Freshlocal SOLUTIONS INC.

# Freshlocal Solutions Inc. Announces the Second Quarter FY2021 Results of Sustainable Produce Urban Delivery Inc.

VANCOUVER, BC, May 11, 2021 /CNW/ - Freshlocal Solutions Inc. (TSX: LOCL) ("Freshlocal" or the "Company") is pleased to report the financial results of its wholly-owned subsidiary Sustainable Produce Urban Delivery Inc. ("SPUD") for the second quarter ended April 3, 2021, which quarter ended prior to the completion of the qualifying transaction of Rainy Hollow Ventures Inc. and SPUD to create Freshlocal (the "Qualifying Transaction"). All amounts in this press release are in Canadian dollars.

"For both our financial results as well as the progress made in advancing our key initiatives, we are pleased with the performance throughout our businesses this quarter," stated Peter van Stolk, CEO of Freshlocal. "We continue to see strong expansion in our eGrocery activities, with a doubling of our eGrocery revenues over the comparable period in FY 2020 and success in building our presence in the global eGrocery market through our SaaS-based eGrocery management solution."

### Q2 FY2021 Financial Highlights

- Revenues were $34.9 million, a year-over-year increase of $13.0 million, or 59%
- Gross profit was $13.3 million, a year-over-year increase of $5.4 million, or 68%
- Active Customers(1) within our eGrocery business reached 29,591 as at April 3, 2021, a year-over-year increase of 30%

### Key Financial Information

| *All amounts in CAD $ millions except Active Customers, Average Order Size, and Same Store Sales* | Quarter Ended | | | Fiscal Year-to-Date | | |
|---|---|---|---|---|---|---|
| | April 3, 2021 | March 28, 2020 | Change | April 3, 2021 | March 28, 2020 | Change |
| ***Consolidated*** | | | | | | |
| Revenues | $ 34.9 | 21.9 | 59% | $ 66.8 | 39.7 | 68% |
| Gross Profit(1) | 13.3 | 7.9 | 68% | 25.0 | 14.3 | 75% |
| Net Loss | (12.1) | (5.2) | | (28.1) | (10.3) | |
| *Per share* | (0.34) | (0.15) | | (0.78) | (0.29) | |
| Adjusted Operating Loss1 | (2.4) | (2.7) | | (4.8) | (5.7) | |
| Cash Flow Used in Operations | (1.9) | (1.6) | | (7.1) | (7.8) | |
| | | | | | | |
| ***eGrocery Business Segment*** | | | | | | |
| Revenues | 28.5 | 13.8 | 107% | 53.5 | 25.3 | 111% |
| Active Customers(1),(2) | 29,591 | 22,829 | 30% | - | - | - |
| Average Order Size(1) | 143 | 116 | 23% | 141 | 119 | 18% |
| ***Blush Lane Business Segment*** | | | | | | |
| Revenues | 9.6 | 9.3 | 3% | 19.1 | 16.8 | 13% |
| Same-Store Sales(1) | 3% | 14% | | 13% | 5% | |

(1) Please refer to "Metrics and Reconciliation of Non-IFRS Financial Measures" at the end of this press release for further details.
(2) The "Active customers" metric is based on the number of individual customer accounts that have completed an order on Freshlocal's eCommerce platform in the past 90 days, measured as of the period end noted.

The financial information above relating to the fiscal quarters ended April 3, 2021 and March 28, 2020 of SPUD should be read in conjunction with the unaudited interim condensed consolidated financial statements of SPUD for the three months and six months ended April 3, 2021 and March 28, 2020, and the management's discussion and analysis of SPUD for the three months and six months ended April 3, 2021 and March 28, 2020, respectively. Copies of these documents can be found on Freshlocal's SEDAR profile at www.sedar.com.

