Innovative Food Holdings, Inc. Reports Financial Results For Third Quarter And First Nine Months Of 2020

November 17, 2020

Third Quarter E-commerce Revenue Increased 165% to a Third Quarter Record of $4.2 Million
Third Quarter Active E-commerce Customers Increased Over 150% Compared to the Prior Year Period
Enhanced Specialty Food E-Commerce Platform Is Well Positioned for 2020 Online-Centric Holiday Season

BONITA SPRINGS, Fla., Nov. 17, 2020 (GLOBE NEWSWIRE) -- Innovative Food Holdings, Inc. (OTCQB: IVFH) ("IVFH" or the "Company"), a direct-to-chef and a direct-to-consumer platform that provides high-quality, unique specialty foods through e-commerce offerings and multichannel partnerships, today reported its financial results for the third quarter and first nine months of 2020.

"The third quarter represents the culmination of two years of integrating, planning, and investing in our e-commerce platform. During the quarter, we launched our new igourmet.com website, modernized our corporate website, transitioned to a new warehouse, and re-aligned our e-commerce structure. We were able to achieve record third quarter e-commerce sales as a result of strong customer demand, while undertaking significant structural changes throughout our organization to support our compelling growth dynamics and optimize our platform driven cost structure," stated Sam Klepfish, CEO of Innovative Food Holdings.

"The COVID-19 crisis continues to affect our specialty foodservice business, which has had a material impact on total sales and overall profitability throughout 2020. We are working hard to support our foodservice customers during this period, but we continue to see challenging market conditions within our foodservice business."

"While trends within our foodservice business remain difficult, we are focusing on driving top- and bottom-line growth through our e-commerce platform. This includes leveraging the marketing and customer acquisition experience of our team at Mouth, while also expanding new channel relationships and growing our e-commerce product lines. I am pleased with how our teams have responded and I am extremely excited by our enhanced position heading into the seasonally strong fourth quarter," concluded Mr. Klepfish.

Record E-Commerce Activity
For the 2020 third quarter, e-commerce revenue increased over 165%, compared to the same period last year, to a third quarter record of $4.2 million. Year-to-date, e-commerce revenue has increased approximately 166% from $5.5 million to $14.5 million. IVFH had over 20,000 active e-commerce customers in the third quarter, which is an increase of over 150% from the same period last year. Mouth.com continued to experience particularly strong demand as third quarter sales at Mouth.com increased over 500%, driven in part by investments in digital marketing.

E-commerce Realignment
As part of IVFH's ongoing e-commerce transformation, the experienced digital marketing team at Mouth.com is now managing the entire e-commerce front end of IVFH's platform including igourmet.com, and the Company's brand strategy and branding, marketing strategy and execution, content, and photography. igourmet's best-in-class operating team and platform will now support the Company's procurement, inventory management and tracking, warehousing and warehouse management, fulfillment, logistics and customer service capabilities. The team at Mouth is now focused on developing successful digital marketing strategies at igourmet.com for the 2020 holiday season, and both Mouth and igourmet.com are well positioned for strong consumer and corporate demand.

New igourmet.com Website Successfully Launched
The new igourmet.com website was launched in September 2020 and provides epicurean customers with direct access to over 5,000 specialty food and specialty grocery products. Igourmet.com was built from the ground up on Shopify's e-commerce platform, which supports leading digital, data, and marketing capabilities, and provides users with an intuitive, user friendly, and visually pleasing online gastronomic experience. This is the first major relaunch and re-platform of igourmet.com since it was founded in 1997.

Transition to New Mountain Top, Pennsylvania Warehouse Complete
During the 2020 third quarter, IVFH opened its new warehouse in Mountain Top, Pennsylvania. The warehouse is located on approximately 15 acres and includes over 200,000 square feet of useable warehouse space, providing capacity for significant volume expansion at a minimal cost. The new facility features a modern and efficient layout and includes freezer and refrigeration space to support the Company's entire product line. As part of our operational improvement and e-commerce initiatives, we have enhanced our warehouse management system, added new logistics technologies, and created new processes. We believe these efforts will increase operating efficiencies and enhance overall profitability in the coming quarters.

