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Goodfood Reports First Quarter Results with Growing Active Customers¹, Strong Gross Margin and Adjusted EBITDA¹ Driving Positive Cash Flows from Operations

- Net sales were \$40 million in the first quarter, a 14.2% reduction compared to the same quarter last year which included on-demand sales, and a \$3 million increase compared to the fourth quarter of Fiscal 2023
- Gross margin increased to 39.4% for the quarter, an improvement of 3.9% quarter-over-quarter and the highest ever achieved in a first quarter, with gross profit at \$16 million, a 5% reduction compared to the same quarter last year
- Net loss for the quarter was \$2 million, a \$10 million improvement compared to the same quarter last year
- Adjusted EBITDA margin¹ of 3.6% for an adjusted EBITDA¹ of \$1.5 million this quarter, a \$3.8 million improvement compared to the same quarter last year
- Cash flows provided by operations were \$4 million for the quarter, an improvement of \$10 million compared to the same quarter last year, resulting from increased profitability and timing of payments
- Adjusted free cash flows¹ were \$4 million for the quarter, a \$9 million improvement compared to the same quarter last year

Montreal (Quebec), January 16, 2024

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 2024, ended December 2, 2023.

“We are pleased to have started Fiscal 2024 with strong operating performance and delivered on our commitment to consistently growing our profitability, with Adjusted EBITDA¹ positive for a fourth quarter in a row, reaching \$8.5 million over the last twelve months. As we consistently optimize the efficiency of our operations, our gross margin continues to show strength and reached 39.4% in the first quarter, further supporting our growing Adjusted EBITDA¹ profitability and cash flows,” said Jonathan Ferrari, Chief Executive Officer of Goodfood. “Our lean cost structure has enabled our gross profit to translate into Adjusted EBITDA and in turn into positive cash flows as we generated adjusted free cash flows¹ of \$4 million, positive for the second quarter out of the past three,” added Mr. Ferrari.

“As we build on the positive momentum of this first quarter, we are energized to have developed and implemented multiple customer-centric initiatives that helped grow Active Customers¹ to 124,000, an increase compared to the last two quarters. In recent months, we have increased our customization options to include additional high-quality protein swaps and choices for customers. We launched mouthwatering bundle products to give our members great options for various meal occasions that have been a hit with customers. We also made browsing through our platform easier and more intuitive by introducing tags and simple categories that make selecting delicious meals in minutes even easier. Through these growth initiatives, our continued focus on our customers and consistent profitability with unit economics improvements, we are well positioned to continue growing cash flows and to deliver significant shareholder value,” concluded Jonathan Ferrari.

¹ Please refer to the “Non-IFRS Financial Measures” section of this press release for corresponding definitions.

RESULTS OF OPERATIONS – FIRST QUARTER OF FISCAL 2024 AND 2023

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 2, 2023	December 3, 2022	(\$)	(%)
Net sales	\$ 40,459	\$ 47,148	\$ (6,689)	(14)%
Cost of goods sold	24,530	30,389	(5,859)	(19)%
Gross profit	\$ 15,929	\$ 16,759	\$ (830)	(5)%
Gross margin	39.4%	35.5%	N/A	3.9 p.p.
Selling, general and administrative expenses	14,488	21,998	(7,510)	(34)%
Depreciation and amortization	1,955	3,769	(1,814)	(48)%
Reorganization and other related costs	3	1,119	(1,116)	(100)%
Net finance costs	1,456	1,570	(114)	(7)%
Loss before income taxes	\$ (1,973)	\$ (11,697)	\$ 9,724	83%
Deferred income tax expense	–	11	(11)	N/A
Net loss, being comprehensive loss	\$ (1,973)	\$ (11,708)	\$ 9,735	83%
Basic and diluted loss per share	\$ (0.03)	\$ (0.16)	\$ 0.13	81%

VARIANCE ANALYSIS FOR THE FIRST QUARTER OF 2024 COMPARED TO FIRST QUARTER OF 2023

- The decrease in net sales is primarily driven by the Company's decision to discontinue its on-demand offering and a decrease in the number of active customers partially offset by an increase in average order value as a result of price adjustments, increased variety in the meal-kit offering and a focus on meal-kit offerings with ready meal solutions and grocery products as add-ons. The decrease in active customers is mainly driven by the Company's focus on attracting and retaining customers that provide higher gross margins and by changing customer behaviours.
- 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. Gross margin increased mainly due to operational efficiencies driving lower food and production costs resulting from exiting the on-demand grocery market last year and focusing on the meal kit market in the current year, as well as pricing optimization.
- The decrease in selling, general and administrative expenses is primarily due to lower wages and salaries, software, operating leases, utilities, maintenance and other expenses primarily resulting from the Company's costs saving initiatives. Selling, general and administrative expenses as a percentage of net sales decreased from 46.7% to 35.8%.
- The decrease in reorganization and other related costs is mainly due to the completion of the Company's costs reduction initiatives in Fiscal 2023.
- The decrease in depreciation and amortization expense is mainly due to the reduction in right-of-use assets following exiting facilities as part of the Company's costs reduction initiatives.
- The improvement in net loss is mainly the result of operational efficiencies, reducing wages and salaries in cost of good sold, lower selling, general and administrative expenses, lower depreciation and amortization expense as well as lower reorganization and other related costs partially offset by lower gross profit mainly driven by lower sales.

