

# Sol Cuisine Reports Financial Results for the Three and Nine Months Ended June 30, 2021

08/30/2021

- Gross Sales of \$6.1 million in Q3 2021; Gross Sales of \$18.7 million in the first nine months of 2021, +42.4% compared to the same period in 2020.
- Gross Margin of 8.5% in Q3 2021; Gross Margin of 13.0% in the first nine months of 2021, +699bps vs. the same period in 2020.
- Continued to grow distribution footprint, including the introduction of Sol Cuisine products in all Costco Mexico stores during Q4, and the launch of four of the Company's SKUs nationally in Walmart Canada stores and on Walmart.ca, which was announced this morning.
- Continued progress against key strategic pillars, including expanded distribution in existing channels and new channels; The Company launched its initial e-commerce capabilities during Q4.

MISSISSAUGA, ON, Aug. 30, 2021 /CNW/ - Sol Cuisine Ltd. ("Sol Cuisine" or the "Company") (TSXV: VEG) a growth-oriented North American plant-based protein leader, today reported the financial results for its wholly-owned subsidiary, Sol Cuisine Inc. for the three and nine months ended June 30, 2021. All figures are in Canadian dollars (\$) unless otherwise specified.

## Summary Financial Results

	Three months ending		Nine months ending	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Gross Sales	\$6,085,189	\$6,022,624	\$18,717,414	\$13,148,079
Revenue <sup>ii</sup>	\$5,570,180	\$5,451,800	\$17,233,820	\$11,712,792
Gross Profit	\$471,804	\$911,676	\$2,245,349	\$707,480
Gross Margin	8.5%	16.7%	13.0%	6.0%
Adjusted EBITDA <sup>iii</sup>	(\$940,066)	\$729,602	(\$1,960,931)	(\$1,071,984)
Net Income (Loss) and Comprehensive Income (Loss)	\$190,587	(\$404,519)	(\$2,931,582)	(\$3,420,319)
Basic and Diluted Income (Loss) per Share	\$0.01	(\$0.04)	(\$0.17)	(\$0.34)

## Management Commentary

**John Flanagan, CEO of Sol Cuisine** commented, "During the first nine months of 2021, our team made significant strides against all four pillars of our strategy designed

to generate sustainable growth. Despite more muted growth in Q3 due to lower industry-wide sales in the retail and club channels as consumer demand patterns adjusted to a post-COVID world, Sol Cuisine generated more than 40% growth in gross sales in the first nine months of the year, and a roughly 700 basis point improvement in gross margin."

**Mr. Flanagan** continued, "Since the time of our public listing, we have deepened our distribution reach and relationships with top retailers such as Metro, Sobeys, Loblaw Companies and Costco, and launched in a new country with one of those partners – Costco – which is now carrying Sol Cuisine products in all of their stores in Mexico. This morning, we announced that four Sol Cuisine products will be launched across approximately 200 stores and through Walmart.ca in Canada, this September. From an operating perspective we are firing on all cylinders, and we expect our efforts to get our delicious, nutritionally superior offerings into the hands of more consumers will generate both volume growth and steady margin expansion as we ramp up production at our fully built-out production facilities."

## **Review of Execution of Growth Strategy**

Sol Cuisine is focused on executing a clear and actionable strategy designed to deliver continued growth. This strategy is focused on four primary pillars: introducing breakthrough product innovation; generating brand velocity; aggressively expanding retail distribution; and launching and growing in important new channels. The Company continued to make progress during the quarter, with successes including:

- **Breakthrough product innovation:** In the quarter, the Company launched appetizers and entrees in a bagged format which has received favourable initial reception by consumers. The Company continues to innovate and create exciting new SKUs that complement existing protein formats.
- **Brand velocity:** In the quarter, the Company grew brand velocity by focusing on promotional partnerships with key national grocery retailers. The Company's Sol Cuisine wings, meatballs, Turk'y Roasts and Chik'n tenders have performed well, already exceeding the velocity exhibited by the Company's leading burger products. The introduction of Falafel, Chik'n Bites, Chik'n Tenders, Meatballs and Wings in the U.S. are also selling ahead of expectations. The Company has multiple campaigns launching over the next two quarters with retail partners to drive brand equity.
- **Distribution footprint:** In the quarter, the Company added products through Canadian retail banners including: Loblaws, Sobeys, Costco, Farm Boy and Whole Foods. In the U.S. the Company added products through retail banners including: Weis, Tops and Club Foods. The Company is engaged in discussions to add additional retailers in both Canada and the U.S.
- **Launch and growth in important new channels:** The Company continued to grow its presence in the key U.S. Club and Food Service segments with launches and/or expansions in Costco (Midwest region), Publix, Little Spoon and Target Deli. In early Q4, Sol Cuisine announced the launch of its initial e-

commerce capabilities, which will enable customers to locate and purchase products directly through several leading grocery platforms.

