



Innovative Food Holdings, Inc. Reports Financial Results for Second Quarter of 2023

August 10, 2023

Key highlights:

- *Second quarter adjusted EBITDA improved by \$1.2 million to \$453,947, first profitable second quarter since 2019*
- *Second quarter revenue down 8.2% year-over-year to \$18.8 million*
- *Gross margin improved 377 basis points to 25.4%*
- *SG&A declined by 271 basis points to 24.2%*
- *\$1.3 million in positive cash flow from operations, an improvement of \$1.7 million compared to Q2 2022*

BONITA SPRINGS, Fla., Aug. 10, 2023 (GLOBE NEWSWIRE) -- Innovative Food Holdings, Inc. (OTCQB: IVFH) ("IVFH" or the "Company"), a national seller of gourmet specialty foods to professional chefs and home gourmets, today reported its financial results for the second quarter of 2023.

"During the second quarter, our revenue declined by 8.2%. Both our eCommerce and Specialty Foodservice businesses contributed to the declines, though both declined less than our expectations. On the eCommerce business, we continued to restrict marketing spend relative to historical levels as we improve the business model, leading to declines of 30.7%, in line with trends in the prior three quarters. Now that we've run four quarters of marketing cuts and revenue declines, we expect these revenue headwinds to subside in future quarters. On the Specialty Foodservice business, revenue declined 5.1% as post-COVID reopening trends normalized. This normalization, combined with our recent price increases and a change in the technology platform used by a key partner, have led to a smaller, though significantly more profitable business for us. We expect this Specialty Foodservice revenue softness to continue at a similar magnitude for the remainder of the year while our new growth plans begin to take shape. Our plan to improve the fundamentals of the company's business model made significant progress, with gross margins increasing 377 basis points to 25.4% and SG&A decreasing 271 basis points to 24.2%, compared with Q2 of 2022. These improvements drove a \$1.2 million improvement in net income to \$13,471, and a \$1.2 million improvement to adjusted EBITDA to \$453,947, or 2.4% of revenue, marking the fourth consecutive quarter of year-over-year improved adjusted profitability, and our first profitable Q2 since 2019. Lastly, our strong financial performance resulted in \$1.3M in positive operating cash flow, compared to \$0.4 million of cash used in operating activities in Q2 2022, an improvement of \$1.7 million," stated Bill Bennett, CEO of Innovative Food Holdings.

"We also exit our second quarter with a dramatically reshaped balance sheet, enabled by the restructuring of our loans through Maple Mark bank, receiving a loan guarantee from the USDA, and receiving additional working capital from the USDA. As a result, we improved net working capital to a positive \$4.5 million in the second quarter, compared to a deficit of \$4.7 million in the prior quarter, an improvement in net working capital of over \$9 million. As part of the transaction, Maple Mark has also increased our revolver by an additional \$1 million. Due to the Company's improved operations performance along with its restructured balance sheet, we believe that we now have adequate near-term liquidity to implement our business plan."

Mr. Bennett continued, "It's exciting to see the impacts of our plan begin to take shape as we see improvements in our capital structure, margins, expenses, and profit, and revenue declines less than we had expected. As we look forward, improving near term profitability and operating cash flow continue to be top priorities. This includes delivering continued improvements to gross margin by enhancing our product mix, building a more strategic pricing and promotional plan with supplier support, and reducing shipping expenses. We also remain committed to establishing a new lower baseline in SG&A expenses as we optimize our corporate structure, and proactively reduce spending on digital marketing programs."

"Over the past five months as my tenure as CEO has developed, my level of confidence in the opportunity that lies ahead for IVFH continues to increase. We have a solid foundation, a passionate and committed team, and an industry with tremendous long-term potential. We recognize the importance of maintaining a laser focus on our top priorities in a complex economic environment to create a robust, profitable, and sustainable business model. As we navigate the ever-changing landscape of the food industry, we are confident in our ability to adapt, innovate, and capitalize on opportunities that will drive long-term shareholder value," concluded Mr. Bennett.

Financial Results

Revenues in the 2023 second quarter decreased 8.2% to \$18.8 million, compared to \$20.5 million for the three months ended June 30, 2023. Second-quarter revenue was impacted by a 5.1% decrease in specialty foodservice revenue. Second-quarter eCommerce revenue was down 30.7% to \$2.2 million from \$3.2 million for the same period last year, as the Company continues to proactively reduce spending on digital marketing and improve the customer experience to drive marketing efficiency.

