITDA¹ loss came in at \$2 million this quarter compared to a loss of \$15 million in the same quarter last year. In addition, our cash used in operating activities came in at \$4 million compared to \$17 million in the same quarter as last year, when adjusted for reorganization and related costs, a significant improvement over last year, charting our path forward towards profitable growth and positive cash flows,” said Jonathan Ferrari, Chief Executive Officer of Goodfood.

“As we now enter the second quarter with what we intend to be the final steps of Project Blue Ocean underway, we expect to have the operating and SG&A cost structure in place to expect achieving positive Adjusted EBITDA¹ in the second quarter of 2023, which will serve as the foundation for long-term profitable growth and positive cash flows,” added Mr. Ferrari. “Looking further out into the year, as our target cost structure is realized, we will shift our focus towards growth, beginning with taking our customer experiences to the next level and by extension enhance our customer lifetime values. With initiatives such as a new VIP customer program, restaurant collaborations, and the launch of an exciting new marketing campaign in the coming month with an important Canadian athlete, we believe we are well underway towards implementing the building blocks that will drive long-term, consistent profitable growth,” 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 – FIRST QUARTER OF FISCAL 2023 AND 2022

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	December 3, 2022	December 4, 2021	(\$)	(%)
Net sales	\$ 47,148	\$ 77,821	\$ (30,673)	(39)%
Cost of goods sold	30,389	59,173	(28,784)	(49)%
Gross profit	\$ 16,759	\$ 18,648	\$ (1,889)	(10)%
Gross margin	35.6%	24.0%	N/A	11.6 p.p.
Selling, general and administrative expenses	21,998	34,575	(12,577)	(36)%
Depreciation and amortization	3,769	2,940	829	28%
Reorganization and other related costs	1,119	1,812	(693)	(38)%
Net finance costs	1,570	904	666	74%
Loss before income taxes	\$ (11,697)	\$ (21,583)	\$ 9,886	46%
Deferred income tax expense	11	27	(16)	(59)%
Net loss, being comprehensive loss	\$ (11,708)	\$ (21,610)	\$ 9,902	46%
Basic and diluted loss per share	\$ (0.16)	\$ (0.29)	\$ 0.13	45%

VARIANCE ANALYSIS FOR THE FIRST QUARTER OF 2023 COMPARED TO FIRST QUARTER OF 2022

- Net sales decreased compared to the same period last year driven by the Company's focus on attracting and retaining customers that provide higher gross margins and by changing customer behaviours, partially offset by an increase in average order values.
- The decrease in gross profit primarily resulted from a decrease in net sales partially offset by lower food costs and production costs as a percentage of net sales costs driven by improved efficiencies as well as lower credit and incentives as a percentage of sales.
- The decrease in selling, general and administrative expenses is primarily due to lower wages and salaries and marketing spend driven primarily by lower net sales and the Company's Blue Ocean initiatives. Selling, general and administrative expenses as a percentage of net sales increased from 44.4% to 46.7%.
- Reorganization and other related costs incurred in the first quarter of Fiscal 2023 mainly consist of the loss on disposal of non-financial assets, headcount reduction costs partially offset by gains on termination of leases.
- The increase in depreciation and amortization expense is mainly due to the capitalization of the depreciation on right-of-use assets during the construction phase of the new leases in the first quarter of Fiscal 2022.
- The increase in net finance costs is mainly due to the Company's \$30 million convertible debenture issued in February 2022.
- The decrease in net loss in the first quarter of 2023 compared to the same quarter last year is mainly due to lower wages and salaries in cost of good sold and in selling, general and administrative expenses as well as lower marketing spend in selling in general and administrative expenses partially offset by lower gross profit mainly driven by lower sales.

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	
	December 3, 2022	December 4, 2021
Net loss	\$ (11,708)	\$ (21,610)
Net finance costs	1,570	904
Depreciation and amortization	3,769	2,940
Deferred income tax expense	11	27
EBITDA ¹	\$ (6,358)	\$ (17,739)
Share-based payments expense	2,293	1,353
Discontinuance of products related to on-demand offering	643	–
Reorganization and other related costs	1,119	1,812
Adjusted EBITDA ¹	\$ (2,303)	\$ (14,574)
Net sales	\$ 47,148	\$ 77,821
Adjusted EBITDA margin ¹ (%)	(4.9)%	(18.7)%

For the first quarter of 2023, adjusted EBITDA margin¹ improved by 13.8 percentage points compared to the corresponding period in 2022 mainly driven by stronger adjusted gross margin¹ and lower selling, general and administrative expenses due to lower marketing expense, a lower salary base resulting from lower net sales, and Project Blue Ocean initiatives. The improved adjusted EBITDA margin¹ was partly offset by a lower net sales base.

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 strong following from Canadians coast to coast, we are focused on growing the Goodfood brand through our meal solutions including meal kits and prepared meals, with a range of exciting Goodfood branded add-ons to be explored and complete a unique food experience for customers.

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 weekly meal planning combined with their desire for joyful, exciting, 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 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 remains 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. Last year, we established Project Blue Ocean to drive profitability and have fully 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 two facilities in Montreal and Calgary
- Reduction of capital investments (capex)
- Meal kit and add on products price increases

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

These initiatives and the discontinuation of on-demand have had and are expected to continue to have a positive impact on the financial performance of the business. Our meal kit demand driven by our weekly subscriptions has stabilized and our gross margins have continued to improve, reaching a record 36.9% when adjusting for inventory write-offs, increasing from 24.0% for the same quarter last year, a 1,290 basis points increase.

Moreover, 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. Combined with stable net sales and strong gross margin, we are reconfirming our expected path to return to positive quarterly Adjusted EBITDA¹ in the second quarter of Fiscal 2023.

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 continues to bear fruit, underpinned by consistent improvement in Adjusted EBITDA¹ and, when coupled with our unrelenting focus on nurturing our customer relationships, it remains our top priority. The Goodfood team is fully focused on building and growing 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 January 17, 2023, at 8:00AM Eastern Time. Interested parties can join the call by dialing 1-416-764-8646 (Toronto or overseas) or 1-888-396-8049 (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 024494#. This recording will be available on January 17, 2023, as of 11:00 AM Eastern Time until 8:00AM Eastern Time on January 24, 2023.

A full version of the Company's Management's Discussion and Analysis (MD&A) and Consolidated Financial Statements for the first quarters ended December 3, 2022, and December 4, 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 first quarter ended December 3, 2022.

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

- 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 how efficiently the Company uses its resources to service its customers as well as to assess underlying trends in our ongoing operations without the variations caused by the impacts of strategic initiatives such as the items described above and facilitates the comparison across reporting periods.
- 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 the inventories write-downs 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. We also believe that these metrics are useful measures of financial performance to assess underlying trends in our ongoing operations without the variations caused by the impacts of the items described above and facilitates the comparison across reporting periods.
- 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 equivalents. 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 the total net (debt) cash measure is a useful measure to assess the Company's overall financial position and its ability to service its debt. 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. Please refer to the "Liquidity and capital resources" section of the MD&A for a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measure.
- Please refer to the "Metrics and non-IFRS financial measures – reconciliation" and the "Liquidity and capital resources" sections of the MD&A for a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures.

ACTIVE CUSTOMERS

An active customer is a customer that has placed an order within the last three months. 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.

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

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, 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.