Financial Results

IVFH's revenue were $11.2 million during the three months ended September 30, 2020, compared to $13.5 million for the three months ended September 30, 2019. E-commerce revenue increased over 165%, driven by the Company's ability to increase customers, conversion and sales at its e-commerce properties and partially offset a 42% decline in specialty foodservice revenues. The decline in foodservice revenue was driven by the continued impact the COVID-19 pandemic has had on the Company's foodservice customers. For the 2020 nine months ended September 30, 2020, total revenue was $36.5 million, compared to $40.3 million last year.

The following table sets forth IVFH's revenue by business category for the three and nine months ended September 30, 2020, and September 30, 2019 (unaudited):

	Three Months Ended

	September 30, 2020	% of Net Sales	September 30, 2019	% of Net Sales	% Change
Specialty Foodservice	$ 6,733,000	60%	$ 11,575,000	86%	-42%
E-commerce	4,158,000	37%	1,572,000	12%	165%
National Brand Management	254,000	2%	319,000	2%	-21%
Logistics	90,000	1%	-	-	-
Total IVFH	$ 11,235,000	100%	$ 13,466,000	100%	-17%

	Nine Months Ended				
	September 30, 2020	% of Net Sales	September 30, 2019	% of Net Sales	% Change
Specialty Foodservice	$ 20,751,000	57%	$ 33,542,000	83%	-38%
E-commerce	14,490,000	40%	5,452,000	14%	166%
National Brand Management	787,000	2%	1,256,000	3%	-37%
Logistics	510,000	1%	-	-	-
Total IVFH	$ 36,538,000	100%	$ 40,250,000	100%	-9%

For the 2020 third quarter, selling and administrative (SG&A) expenses were $4.5 million, compared to $3.8 million for the same period last year, and $4.8 million for the 2020 second quarter. The year-over-year increase, which included costs associated with COVID-19, was primarily due to an increase in payroll related costs, higher advertising costs, and increased IT and computers expenses, credit card fees, and other operating expenses. For the 2020 nine months, SG&A expenses were $14.0 million, compared to $11.6 million in the prior year period.

The Company reported a net loss for the 2020 third quarter of $(1.6 million), or $(0.05) per share, compared to a net loss of $(158,000), or $(0.00) per share, in the prior year's third quarter. For the first nine months of 2020, the Company reported a net loss of $(6.6 million), or $(0.19) per share, compared to net income of $28,000, or $0.00 per diluted share, for the first nine months of 2019. The net loss of the 2020 nine-month period included a non-cash $1.7 million impairment charge recorded during the 2020 first quarter.

Net income adjusted for non-core items for the 2020 third quarter was a loss of $(1.5 million), or $(0.042) per share, compared to adjusted net income of $149,000, or $0.004 per diluted share, for the same period last year. For the nine months ended September 30, 2020, adjusted net income was a loss of $(4.0 million), or $(0.116) per share, compared to adjusted net income of $1.0 million, or $0.030 per diluted share, for the same period last year

Cash EBITDA, a non-GAAP metric (see tables below), for the 2020 third quarter was a loss of $(1.3 million), compared to Cash EBITDA of $234,000 in the prior year third quarter. For the nine months ended September 30, 2020, Cash EBITDA was a loss of $(3.5 million), compared to Cash EBITDA of $1.3 million for the same period a year ago.

About Innovative Food Holdings, Inc.
Innovative Food Holdings, Inc. is a direct-to-chef and a direct-to-consumer platform providing over 7,000 of the highest quality, unique specialty food products directly to chefs and direct to consumers nationwide, through e-commerce offerings and multichannel partnerships. Our direct-to-consumer offerings includes www.igourmet.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 the global COVID-19 crisis. The Company does not intend to update these forward-looking statements. The content of the websites referenced above are not incorporated herein.

