



  
goodfood

**Q2-2024**

# **EARNINGS PRESENTATION**

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**April 16, 2024**

# 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 2, 2023 available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca): limited operating history, negative operating cash flow, 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.

## Growing Profitability ...

- ✓ **Fifth consecutive quarter of positive adjusted EBITDA<sup>1</sup>, with growing profitability...**
  - Adjusted EBITDA margin<sup>1</sup> ended at **8.9% or \$3.5m for the quarter**
    - 1.7% y-o-y margin improvement, in part as a result of **y-o-y \$1m reduction in G&A**
  - **LTM Adj. EBITDA<sup>1</sup> now at \$9.0m for a margin<sup>1</sup> of 5%+**

## ...Enabling Key Drivers of Value Creation...

- ✓ **1) Positive cash flows**
  - Positive adjusted free cash flow<sup>1</sup> in 3 of last 4 quarters, **standing at \$0.3m this quarter & \$4.3m year-to-date**
- ✓ **2) Reduced net leverage**
  - **Reduced total net debt to LTM adjusted EBITDA (Net leverage)<sup>1</sup> ratio by 70%** both from increasing profitability and reducing debt

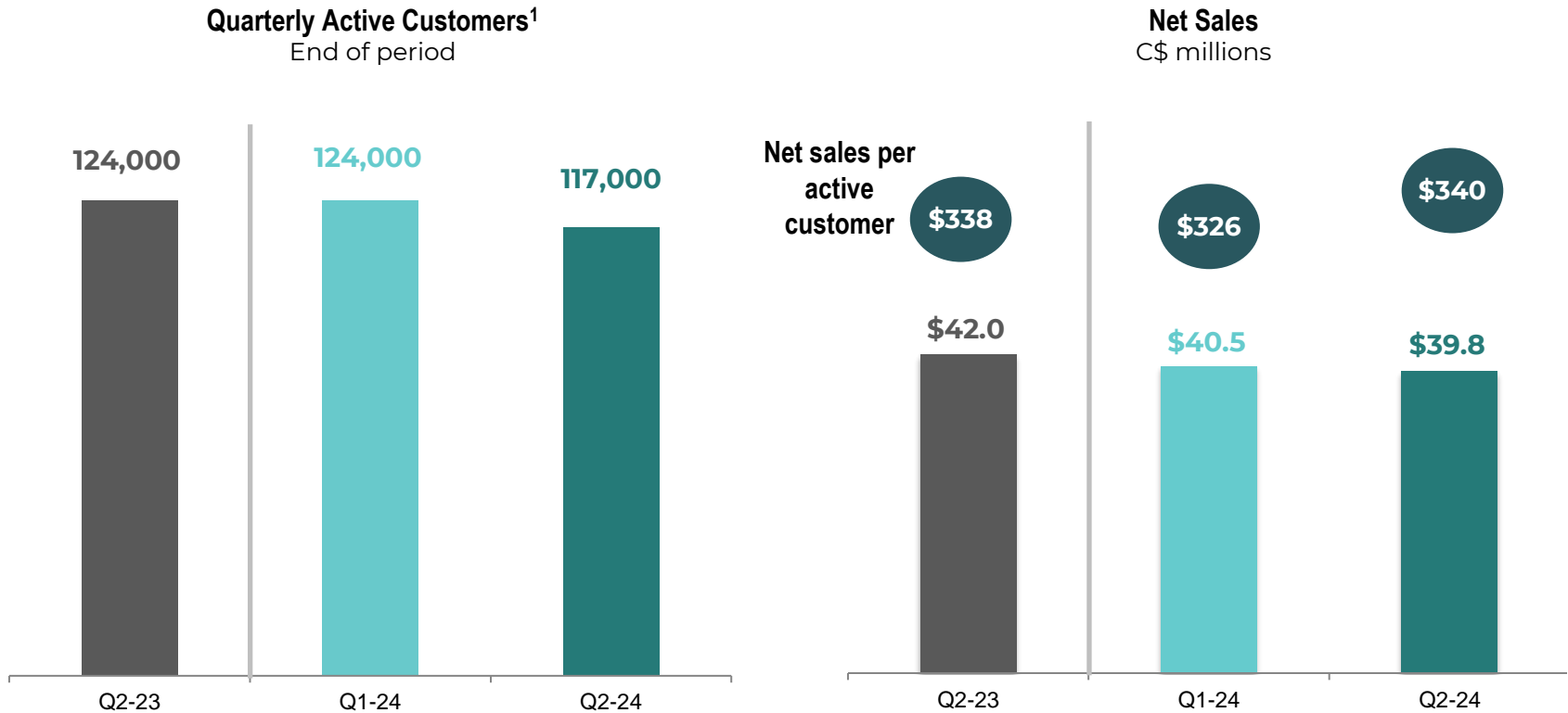
## ...With Improvement in Growth Trajectory