## Summary of Recent Corporate Developments

- On August 19, 2021, the Company announced a new distribution agreement with National Co-op Grocers (NCG) in the U.S. to sell a selection from the Company's line of plant-based Bites appetizers. Sol Cuisine's Crispy Chik'n Bites and Spinach Chickpea Bites are available across NCG's 200 stores in 39 states. This is the Company's first distribution agreement with NCG which has combined annual sales over \$2.3 billion and more than 1.3 million consumer-owners.
- On August 11, 2021, the Company announced the launch of one of its most popular SKUs – Buffalo Cauliflower Chik'n Wings – in all 39 Costco stores in Mexico. This is the first time that Sol Cuisine products have been offered in the Mexican market. The products were launched on-shelf beginning August 23rd.
- On August 5, 2021, Sol Cuisine announced that it had appointed experienced financial leader Adam Kozak, as Chief Financial Officer of the Company. Mr. Kozak succeeds David McLaren and assumed the role on August 9, 2021. Mr. McLaren continues to provide support through a transitional period. Mr. Kozak has over 20 years of experience in Finance, M&A Integration, and Investor Relations in both established and emerging industries. Most recently he held the role of CFO for a privately held group of direct store delivery, warehousing, and logistics companies. While holding the role of CFO at TerrAscend Corp. Adam led the Company through several of its key milestones, including the successful completion of TerrAscend's capital reorganization and structuring and executing the Company's milestone M&A transactions that laid the foundation for entering into the U.S. market becoming a leading North American operator. Prior to joining TerrAscend Adam spent over 10 years at Loblaw Companies Limited where he held progressive roles in Finance, Investor Relations, M&A Integration, Loyalty and Consumer Insights.
- On July 30, 2021, the Company announced it was launching the first of multiple planned national freezer bunker programs with Sobeys featuring 7 SKUs across its grocery stores with a focus on Ontario, British Columbia, Alberta and Nova Scotia. The program featured Sol Cuisine's Hot & Spicy Chik'n Wings, Crispy Chik'n Tenders, Crispy Tempura Filets, Zesty Italian Style Meatballs, Crispy Chik'n Bites, Spinach Chickpea Bites and Spicy Black Bean Bites.
- On July 14, 2021, Sol Cuisine announced it had launched initial e-commerce capabilities in partnership with Destini™ Global, LLC ("Destini"), a leading provider of digital solutions to innovative CPG brands in North America, underpinned by a powerful store-level database and tool set. Available at [solcuisine.com](https://solcuisine.com), these initial capabilities include: a product locator, to help customers locate Sol Cuisine products in nearby stores; and an e-commerce link to eight established sites where customers can purchase Sol Cuisine products directly. In Canada, [solcuisine.com](https://solcuisine.com) will link to: Voila, Loblaws, Instacart, Real Canadian Superstore, Safeway, SaveonFoods, Maxi, Cornershop, and Vejii. In the U.S., [solcuisine.com](https://solcuisine.com) will link to: Instacart, Cornershop, and Vejii. In addition

to these consumer-facing capabilities, the Destini platform includes a robust suite of consumer demand analytics, which will enable Sol Cuisine to map consumer interest, track search results and match the launch of new or additional SKUs in areas that align with consumer demand based on hard data.

## Non-IFRS Financial Measures

### *Adjusted EBITDA and Adjusted EBITDA Margin*

Adjusted EBITDA and adjusted EBITDA margin are both non-IFRS financial measures. Adjusted EBITDA is defined as net income or loss before income taxes, net finance costs, depreciation and amortization, impairment losses, restructuring costs, one-time cost related to going public and stock-based compensation, while adjusted EBITDA margin is defined as the percentage of adjusted EBITDA to revenue. We believe that adjusted EBITDA and adjusted EBITDA margin are useful measures of financial performance because they provide an indication of the Company's ability to seize growth opportunities in a cost-effective manner, finance its ongoing operations and service its long-term debt.