The following table sets forth IVFH's revenue by business category for the months ended June 30, 2023, and June 30, 2022 (unaudited):

	Three Months Ended				
	June 30, 2023	% of Net Sales	June 30, 2022	% of Net Sales	% Change
Specialty Foodservice	\$ 16,046,000	85.3%	\$ 16,901,000	82.4%	-5.1%
E-Commerce	2,208,000	11.7%	3,185,000	15.5%	-30.7%

National Brand Management	309,000	1.6%	252,000	1.2%	22.6%
Logistics	270,000	1.4%	185,000	0.9%	45.9%
Total IVFH	\$ 18,833,000	100%	\$ 20,523,000	100%	-8.2%

For the 2023 second quarter, gross margin as a percentage of sales was 25.4%, compared to 21.7% for the same period last year, primarily due to improved margin and mix management and lower shipping costs.

For the 2023 second quarter, selling, general, and administrative (SG&A) expenses were \$4.6 million, or 24.2% of revenue, compared to \$5.5 million, or 26.9% of revenue for the same period last year. The \$0.9 million, or 2.7% year-over-year reduction in SG&A expense was primarily the result of restructuring the Company's marketing and advertising programs, as well as by overall cost-cutting efforts.

The Company recorded GAAP net income for the 2023 second quarter of \$0.013 million, or \$0.0 per share, compared to a GAAP net loss of \$(1.2 million), or \$(0.03) per share, in the prior year's second quarter.

Adjusted EBITDA, a non-GAAP metric (see tables below), for the 2023 second quarter was \$452,947, or \$0.009 per share, compared to \$(714,718), or \$(0.015) per share, for the same period last year. Adjusted EBITDA accounts for the impact of non-core items including an addback for interest, taxes, amortization expense, expense on the extinguishment of debt, and stock related expenses in both 2023 and 2022.

Conference Call

IVFH will host an investor call on August 10, 2023 at 9:00 am Eastern Time via Zoom and by phone. The purpose of the meeting will be for management to discuss the Company's second fiscal quarter results for the quarter ended June 30, 2023, followed by Q&A with investors.

Investors and other interested participants may attend the call on the web or by phone as follows:

Join Zoom Meeting online: <https://us02web.zoom.us/j/83669790398?pwd=NG9qcXVpeE03WmtTb0pZK1hXNjNiQT09>

Meeting ID: 836 6979 0398
Passcode: 487262

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- +1 253 205 0468 US
- +1 253 215 8782 US (Tacoma)
- +1 346 248 7799 US (Houston)
- +1 669 444 9171 US
- +1 360 209 5623 US
- +1 386 347 5053 US
- +1 507 473 4847 US
- +1 564 217 2000 US
- +1 646 931 3860 US
- +1 689 278 1000 US
- +1 929 205 6099 US (New York)
- +1 301 715 8592 US (Washington DC)
- +1 305 224 1968 US
- +1 309 205 3325 US
- +1 312 626 6799 US (Chicago)

Find your local number: <https://us02web.zoom.us/u/k4nlmiVeT>

About Innovative Food Holdings, Inc.

At IVFH, we help make meals special. We provide access to foods that are hard to find, have a compelling story, or are on the forefront of food trends. Our gourmet foods marketplace connects the world's best artisan food makers with top professional chefs and passionate home gourmets nationwide. We curate the assortment, experience, and tech enabled tools that help our professional and home chefs create unforgettable experiences for their guests and families. IVFH's owned online retail brands include www.igourmet.com, www.plantbelly.com and www.mouth.com. Additional information is available at www.ivfh.com.

Forward-Looking Statements

This release contains certain forward-looking statements and information relating to Innovative Food Holdings, Inc. (the "Company") that are based on the current beliefs of the Company's management, as well as assumptions made by, and information currently available to, the Company. Such statements reflect the current views of the Company with respect to future events and are subject to certain assumptions, including those described in this release. Should one or more of these underlying assumptions prove incorrect, actual results may vary materially from those described herein as "should," "could," "will," "anticipate," "believe," "intend," "plan," "might," "potentially" "targeting" or "expect." Additional factors that could also cause actual results to differ materially relate to international crises, environmental and economic issues and other risk factors described in our public filings. The Company does not intend to update these forward-looking statements. The content of the websites referenced above are not incorporated herein.

