



Innovative Food Holdings, Inc. Reports Financial Results for Second Quarter and First Half of 2020

August 18, 2020

*COVID-19 Crisis Accelerates Ongoing Digital and Direct-to-Consumer Transformation
Second Quarter e-commerce Revenue Increased Over 317% to a Record \$7.5 Million
Second Quarter Active and Unique e-commerce Customers Increased Over 266% Compared to the Prior Year Period*

BONITA SPRINGS, Fla., Aug. 18, 2020 (GLOBE NEWSWIRE) -- Innovative Food Holdings, Inc. (OTCQB: IVFH), ("IVFH" or "the Company"), an interconnected data-driven platform of specialty food companies that provide chefs and consumers direct access to the highest quality unique specialty food products as well as gift boxes and other curated products across the U.S., today reported its financial results for the second quarter and first half of 2020.

"The COVID-19 pandemic has accelerated our ongoing transformation to a digitally-enabled, e-commerce-centric, direct-to-consumer and direct-to-chef company as second quarter e-commerce sales increased over 317% to a record \$7.5 million and unique e-commerce customers for the quarter grew over 266% to more than 79,500 unique customers. I am extremely proud of our team's response to the significant and rapid surge in e-commerce demand during the 2020 second quarter, and I am thankful that IVFH was able to provide customers across the country with essential food products in a safe and timely manner."

"As we head into the second half of the year and the upcoming holiday season, momentum across our direct and third-party e-commerce channels is accelerating. Our enhanced digital marketing strategy is producing favorable results, across all e-commerce channels including particularly strong record sales growth at Mouth.com during the second quarter. We believe that as positive e-commerce trends continue, there are significant specialty food and specialty grocery e-commerce opportunities for IVFH. In addition, as we move towards the coming launch of the new igourmet.com website, we are particularly excited about additional growth opportunities related to the execution of our expanded digital marketing strategies, which will leverage the expertise, synergies, and success achieved by the team at Mouth.com. Furthermore, during the third quarter, we plan on migrating our Pennsylvania operation to a new warehouse, which is expected to improve efficiencies and enhance logistics, packaging, and automation capabilities. As a result, we are targeting greater overall and per unit efficiencies and productivity, and higher profitability of e-commerce as we move towards the anticipated increased demand of the fourth quarter."

Mr. Klepfish continued "The COVID-19 crisis continues to have a meaningful impact on the specialty foodservice market. We are working hard to support our customers during this challenging period, and we believe we are strongly positioned to grow specialty foodservice revenues as economic conditions improve. Our direct-to-consumer e-commerce platform as well as our leading procurement and logistic capabilities allowed IVFH to quickly pivot resources and respond to the rapidly-changing market, which partially offset lower foodservice revenue during the quarter as a result of the COVID-19 crisis. We believe that IVFH's leading multi-channel infrastructure and e-commerce-centric platform are uniquely positioned to offer our products directly to a growing customer base. In addition, we continue to accelerate compelling partnership opportunities with large, national retailers and other specialty food companies, leveraging years of experience working with corporate partners. Going forward, we are focused on continuing to leverage the positive momentum underway at IVFH and the multiple opportunities we have to expand e-commerce sales and bottom-line profitability."

IVFH's revenue were \$12.0 million during the three months ended June 30, 2020, compared to \$13.9 million for the three months ended June 30, 2019. E-commerce revenue increased over 317%, driven by the Company's ability to increase customers, conversion and sales at its e-commerce properties and partially offset a 65% decline in specialty foodservice revenues. The decline in foodservice revenue was driven by the nationwide closures of restaurants and other foodservice establishments related to COVID-19. For the first half of fiscal 2020, total revenue was \$25.3 million, compared to \$26.8 million last year.

For the 2020 second quarter, IVFH had over 79,500 active and unique e-commerce customers, which is an increase of approximately 267% from the same period last year and is up nearly 100% from the 2020 first quarter.