METRICS AND NON-IFRS FINANCIAL MEASURES

ADJUSTED GROSS PROFIT¹ AND ADJUSTED GROSS MARGIN¹

The reconciliation of gross profit to adjusted gross profit¹ and adjusted gross margin¹ is as follows:

(In thousands of Canadian dollars, except percentage information)

	For the 13 weeks ended	
	December 2, 2023	December 3, 2022
Gross profit	\$ 15,929	\$ 16,759
Discontinuance of products related to on-demand offering	–	643
Adjusted gross profit	\$ 15,929	\$ 17,402
Net sales	\$ 40,459	\$ 47,148
Gross margin	39.4%	35.5%
Adjusted gross margin (%)	39.4%	36.9%

For the first quarter of 2024, adjusted gross profit decreased by \$1.5 million while adjusted gross margin increased by 2.5 percentage points compared to the same quarter last year. This adjusted gross margin improvement can mainly be explained by operational efficiencies driving lower food and production costs resulting from exiting the on-demand grocery market last year and focusing on the meal kit market in the current year, as well as pricing optimization.

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 2, 2023	December 3, 2022
Net loss	\$ (1,973)	\$ (11,708)
Net finance costs	1,456	1,570
Depreciation and amortization	1,955	3,769
Deferred income tax expense	–	11
EBITDA	\$ 1,438	\$ (6,358)
Share-based payments expense	13	2,293
Discontinuance of products related to on-demand offering	–	643
Reorganization and other related costs	3	1,119
Adjusted EBITDA	\$ 1,454	\$ (2,303)
Net sales	\$ 40,459	\$ 47,148
Adjusted EBITDA margin (%)	3.6%	(4.9)%

For the first quarter of 2024, adjusted EBITDA margin improved by 8.5 percentage points compared to the corresponding period in 2023 mainly driven by stronger gross margin and lower selling, general and administrative expenses mostly as a result of the Company's cost savings measures completed in Fiscal

¹ Please refer to the "Non-IFRS Financial Measures" section of this press release for corresponding definitions.

2023 which reduced salaries, software, operating leases, utilities, maintenance and other expenses. The improved adjusted EBITDA margin was partly offset by a lower net sales base.

FREE CASH FLOWS¹ AND ADJUSTED FREE CASH FLOWS¹

The reconciliation of net cash flows from operating activities to free cash flows¹ and adjusted free cash flows¹ is as follows:

(In thousands of Canadian dollars)

	For the 13 weeks ended	
	December 2, 2023	December 3, 2022
Net cash provided by (used in) operating activities	\$ 3,837	\$ (6,075)
Additions to fixed assets	(32)	(686)
Additions to intangible assets	(128)	(126)
Free cash flows	\$ 3,677	\$ (6,887)
Payments made to reorganization and other related costs	330	1,594
Adjusted free cash flows	\$ 4,007	\$ (5,293)

For the first quarter of 2024, adjusted free cash flows improved by \$9.3 million compared to the corresponding period in 2023. This improvement is mainly driven by lower net loss resulting from improved adjusted gross margin and lower selling, general and administrative expenses, a favorable change in non-cash operating working capital due to a positive change in accounts payable and accrued liabilities resulting from lower supplier payments as well as lower capital expenditures during the first quarter 2024.

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 complete a unique food experience for customers.

The online meal solutions market continues to grow rapidly and meal kits are now estimated to have reached approximately US\$1.4 billion dollar in size in Canada as part of the C\$123 billion Canadian Grocery industry, with a penetration of only 4.8% of households (see Annual Information Form for details). We believe there is substantial runway for additional penetration of meal kits into Canadian households, as evidenced by industry research estimating the Canadian meal kit market to grow at a 16% CAGR between 2023 and 2027, to reach a market size of US\$2.5 billion. 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.

Before scaling our efforts to capture an outsized share of the meal solutions market, our focus has been and continues to be on further improving and growing cash flows. We are pleased to have now reported four consecutive quarters, which on a last twelve months basis stands at \$8.5 million, of positive adjusted EBITDA¹ in Fiscal 2023. The substantial rise in adjusted EBITDA¹ profitability has led to significant adjusted free cash flows¹ improvement which has now turned positive in two of our last three quarters. The improved adjusted EBITDA¹ and adjusted free cash flows¹ on the back of lower net sales highlights the cost discipline we have shown in improving our operational efficiency and reducing our selling, general and administrative expense. These improvements position Goodfood ideally to turn its focus to growth and to fund this growth with internally generated cash flows.