The following information provides reconciliations of the supplemental non-IFRS financial measure presented herein to the most directly comparable financial measure calculated and presented in accordance with IFRS.

### Reconciliation of Net Income (Loss) to Adjusted EBITDA:

	Three months ending		Nine months ending	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>Net Income (Loss)</b>	<b>\$190,587</b>	<b>(\$404,519)</b>	<b>(\$2,931,582)</b>	<b>(\$3,420,319)</b>
Finance charges and interest	70,991	338,538	509,876	\$450,534
Depreciation and amortization (including amount expensed through COGS)	519,735	772,003	1,536,926	1,670,972
Impairment of long-term assets	-	-	-	150,241
One-time costs related to RTO process	1,655,832	-	1,870,662	-
Share-based payments	254,601	23,580	684,999	76,588
Gain on conversion of pref. shares	(3,631,812)	-	(3,631,812)	-
<b>Adjusted EBITDA</b>	<b>(\$940,066)</b>	<b>\$729,602</b>	<b>(\$1,960,931)</b>	<b>(\$1,071,984)</b>
<b>% of Revenue</b>	<b>(16.9%)</b>	<b>13.4%</b>	<b>(11.4%)</b>	<b>(9.2%)</b>

## About Sol Cuisine Ltd.

Sol Cuisine is the publicly traded parent company of Sol Cuisine Inc. following the completion of its "qualifying transaction" on May 19, 2021. Sol Cuisine is a fast-growing producer of branded, consumer-preferred plant-based protein offerings across key

center-of-plate and appetizer categories. The Company's products are offered through an established omni-channel distribution platform in Canada and the U.S., and Mexico, and are available in over 11,000 stores and more than 41,000 unique points of distribution. The Company offers sells its products to four primary channels: Canada Retail Sales & Club; U.S. Retail Sales & Club; Food Service & Industrial; and Private Label. Over a history of 20+ years, Sol Cuisine has consistently demonstrated an ability to innovate and delight consumers in Canada and the U.S., while remaining true to its commitment to producing great tasting products that are nutritionally superior both to meat-based offerings and to competitive plant-based products. This commitment has resulted in several Canadian product wins, including the #1 frozen plant-based burger in Canada, the #1 consumer-preferred chicken alternative and the #1 quality roast product as determined by Whole Foods Market. The Company's taste and nutritional superiority has also resulted in private label contracts with some of the most recognized natural brands in North America. These products are all produced at Sol Cuisine's two state of the art facilities, totaling 35,000 square foot facility in Mississauga, Ontario, capable of supporting up to 10 million kilograms of volume per annum.

For more details on Sol Cuisine's consumer brands:

Website: [www.solcuisine.com](http://www.solcuisine.com)

Instagram: [@solcuisine](https://www.instagram.com/solcuisine)

Facebook: [@solcuisine](https://www.facebook.com/solcuisine)

Twitter: [@solcuisine](https://twitter.com/solcuisine)

LinkedIn: [@solcuisine](https://www.linkedin.com/company/solcuisine)

## **Forward Looking Statements**

This press release includes forward-looking information within the meaning of Canadian securities laws regarding the Company and its business. Often but not always, forward-looking information can be identified by the use of words such as "expect", "intends", "anticipated", "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would" or "will" be taken, occur or be achieved. Such statements are based on the current expectations and views of future events of the management of each entity, and are based on assumptions and subject to risks and uncertainties. Although the management believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect. The forward-looking events and circumstances discussed in this press release may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting the company, including risks regarding the size of the industry, the growth of the market for the Company's products, the rate and quantity of production at the Company's facilities, market conditions, economic factors, management's ability to manage and to operate the business of the Company and the equity markets generally. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Accordingly, readers should not place undue reliance on any forward-looking statements or

information. No forward-looking statement can be guaranteed. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

**The TSX Venture Exchange has not reviewed, approved, or disapproved the content of this news release.**

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i Defined as Gross Profit divided by Revenue

ii Defined as Gross Sales less sales discounts and other deductions

iii Adjusted EBITDA is a non-IFRS financial measure. See the section of this news release entitled "Non-IFRS Financial Measures: Adjusted EBITDA"

SOURCE Sol Cuisine Ltd.