- ✓ **Best year-over-year quarterly sales progression since 2021**
  - Sales decline gradually improving and showing progress in challenging macro conditions
  - Largest ever basket size, improving customer feedback metrics as customer-centric initiatives enhance customer value proposition

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



Second quarter of 2024 marked by strong holiday seasonality in Quarterly Active Customers<sup>1</sup> and consumer spending challenges offset by customer initiatives driving higher net sales per customer on the back of record basket size



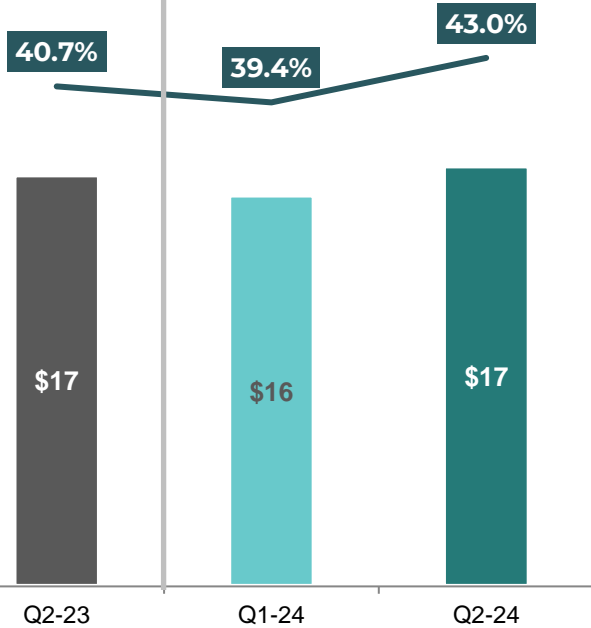
<sup>1</sup> This is a Metric or non-IFRS measure. Please refer to page 10 of this presentation for more details.

# Gross Profit, Adj. EBITDA<sup>1</sup> and Net Income

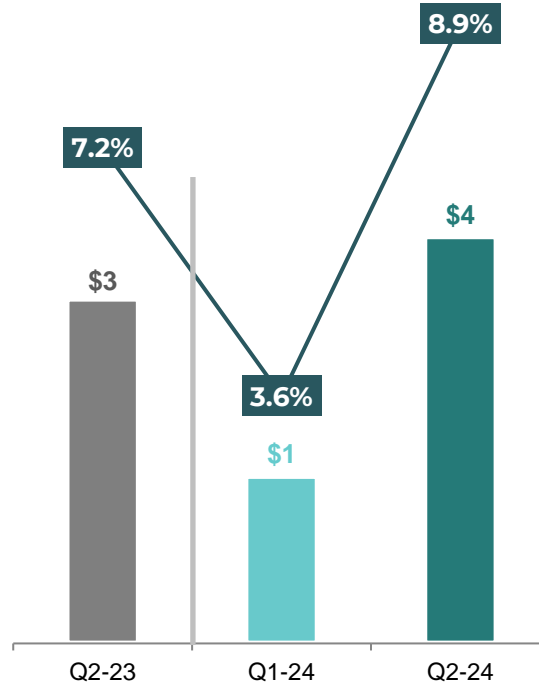


Gross Margin improved 230 basis points Y-o-Y as a result of operational and price improvements, driving positive Adj. EBITDA<sup>1</sup> for a fifth consecutive quarter and net income generation