Innovative Food Holdings, Inc.
Consolidated Balance Sheets

	September 30, 2020 (unaudited)	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,717,545	$ 3,966,050
Accounts receivable, net	1,792,109	3,309,830
Inventory	3,254,645	2,350,622
Other current assets	373,060	273,689
Total current assets	9,137,359	9,900,191

Property and equipment, net	8,355,674	6,645,389
Investments	480,900	435,225
Right to use assets, operating leases, net	270,951	193,733
Right to use assets, finance leases, net	287,741	174,631
Other amortizable intangible assets, net	98,000	1,342,741
Goodwill and other unamortizable intangible assets	1,532,822	2,183,065
Total assets	$ 20,163,447	$ 20,874,975
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 4,049,953	$ 4,009,956
Accrued interest	24,621	16,973
Deferred revenue	339,785	499,776
Line of Credit	2,000,000	-
Notes payable - current portion, net of discount	1,473,403	727,766
Lease liability - operating leases, current	89,844	133,296
Lease liability - finance leases, current	53,036	29,832
Contingent liability - current portion	187,000	187,000
Total current liabilities	8,217,642	5,604,599
Lease liability - operating leases, non-current	181,107	60,437
Lease liability - finance leases, non-current	251,462	154,905
Contingent liability - long-term	124,600	156,600
Note payable - long term portion, net	6,545,319	3,881,037
Total liabilities	15,320,130	9,857,578
Commitments & Contingencies (see note 16)	-	-
Stockholders' equity		
Common stock: $0.0001 par value; 500,000,000 shares authorized; 37,891,225 and 37,210,859 shares issued, and 35,053,645 and 34,373,279 shares outstanding at September 30, 2020 and December 31, 2019, respectively	3,785	3,718
Additional paid-in capital	37,267,757	36,889,818
Treasury stock: 2,623,171 shares outstanding at September 30, 2020 and December 31, 2019, respectively.	(1,141,370)	(1,141,370)
Accumulated deficit	(31,286,855)	(24,734,769)
Total stockholders' equity	4,843,317	11,017,397
Total liabilities and stockholders' equity	$ 20,163,447	$ 20,874,975

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	$ 11,234,626	$ 13,465,764	$ 36,538,195	$ 40,250,430
Cost of goods sold	8,367,565	9,864,484	27,237,525	28,608,233
Gross margin	2,867,061	3,601,280	9,300,670	11,642,197
Selling, general and administrative expenses	4,466,631	3,754,012	13,974,822	11,560,838
Impairment of intangible assets	-	-	1,698,952	-
Total operating expenses	4,466,631	3,754,012	15,673,774	11,560,838
Operating (loss) income	(1,599,570)	(152,732)	(6,373,104)	81,359
Other (income) expense:				
Other leasing income	10,977	-	32,833	-
Gain on sale of fixed assets	-	12,495	-	12,495
Interest expense, net	(54,749)	(17,377)	(211,815)	(66,004)
Total other (income) expense	(43,772)	(4,882)	(178,982)	(53,509)
Net (loss) income before taxes	(1,643,342)	(157,614)	(6,552,086)	27,850

Income tax expense	-	-	-	-
Net (loss) income	$ (1,643,342)	$ (157,614)	$ (6,552,086)	$ 27,850
Net (loss) income per share - basic	$ (0.05)	$ (0.00)	$ (0.19)	$ 0.00
Net (loss) income per share - diluted	$ (0.05)	$ (0.00)	$ (0.19)	$ 0.00
Weighted average shares outstanding - basic	35,260,060	34,060,498	34,739,378	34,021,245
Weighted average shares outstanding - diluted	35,260,060	34,060,498	34,739,378	34,021,245