### *Business Highlights for the Second Quarter of FY2021, and the Period Subsequent to Quarter End*

- ***SVB Financing*:** In March 2021, SPUD secured a revolving loan facility of up to $15.0 million with Silicon Valley Bank ("SVB"). The loan facility is secured by a first-priority cash collateral, matures on March 12, 2023, and bears interest at the greater of (i) a floating per annum rate equal to 3.05% above the Canadian Prime Rate and (ii) 5.25%, which is payable monthly. The proceeds from the facility will be used to fund the continued development of the Company's eGMS platform as well as for expansion and working capital purposes.
- ***Freshlocal Shares Commenced Trading on the TSX***: In a press release dated April 16, 2021, Freshlocal announced the completion of its qualifying transaction which consisted of a reverse take-over of the Company. Following completion of the transaction, Freshlocal's common shares commenced trading on the TSX on April 21, 2021 under the symbol "LOCL".
- ***Carrefour Equity Participation Right***: In April 2021, the Company and SPUD entered into an Amended Equity Participation Right Agreement (the "**Equity Participation Agreement**") with Carrefour S.A., pursuant to which Carrefour S.A. was granted the right to purchase up to 9.9% of the Company's common shares on an undiluted basis, calculated on a post-issuance basis, issued and outstanding at the time of exercise of such right (the "EPR"), upon payment of a price per share equal to a 15% discount from the market price at the time the EPR will be exercised. The EPR was subject to the completion of a Qualifying Transaction and the execution of a new SaaS agreement with Carrefour S.A. or one of its affiliates in the European territory as contemplated in the Equity Participation Agreement (the "Contemplated SaaS Agreement"). Following the completion of the Qualifying Transaction and the execution of the Contemplated SaaS Agreement, the conditions governing the EPR have now been met and the rights as described in the Equity Participation Agreement may now be exercised by Carrefour S.A., in whole or in part, at any time and from time to time prior to November 7, 2022.
- ***Successful Implementation of the FoodX Grocery E-commerce Solution in Belgium:*** On May 4, 2021, Freshlocal announced that its wholly-owned subsidiary, Food-X Technologies Inc. ("FoodX"), a leading end-to-end software solution for profitable online grocery fulfillment, reached an important milestone in its strategic partnership with Carrefour Group ("Carrefour"), a longstanding global leader in the grocery industry, with the commencement of operations of Carrefour's new e-commerce fulfillment centre in Belgium. This new facility has at its core the FoodX software-as-a-service (SaaS)-based eGrocery Management Solution (eGMS) to improve the productivity and profitability of operations, and the customer experience.

### About Freshlocal Solutions Inc.

Freshlocal Solutions is a Vancouver-based company that is building a leadership position in the provision of end-to-end grocery e-commerce solutions. The Company operates two primary businesses, FoodX and eGrocery, both of which support its corporate mission to leverage innovation and technology to create a sustainable and profitable food system for all. Food-X Technologies ("FoodX") is Freshlocal Solutions' scalable end-to-end SaaS-based eGrocery Management Solution (eGMS) which is designed to meet the needs of large and small grocery retailers while providing profitable unit economics. The FoodX eGMS is the culmination of over 20 years of experience in online grocery and the company's proven track record of delivering efficiently, sustainably and profitably. The Company's consumer eGrocery business has expanded into one of Canada's largest online grocery companies, with a focus on delivering fresh, local, organic produce and groceries, along with exceptional customer experiences. Freshlocal Solutions serves the main urban markets in Alberta and British Columbia through its brick and mortar store locations operating under the Blush Lane and Be Fresh banners, as well as through FRESHLOCAL.ca which is the Company's award-winning online eGrocery platform. Freshlocal's common shares are listed on the Toronto Stock

Exchange under the symbol "LOCL". Please visit www.freshlocalsolutions.com.

***Notice on Forward Looking Information***

*Certain statements and information herein, including all statements that are not historical facts, contain forward-looking statements and forward-looking information within the meaning of applicable securities laws. Such forward-looking statements or information include but are not limited to statements or information with respect to the strategic partnership between the Company and Carrefour Group or the exercise of the EPR by Carrefour S.A. Often, but not always, forward-looking statements or information can be identified by the use of words such as "estimate", "project", "belief", "anticipate", "intend", "expect", "plan", "predict", "may" or "should" and the negative of these words or such variations thereon or comparable terminology are intended to identify forward-looking statements and information.*

*With respect to forward-looking statements and information contained herein, the Company has made numerous assumptions including among other things, assumptions about general business and economic conditions of the Company and the market in which it operates. The foregoing list of assumptions is not exhaustive.*