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



**Adjusted EBITDA<sup>1</sup> & Margin<sup>1</sup>**  
C\$ millions and %



**Net Income**  
C\$ millions



— Gross Profit — Gross Profit %

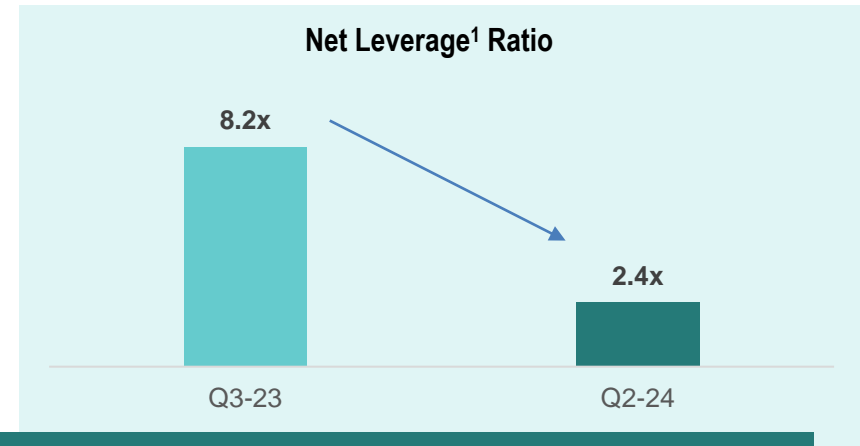
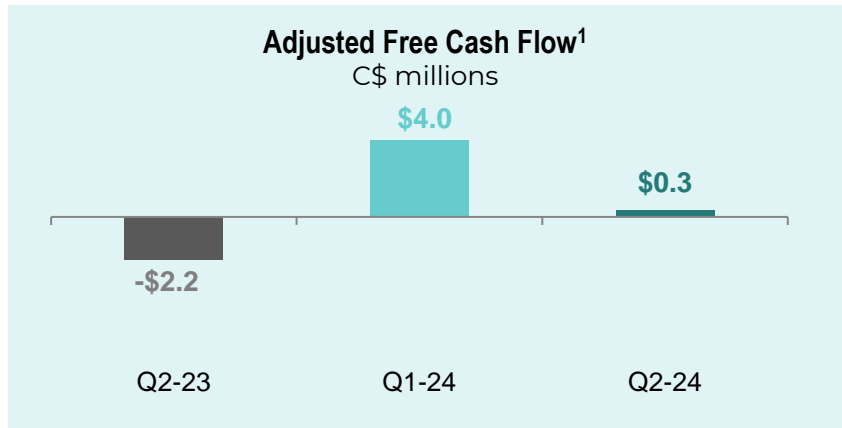
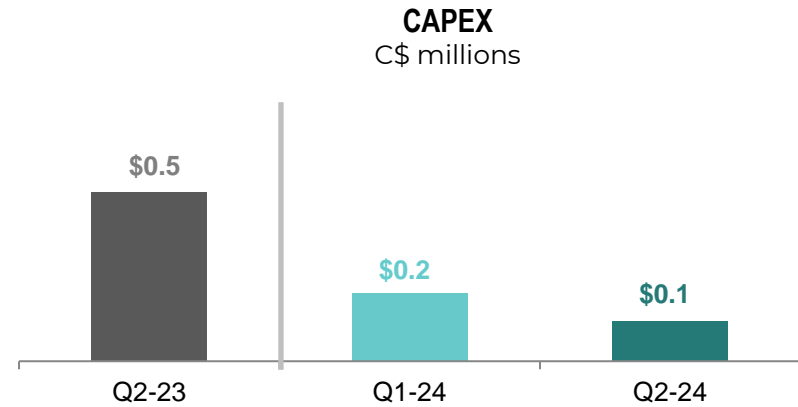
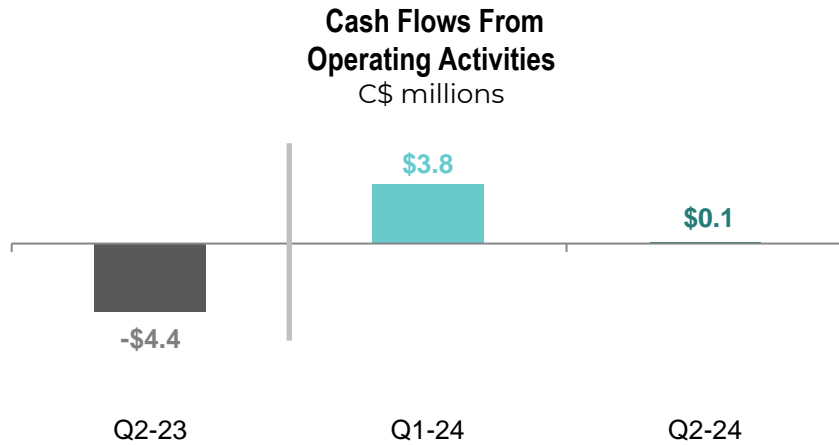
— Adj. EBITDA<sup>1</sup> — Adj. EBITDA<sup>1</sup> %

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

# CFO and CAPEX



CFO improvement of \$4.5m year-over-year, with sequential progression driven by previously mentioned timing of Q1 payments; adjusted FCF reaching \$4.3m year-to-date



**Growing profitability and cash flows combined with debt repayment has driven net leverage reduction by nearly 6 turns**

