

# OVERVIEW OF GREENSPACE BRANDS ACQUISITION OF US BASED GALAXY NUTRITIONAL FOODS INC. (“GO VEGGIE”)



December 20<sup>th</sup> 2017

## Forward Looking Information

Certain statements in this press release may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements concerning (i) the Acquisition; (ii) the completion of the Acquisition; (iii) anticipated approvals; (iv) the time to the closings; and (v) results of the completion of the Acquisition. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. Such forward-looking statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements including, without limitation, the risks that: (1) the information provided to GreenSpace by Galaxy turns out to be misleading, untrue or incomplete; (2) the Acquisition may not be completed for any reason whatsoever, including that regulators may not approve the Acquisition; (3) the closings may not occur as scheduled or at all; and (4) GreenSpace may not achieve the results currently anticipated. Although GreenSpace believes that the expectations reflected in its forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because GreenSpace can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this press release, assumptions have been made regarding and are implicit in, among other things, the timely receipt of required regulatory approvals. Details of the risk factors relating to GreenSpace and its business are discussed under the heading "Risk Factors" in the preliminary short form prospectus filed on the date hereof and "Risks and Uncertainties Related to the Business" in GreenSpace' annual information form dated July 18, 2017, a copy of which is available on GreenSpace' SEDAR profile at [www.sedar.com](http://www.sedar.com). Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used. Forward-looking information is based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by GreenSpace and described in the forward looking information. The forward-looking information contained in this press release is made as of the date hereof and GreenSpace undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward looking information contained in this press release is expressly qualified by this cautionary statement.

*Neither the TSX Venture Exchange nor its regulation services provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

*This press release does not constitute or form a part of any offer or solicitation to buy or sell any securities in the United States or any other jurisdiction*

# TRANSACTION HIGHLIGHTS

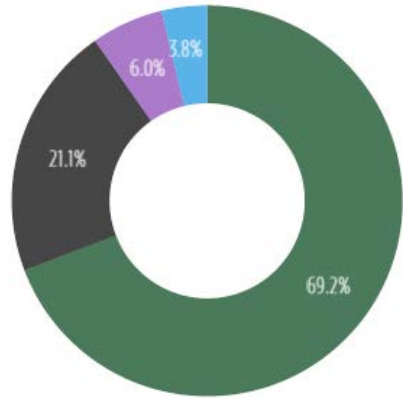
- ▶ Greenspace Brands (“GSB”) will acquire all of the outstanding shares of Galaxy Nutritional Foods Inc (“Galaxy”), who owns the “Go Veggie” brand, for a total purchase price of approximately US\$17.8M (~1.1x sales)
  
- ▶ ~\$17.8M USD Allocation
  - \$4.5M - Cash
  
  - \$5.72M - Vendor Take Back (“VTB”) Loan with following terms:
    - 8.5% annual coupon rate due 24 months after close
    - GSB optional prepayments anytime without penalty
    - 2<sup>nd</sup> security position to that of all outstanding existing secured debt
  
  - \$7.62M - GSB Common Shares with the following terms:
    - 7.16m shares at \$1.37 share price (approximately a 14.2% premium to the closing market price on December 19<sup>th</sup>, 2017)
    - “Share Lock-Up Agreement” - The parties will enter into an agreement to which approximately 45.5% of the common share consideration shall be locked up for 12 months after the closing date, 5.3% of the Share Consideration shall be in escrow for 13 months and the remaining 50% shall be locked up for 18 months after the closing date.

# OVERVIEW OF “GO VEGGIE”

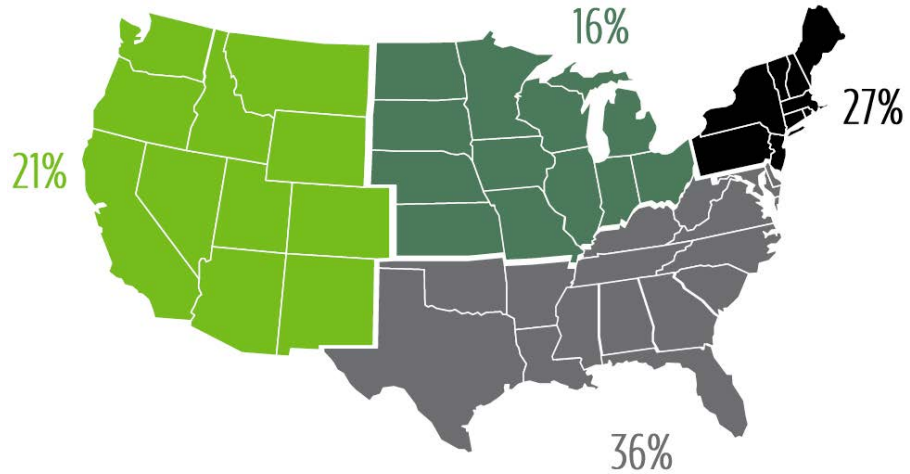
- ▶ GO VEGGIE provides a variety of flavours and product variations of non-dairy cheese alternatives including vegan cream cheese, vegan parmesan, vegan shredded cheese, vegan dips, vegan slices and a lactose free line of cheese slices and shreds
- ▶ Established business in one of the fastest growing verticals of plant based non-dairy foods
- ▶ Established in 1972 and headquartered in North Kingstown, Rhode Island
- ▶ Team of 21 people, including industry veteran **Rick Antonelli** who will continue working with the company to help build out the brand and market portfolio in the United States for GreenSpace Brands
- ▶ Strong listings in the US (diversified account base of over 12K PODs) with private label contracts in place
- ▶ Category leading products in several vegan cheese segments including plant based and non-dairy parmesan, cream cheese and dips