*Although management of the Company believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that forward-looking statements or information herein will prove to be accurate. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. These factors include, but are not limited to: risks associated with the business of the Company; business and economic conditions in the eGrocery industry generally; the supply and demand for labour and other project inputs; changes in commodity prices; changes in interest and currency exchange rates; risks relating to unanticipated operational difficulties (including failure of technology or processes to operate in accordance with specifications or expectations, cost escalation, unavailability of materials and equipment, government action or delays in the receipt of government approvals, industrial disturbances or other job action, and unanticipated events related to health, safety and environmental matters); changes in general economic conditions or conditions in the financial markets; changes in laws; risks related to the direct and indirect impact of COVID-19 including, but not limited to, its impact on general economic conditions; the ability to obtain financing as required; and other risk factors as detailed from time to time. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.*

## Metrics and Reconciliation of Non-IFRS Financial Measures

SPUD uses metrics and non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented later in this section. These measures should be considered as a complement to financial performance measures in accordance with IFRS and to provide further understanding of SPUD's operating results from management's perspective. They do not substitute, are not superior to them and do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures as presented by other issuers.

| Non-IFRS Metrics | Definition |
|---|---|
| eGrocery Average Order Size | The eGrocery Average Order Size ("AOS") is defined as total sales net of returns and credits, divided by the number of orders made for the period. The Company believes that AOS is a useful metric for readers because it is indicative of eGrocery adoption, consumers expanding their share of purchases made online and the strength of our online consumer business. |

| | |
|---|---|
| Active Customers | Based on the number of individual customer accounts that have completed an order on our eCommerce platform in the past 90 days, measured as of the period end noted. |
| Same-Store Sales | Retail segment sales from the same location for stores in operation in that location in both periods. |
| **Non-IFRS Financial Measures** | **Definition** |
| Adjusted Operating Loss | Adjusted Operating Loss represents net income or loss before net finance expenses (income), depreciation and amortization expense and stock-based compensation expense. We believe that this is a more representative measure to monitor the Company's operational results. |
| Gross Profit | Gross Profit represents revenue net of returns and credits less cost of sales. |

The financial information has been prepared in accordance with IFRS. However, financial measures used, namely adjusted operating loss, total asset, less cash and cash equivalents as well as net indebtedness for which a reconciliation is presented in the following table, do not have any standardized meaning under IFRS and could be calculated differently by other companies. Those measures may not be comparable to similar measures described by other companies, as IFRS does not have standard definitions for these measures. These measures should be considered as a complement to IFRS measures and for further understanding of the SPUD's operating results. Users should use these non-IFRS measures in conjunction with the IFRS financial statements for each applicable period.

This section presents a reconciliation of financial information in the unaudited interim Condensed Consolidated financial statements of SPUD for the three months and six months ended April 3, 2021 to non-IFRS measures used in this press release.

The following tables summarize non-IFRS measures used in this press release for the three months and six months of SPUD ended April 3, 2021 and March 28, 2020.

## Adjusted Operating Loss

| | **Three Months Ended** | | **Six Months Ended** | |
|---|---|---|---|---|
| Period ended (In thousands of Canadian dollars) | **April 3, 2021** | March 28, 2020 | **April 3, 2021** | March 28, 2020 |
| Net loss and comprehensive loss | **$(12,146)** | $(5,167) | **$(28,070)** | $(10,315) |
| Net finance expense | **8,178** | 1,425 | **20,273** | 2,440 |
| Depreciation and amortization expense | **1,256** | 974 | **2,375** | 2,043 |
| Stock based compensation expense | **303** | 77 | **626** | 154 |
| **Adjusted operating loss** | **(2,409)** | (2,691) | **(4,796)** | (5,678) |

## Gross Profit

| | **Three Months Ended** | | **Six Months Ended** | |
|---|---|---|---|---|
| Period ended (In thousands of Canadian dollars) | **April 3, 2021** | March 28, 2020 | **April 3, 2021** | **March 28, 2020** |
| Revenue | **34,936** | 21,846 | **$66,808** | $39,687 |
| Cost of sales | **(21,599)** | (13,977) | **(41,786)** | (25,393) |
| **Gross Profit** | **13,337** | 7,869 | **25,022** | 14,294 |

SOURCE Freshlocal Solutions Inc.

View original content to download multimedia: http://www.newswire.ca/en/releases/archive/May2021/11/c5980.html

%SEDAR: 00044837E

**For further information:** Investor Relations: Ian S. Tharp, CFA, (416) 567-2563, ir@freshlocalsolutions.com; Media Relations: media@freshlocalsolutions.com

CO: Freshlocal Solutions Inc.

CNW 21:47e 11-MAY-21