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

	For the Nine Months Ended September 30,	
	2020	**2019**
Cash flows from operating activities:		
Net (loss) income	$ (6,552,086)	$ 27,850
Adjustments to reconcile net income to net cash used in operating activities:		
Impairment of intangible assets	1,698,952	-
Depreciation and amortization	567,803	921,096
Amortization of right-of-use asset	137,712	140,303
Amortization of prepaid loan fees	9,403	-
Stock based compensation	378,006	297,503
Gain on sale of fixed assets	-	(12,495)
Provision (recovery) for doubtful accounts	226,254	(1,633)
Changes in assets and liabilities:		
Accounts receivable, net	1,291,467	(183,787)
Inventory and other current assets, net	(1,049,069)	(444,183)
Accounts payable and accrued liabilities	47,645	(1,090,986)
Deferred revenue	(159,991)	(361,741)
Contingent liabilities	(32,000)	-
Operating lease liability	(137,712)	(140,303)
Net cash used in operating activities	(3,573,616)	(848,376)
Cash flows from investing activities:		
Cash paid for website development	(14,000)	-
Cash received from the sale of fixed assets	-	12,495
Acquisition of property and equipment	(128,618)	(131,095)
Purchase of intangible assets	-	(47,000)
Investment in food related company	-	(35,200)
Net cash used in investing activities	(142,618)	(200,800)
Cash flows from financing activities:		
Sales of common stock	-	250,000
Cash paid in settlement of contingent liabilities in connection with acquisitions	-	(296,719)
Proceeds from note payable	-	-
Proceeds from line of credit	2,000,000	-
Proceeds from Payroll Protection Plan Loan	1,650,221	-
Principal payments on debt	(149,705)	(818,819)
Principal payments financing leases	(32,787)	(19,108)
Net cash provided by (used in) financing activities	3,467,729	(884,646)
Decrease in cash and cash equivalents	(248,505)	(1,933,822)
Cash and cash equivalents at beginning of period	3,966,050	4,759,817
Cash and cash equivalents at end of period	$ 3,717,545	$ 2,825,995
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		

Interest	$ 196,392	$ 68,812
Taxes	$ -	$ -
Non-cash investing and financing activities:		
Issuance of 131,136 shares of common stock previously accrued	$ -	$ 93,666
Right to use assets and liabilities - operating, upon adoption of ASU 2016-02	$ -	$ 338,581
Equipment financed under note payable	$ 1,900,000	$ -
Return of equipment and reduction in amount due under equipment financing loan	$ -	$ 33,075
Fair value of 9,524 shares of common stock issued for services	$ -	$ 5,143
Increase in right of use assets & liabilities	$ 214,930	$ 98,301
Investment in food related company	$ 45,675	$ 45,500
Capital lease for purchase of fixed assets	$ 152,548	$ -

	Three Months Ended (unaudited)		Nine Months Ended (unaudited)	
	September 30, 2020	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**
Adjusted Net Income and EPS [1]				
Revenue	$ 11,234,626	$ 13,465,764	$ 36,538,195	$ 40,250,430
Net Income	(1,643,342)	(157,614)	(6,552,086)	27,850
Amortization of intangible assets [2]	-	210,028	210,032	689,726
One-time charges	-	-	1,917,891	-
Stock related expenses [3]	156,897	96,108	378,006	292,360
Adjusted Net Income	**$ (1,486,445)**	**$ 148,522**	**$ (4,046,157)**	**$ 1,009,936**
Weighted Avg. Shares Outstanding Diluted [4]	35,260,060	34,060,498	34,739,378	34,021,245
Adjusted Fully Diluted EPS	**$ (0.042)**	**$ 0.004**	**$ (0.116)**	**$ 0.030**

	Three Months Ended (unaudited)		Nine Months Ended (unaudited)	
	September 30, 2020	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**
Cash EBITDA [1]				
Net Income	$ (1,643,342)	$ (157,614)	$ (6,552,086)	$ 27,850
Interest expense, taxes & other income	43,772	4,882	178,982	53,509
Depreciation & amortization	125,338	290,430	567,804	921,097
One-time charges	-	-	1,917,891	-
Stock related expenses [3]	156,897	96,108	378,006	292,360
Cash EBITDA	**$ (1,317,335)**	**$ 233,806**	**$ (3,509,403)**	**$ 1,294,816**

(1) Adjusted Net Income and Cash EBITDA 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 amortization charges related to assets acquired

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

(4) Full Year GAAP weighted fully diluted share count

Company Contact:
Ronit Wallerstein
Investor Relations
Innovative Foods Holdings, Inc.
(718) 645-1755
rwallerstein@IVFH.com

Investor and Media Contact:
Andrew M. Berger
Managing Director
SM Berger & Company, Inc.
(216) 464-6400
andrew@smberger.com