# COMPANY OVERVIEW: DISTRIBUTION

SALES BY CHANNEL



- Grocery Channel
- Natural Channel
- International Channel
- Mass / Foodservice / Other Channels



GROCERY	NATURAL	INTERNATIONAL

# COMPANY OVERVIEW: PRODUCTS

Singles

VEGAN

LACTOSE FREE

LACTOSE & SOY FREE



Shreds

VEGAN

LACTOSE FREE

LACTOSE & SOY FREE



Cream Cheese

VEGAN



Parmesan

VEGAN

LACTOSE FREE



Bars

VEGAN

LACTOSE & SOY FREE



Spread & Dip Minis

VEGAN



# REASONS TO BE EXCITED

- ▶ **Immediately Accretive Deal**
  - ▶ ~20% on a sales basis : ~1.1x sales multiple vs ~1.3x GSB sales multiple
- ▶ **Great opportunity to enter US market**
  - ▶ Reasonably priced acquisition in a rapidly growing vertical
  - ▶ Established business with an EBITDA positive operating model<sup>2</sup>
- ▶ **Vertical of Plant Based Dairy is One of the Fastest Growing Markets**
  - ▶ Plant Based global market is expected to be US\$19.5B in 2020 (CAGR of 15.5% from 2015 to 2020)<sup>1</sup>
  - ▶ Millennials eating less dairy and meat, and looking for alternatives
  - ▶ Comparable deal in same space recently sold at 4.1x sales (versus 1.1x for current deal)
- ▶ **Strong Gross Margin Profile at ~40%<sup>2</sup>**
  - ▶ Product mix provides a strong gross margin profile across diversified customer base
- ▶ **Synergistic Opportunities Exist on Both Sides of the Border**
  - ▶ Growth opportunities exist through cross border exposure of current Canadian and US brands
- ▶ **Highly experienced leader in Rick Antonelli with excellent contacts across the US**
  - ▶ Former COO of UNFI (the largest Natural Food distributor in the world)

<sup>1</sup> Dairy Alternatives Market by Type (Soy, Almond, Coconut, Rice, Oat, Hemp), Formulation (Plain & Sweetened, Plain & Unsweetened, Flavored & Sweetened, Flavored & Unsweetened), Application (Food, Beverages), and Region - Global Forecast to 2022 (<https://www.marketsandmarkets.com/PressReleases/dairy-alternative-plant-milk-beverages.asp>)

<sup>2</sup> Based on Galaxy's most recent management-prepared quarterly financial statements prepared in accordance with United States generally accepted accounting principles

# OPPORTUNITIES FOR FUTURE GROWTH

- ▶ **Utilize US Infrastructure/Relationships to Launch Unique Canadian Products in US**
  - ▶ US Platform is established and paid for with this transaction
    - ▶ US launch of most unique existing GSB items comes with reduced cost and risk
    - ▶ Strong potential for increased revenue, gross profit and ebitda
- ▶ **Retain and Optimize Existing GO VEGGIE Team Members as Base of US platform for GSB**
  - ▶ Experienced team with strong understanding of US market dynamics
- ▶ **Go Veggie Packaging and Image Update**
  - ▶ Adjust “brand voice” and packaging to speak to the expanding opportunity with millennial consumers
  - ▶ Focus on defending/expanding shelf space by utilizing a phased-in change approach
- ▶ **Strong Focus on New Products and Development of New Markets**
  - ▶ Continued innovation in plant based dairy vertical (cheese/yogourt)
  - ▶ Plant Based dairy CAGR is 18.7% in China with strong push to dairy alternatives<sup>3</sup>
  - ▶ Canadian distribution for Go Veggie is a significant opportunity with no existing strong domestic brand