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During Fiscal 2024, Goodfood will focus on key growth pillars to drive growth in top line and, most importantly, in profitability and cash flows: 1) customer growth, 2) order frequency increase, 3) basket size enhancement, and 4) continue to enhance our sustainability practices.

To grow our customer base, the first step is building customer acquisition cost efficiencies to enable adding more active customers to the Goodfood platform every week with the same investment. In recent months, we have completed a thorough review of and made significant adjustments to our acquisition channels. We have also made and continue to make investments in our digital product to elevate the customer experience by reducing friction and enhancing ease of use. Combined with reactivations of previous Goodfood members, these initiatives have reduced our customer acquisition costs substantially since the fourth quarter of Fiscal 2023 and improved the profitability and unit economics of customers as evidenced by the consistently increasing sales generating ability and profitability of our customers.

A key driver that can enhance order frequency is product variety. In addition to launching our VIP program, which rewards high-frequency customers, we have increased the diversity of our recipe and ingredient offering to provide additional choices to enhance order rate. With a focus on *Better-for-You* products like organic chicken breasts, organic lean ground beef, bison, sustainably raised steelhead trout and paleo and keto meals, combined with exciting partnerships with first-rate restaurants, we plan on offering a growing and mouth-watering selection to customers to drive consistently increasing order frequency.

The dollar-value of the baskets our customers are building is also increasing and we are building a differentiated set of meal kits, ready-to-eat meals and grocery add-ons to provide Canadians with an exciting online meal solutions option and increasingly capture a larger share of their food wallet. In addition, we have provided and continue to provide more choice of proteins to our customers, with the launch of upsells and upcoming launch of customization within our meal-kit recipes allowing customers to swap or double the proteins included in their chosen recipes. With these initiatives, we aim to provide customers with an array of options to easily make their meals better and their baskets bigger.

We are also continuously looking to enhance our sustainability initiatives by prioritizing planet-friendly options. Not only do we offer perfectly portioned ingredients that save from food waste, we also constantly look to simplify our supply chain by removing middlemen from farm to kitchen table. This year, we are also offsetting carbon emissions on deliveries and introducing packaging innovations that have helped us to remove the equivalent of 2.4 million plastic bags annually from our deliveries. Our goal is clear, build a business that helps our customers live healthier lives on a healthier planet.

In addition to focusing on these key pillars of top-line growth, we are currently testing the potential for multi-channel partnerships that can broaden Goodfood's customer reach and resilience.

With the steps we have taken, our strategic execution to drive profitability and cash flows continues to bear fruit, underpinned by consistent improvement in adjusted EBITDA¹ and cash flows. Coupled with our unrelenting focus on nurturing our customer relationships, profitable growth 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 winter 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 customers to be lower during these periods. During periods with significantly colder or 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 16, 2024, 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://www2.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 209326#. This recording will be available until January 23, 2024.

A full version of the Company's Management's Discussion and Analysis (MD&A) and Consolidated Financial Statements for the first quarters ended December 2, 2023, and December 3, 2022, will be posted on <http://www.sedarplus.ca> later today.

NON-IFRS FINANCIAL MEASURES

Certain non-IFRS financial measures included in this news release 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. 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 Fiscal year 2023.

Goodfood's definition of the non-IFRS financial 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 (gains) 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 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.
- Free cash flow is defined as net cash used in or provided by operating activities less additions to fixed assets and additions to intangible assets. This measure allows the Company to assess its financial strength and liquidity as well as to assess how much cash is generated and available to

invest in growth opportunities, to finance its ongoing operations and to service its debt. It also allows comparisons between companies with different capital structures. Adjusted free cash flow is defined as free cash flow excluding cash payments made to costs related to reorganization activities. We believe that adjusted free cash flow is a useful measure when comparing between companies with different capital structures by removing variations caused by the impacts of the items described above. We also believe that this metric is a useful measure of financial and liquidity 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.

- 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. Goodfood is passionate about connecting its partner farms and suppliers to its 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 2, 2023 available on SEDAR+ at www.sedarplus.ca: limited operating history, negative operating cash flows and net losses, going concern risk, food industry including current industry inflation levels, indebtedness and impact upon financial condition, future capital requirements, 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, fulfillment centers and logistics channels, 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 disruptions, reliance on data centers, open source license compliance, operating risk and insurance coverage, management of growth, limited number and scope of products, conflicts of interest, litigation, food costs and availabilities, 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, as well as an inability to maintain high social responsibility standards could lead to reputational damage and adversely affect our business. 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, as well as 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, continuing supply chain disruptions and 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.