<sup>1</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> growth

<i>(in millions of Canadian \$ except for percentage information)</i>	Q2-24	Q2-23	Y-o-Y $\Delta$
Net Sales	\$39.8	\$42.0	-5%
Gross Profit	17.1	17.1	N/A
Gross Margin (%)	43.0%	40.7%	+2.3pp
Adjusted EBITDA <sup>1</sup>	3.5	3.0	+17%
Adjusted EBITDA Margin (%) <sup>1</sup>	8.9%	7.2%	+1.7pp
Net Income	1.4	0.1	+1,300%
CFO	0.1	(4.4)	N/A
Adjusted Free Cash Flow <sup>1</sup>	0.3	(2.2)	N/A
Cash and Cash Equivalents	23.7	28.1	-16%

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# Outlook: Customer centricity to build on growth momentum



01

## Key Customer Trends:

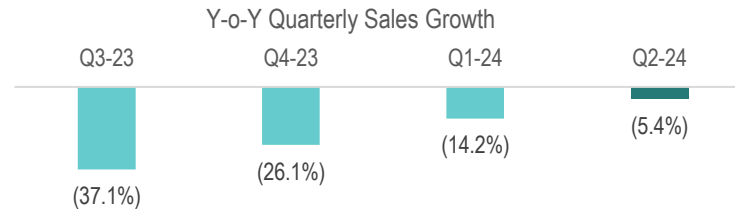
- 1) Health & Wellness
- 2) Unique Experiences
- 3) Variety in Choice and Price

- 1) Better-for-you recipes, protein customization and fresh, locally-sourced ingredients
- 2) Restaurant partnerships & discovery ingredients
- 3) Including increasing number of premium proteins at base prices, introduction of larger value lineup

02

## Net Sales Evolution Showing Progress Towards Y-o-Y Growth...

- Q2-24 y-o-y sales evolution of -5% best performance in nearly 3 years



- This despite substantial macro challenges: GDP / capita down 6 quarters in a row, softer consumer spending

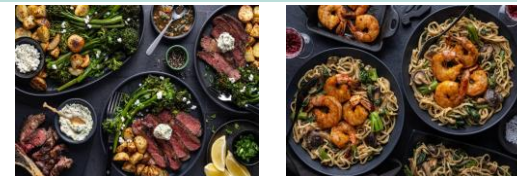
03

## ...with Customer Value Proposition the Key to Unlocking Further Organic Growth

- Sustainable and cost effective: Meal kits waste reduction improving sustainability and consumer bottom line
- Variety continues to increase, with more flexibility on recipes, proteins and plan size
- Canadian flavor highlighted with key pan-Canadian partnerships with restaurants, brands and personalities

## Customer Centricity Showing Results and Capital Position Provides Growth Flexibility

- ✓ Largest average basket size ever purchased by our members
- ✓ Net sales per active customers, cost structure enabling free cash flow generation...
- ✓ ...Providing capital allocation flexibility, investing in intrinsic or extrinsic growth with unit economics discipline







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# Q&A

# 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 consolidated 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
<b>Active Customer</b>	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.
<b>Total net debt to adjusted EBITDA</b>	Total net debt to adjusted EBITDA is calculated as total net debt divided by the last twelve months adjusted EBITDA. Total net debt consists of debt and the liability component of the convertible debentures less cash and cash equivalents. Although this is not a non-IFRS metric that we consider important to understand our performance on a recurring basis, we included it in the presentation this quarter as there has been a significant improvement over the last 9 months that is important to note. We do not expect to present this metric in the future as we do not anticipate total net debt to adjusted EBITDA ratio to fluctuate at the same level as it has in the last 9 months.

Non-IFRS Financial Measures	Definition
<b>EBITDA</b>	EBITDA is defined as net income or loss before net finance costs, depreciation and amortization and income taxes.
<b>Adjusted EBITDA &amp; Adjusted EBITDA margin</b>	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 and reversal of impairment of non-financial assets and reorganization and other related (gains) costs pursuant to the Company's costs saving initiatives. Adjusted EBITDA margin is defined as the percentage of adjusted EBITDA to net sales.
<b>Adjusted gross profit &amp; Adjusted gross margin</b>	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 costs saving initiatives. 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.
<b>Free cash flow &amp; Adjusted free cash flow</b>	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.



**COMPANY CONTACT  
INVESTOR RELATIONS & MEDIA**

**Roslane Auameur**  
CHIEF FINANCIAL OFFICER  
1 (855) 515-5191  
[IR@makegoodfood.ca](mailto:IR@makegoodfood.ca)

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