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Consolidated Balance Sheets
(unaudited)

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,172,432	\$ 4,899,398
Accounts receivable, net	4,604,872	4,969,395
Inventory	2,619,771	3,053,852
Other current assets	390,091	289,432
Total current assets	<u>13,787,166</u>	<u>13,212,077</u>
Property and equipment, net	7,754,787	7,921,561
Right of use assets, operating leases, net	120,575	152,425
Right of use assets, finance leases, net	503,363	570,323
Other amortizable intangible assets, net	10,332	30,994
Tradenames and other unamortizable intangible assets	1,532,822	1,532,822
Total assets	<u>\$ 23,709,045</u>	<u>\$ 23,420,202</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,444,639	6,853,253
Accrued separation costs, related parties, current portion	350,590	-
Accrued interest	61,316	18,104
Deferred revenue	1,084,122	1,558,155
Line of Credit	2,014,333	2,014,333
Notes payable - current portion	119,627	5,711,800
Lease liability - operating leases, current	65,356	64,987
Lease liability - finance leases, current	190,507	191,977
Total current liabilities	<u>9,330,490</u>	<u>16,412,609</u>
Note payable, net of discount	8,934,659	-
Accrued separation costs, related parties, non-current	957,892	-
Lease liability - operating leases, non-current	55,219	87,438
Lease liability - finance leases, non-current	240,166	333,092
Total liabilities	<u>19,518,426</u>	<u>16,833,139</u>
Commitments & Contingencies (see note 16)		
Stockholders' equity		
Common stock: \$0.0001 par value; 500,000,000 shares authorized; 50,969,327 and 49,427,297 shares issued, and 48,131,747 and 46,589,717 shares outstanding at June 30, 2023 and December 31, 2022, respectively	5,092	4,938
Additional paid-in capital	42,608,233	42,189,471
Common stock to be issued, 847,320 and 1,499,940 shares at June 30, 2023 and December 31, 2022, respectively	85	150
Treasury stock: 2,623,171 and 2,623,171 shares outstanding at June 30, 2023 and December 31, 2022, respectively.	(1,141,370)	(1,141,370)
Accumulated deficit	(37,281,421)	(34,466,126)
Total liabilities and stockholders' equity	<u>4,190,619</u>	<u>6,587,063</u>
Total stockholders' equity	<u>\$ 23,709,045</u>	<u>\$ 23,420,202</u>

Innovative Food Holdings, Inc.
Consolidated Statements of Operations
(unaudited)

	<u>For the Three Months Ended June 30, 2023</u>	<u>For the Three Months Ended June 30, 2022</u>	<u>For the Six Months Ended June 30, 2023</u>	<u>For the Six Months Ended June 30, 2022</u>
Revenue	\$ 18,833,321	\$ 20,523,156	\$ 35,828,521	\$ 36,166,267
Cost of goods sold	<u>14,040,410</u>	<u>\$ 16,074,259</u>	<u>26,949,099</u>	<u>27,991,438</u>
Gross margin	4,792,911	4,448,897	8,879,422	8,174,829
Selling, general and administrative expenses	4,556,149	5,522,049	9,355,235	10,694,475
Separation costs - executive officers	-	-	1,945,650	-
Total operating expenses	<u>4,556,149</u>	<u>5,522,049</u>	<u>11,300,885</u>	<u>10,694,475</u>
Operating income (loss)	236,762	(1,073,152)	(2,421,463)	(2,519,646)
Other income (expense):				
Gain on interest rate swap	-	-	-	294,000

Loss on extinguishment of debt	-	(40,556)	-	(40,556)
Other leasing income	1,900	2,294	3,800	7,384
Interest expense, net	(209,357)	(112,372)	(381,798)	(195,345)
Total other income (expense)	(207,457)	(150,634)	(377,998)	65,483
Net income (loss) before taxes	29,305	(1,223,786)	(2,799,461)	(2,454,163)
Income tax expense	15,834	-	15,834	-
Net income (loss)	<u>\$ 13,471</u>	<u>\$ (1,223,786)</u>	<u>\$ (2,815,295)</u>	<u>\$ (2,454,163)</u>
Net income (loss) per share - basic	<u>\$ 0.00</u>	<u>\$ (0.03)</u>	<u>\$ (0.06)</u>	<u>\$ (0.05)</u>
Net income (loss) per share - diluted	<u>\$ 0.00</u>	<u>\$ (0.03)</u>	<u>\$ (0.06)</u>	<u>\$ (0.05)</u>
Weighted average shares outstanding - basic	<u>49,064,084</u>	<u>46,855,525</u>	<u>48,764,822</u>	<u>46,557,498</u>
Weighted average shares outstanding - diluted	<u>49,064,084</u>	<u>46,855,525</u>	<u>48,764,822</u>	<u>46,557,498</u>

Innovative Food Holdings, Inc.
Consolidated Statements of Cash Flows
(unaudited)

	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022
Cash flows from operating activities:		
Net loss	\$ (2,815,295)	\$ (2,454,163)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	286,869	279,735
Amortization of right of use asset	31,850	35,162
Amortization of prepaid loan fees	-	20,582
Amortization of discount on notes payable	729	-
Stock based compensation	250,851	367,492
Loss on extinguishment of debt	-	40,556
Gain on valuation of stock appreciation rights	(419)	-
Provision (recoveries) for doubtful accounts	50,905	8,056
Changes in assets and liabilities:		
Accounts receivable, net	313,618	(1,779,184)
Inventory and other current assets, net	333,422	41,607
Accounts payable and accrued liabilities	(1,303,268)	627,395
Accrued separation costs - related parties	1,476,482	-
Deferred revenue	(474,033)	(409,159)
Operating lease liability	(31,850)	(35,162)
Net cash used in operating activities	<u>(1,880,139)</u>	<u>(3,257,083)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(32,473)	(92,633)
Net cash used in investing activities	<u>(32,473)</u>	<u>(92,633)</u>
Cash flows from financing activities:		
Payment of offering costs for stock previously issued	-	(50,000)
Cash received from notes payable, net of costs	3,285,588	-
Principal payments on debt	-	(167,001)
Principal payments financing leases	(99,942)	(85,176)
Cost of debt financing	-	(110,305)
Net cash provided by (used in) financing activities	<u>3,185,646</u>	<u>(412,482)</u>
Increase (decrease) in cash and cash equivalents	1,273,034	(3,762,198)
Cash and cash equivalents at beginning of period	4,899,398	6,122,671
Cash and cash equivalents at end of period	<u>\$ 6,172,432</u>	<u>\$ 2,360,473</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	<u>\$ 342,081</u>	<u>\$ 128,798</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>
Non-cash investing and financing activities:		
(Decrease) Increase in right of use assets & liabilities	<u>\$ -</u>	<u>\$ (13,216)</u>
Finance lease for fixed assets	<u>\$ -</u>	<u>\$ 42,500</u>
Debt to Fifth Third Bank paid directly by Maple Mark Bank	<u>\$ -</u>	<u>\$ 7,686,481</u>

Issuance of common stock for severance agreement previously accrued

\$ 168,000 \$ -

Innovative Food Holdings, Inc.
Reconciliation of GAAP to Non-GAAP Measures
Adjusted EBITDA Calculations
(unaudited, except share and per share amounts)

	Three Months Ended	
	(unaudited)	
	June 30,	June 30,
	2023	2022
Adjusted EBITDA & EBITDA per share (1)		
Revenue	\$ 18,833,321	\$ 20,523,156
Net Income (Loss)	13,471	(1,223,786)
Interest, net	209,357	112,372
Taxes	15,834	-
Depreciation and Amortization (2)	141,482	141,374
EBITDA (3)	\$ 380,144	\$ (970,040)
Loss on extinguishment of debt	-	40,556
Stock related expenses (4)	72,803	214,766
Adjusted EBITDA	\$ 452,947	\$ (714,718)
Weighted Avg. Shares Outstanding	49,064,084	46,855,525
Adjusted EBITDA per share	\$ 0.009	\$ (0.015)

(1) Adjusted EBITDA and Adjusted EBITDA per share are each a non-GAAP metric. Management believes that the presentation of these non-GAAP financial measures provides useful information to investors because the information may allow investors to better evaluate ongoing business performance and certain components of the Company's results. In addition, the Company believes that the presentation of these financial measures enhances an investor's ability to make period-to-period comparisons of the Company's operating results. This information should be considered in addition to the results presented in accordance with GAAP, and should not be considered a substitute for the GAAP results.

(2) Includes non-cash depreciation and amortization charges

(3) Earnings before interest, taxes, depreciation, and amortization

(4) Includes stock and options-based compensation and expenses