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

	Three Months Ended				
	June 30, 2020	% of Net Sales	June 30, 2019	% of Net Sales	% Change
Specialty Foodservice	\$ 4,105,000	34%	\$ 11,670,000	84%	-65%
E-commerce	7,454,000	62%	1,784,000	13%	318%
National Brand Management	283,000	3%	471,000	3%	-41%
Logistics	156,000	1%	-	-	-
Total IVFH	\$ 11,998,000	100%	\$ 13,925,000	100%	-14%

	Six Months Ended				
	June 30, 2020	% of Net Sales	June 30, 2019	% of Net Sales	% Change
Specialty Foodservice	\$ 14,018,000	55%	\$ 21,968,000	82%	-36%

E-commerce	10,332,000	41%	3,880,000	15%	166%
National Brand Management	533,000	2%	937,000	3%	-43%
Logistics	420,000	2%	-	-	-
Total IVFH	\$ 25,304,000	100%	\$ 26,785,000	100%	-6%

For the 2020 second quarter, selling and administrative (SG&A) expenses were \$4.9 million, compared to \$4.0 million for the same period last year, and \$4.6 million for the 2020 first quarter. The \$0.9 million, or approximately 21.8% year-over-year increase, which included costs associated with COVID-19, was primarily due to a \$0.5 million increase in digital marketing expenses, \$0.4 million of higher payroll and related costs including higher fulfillment costs as we focused on providing food to our customers, increases in professional and legal fees of \$0.2 million, and \$0.2 million of higher costs associated with banking and credit card fees, taxes, and insurance. For the 2020 first half, SG&A expenses were \$9.5 million, compared to \$7.8 million in the prior year period.

The Company reported a net loss for the 2020 second quarter of \$(1.6 million), or \$(0.05) per share, compared to net income of \$22,000, or \$0.00 per diluted share, in the prior year's second quarter. For the first six months of 2020, the Company reported a net loss of \$(4.9 million), or \$(0.14) per share, compared to net income of \$0.2 million, or \$0.01 per diluted share, for the first six months of 2019.

Adjusted net income for the 2020 second quarter was a loss of \$(1.5 million), or \$(0.043) per share, compared to adjusted net income of \$0.4 million, or \$0.011 per diluted share, for the same period last year. For the six months of 2020, adjusted net income was a loss of \$(2.6 million), or \$(0.074) per share, compared to adjusted net income of \$0.9 million, or \$0.025 per diluted share, for the same period last year.

Cash EBITDA a non-GAAP metric (see tables below), for the 2020 second quarter was a loss of \$(1.3 million), compared to Cash EBITDA of \$0.5 million in the prior year quarter. For the 2020 first six months, Cash EBITDA was a loss of \$(2.2 million), compared to EBITDA of \$1.1 million for the same period a year ago.

About Innovative Food Holdings, Inc.

Innovative Food Holdings, Inc. is an interconnected data driven platform of small, specialty food companies serving business and consumer customers. The platform offers efficient, cost effective, and transparent sourcing of over 7,000 specialty food products including proprietary branded products. Sales channels on the platform include specialty foodservice channels and data driven DTC e-commerce channels including leading specialty food direct-to-consumer e-commerce websites www.igourmet.com and www.mouth.com as well as a strong specialty food omnichannel offering via www.amazon.com, www.ebay.com and www.walmart.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 (unaudited)

	June 30, 2020	December 31, 2019
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,258,069	\$ 3,966,050
Accounts receivable, net	1,870,850	3,309,830
Inventory	2,830,047	2,350,622
Other current assets	342,839	273,689
Total current assets	10,301,805	9,900,191
Property and equipment, net	7,377,629	6,645,389
Investments	465,225	435,225
Right to use assets, operating leases, net	301,392	193,733
Right to use assets, finance leases, net	304,647	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	<u>\$ 20,381,520</u>	<u>\$ 20,874,975</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,822,730	\$ 4,009,956

Accrued interest	44,259	16,973
Deferred revenue	227,821	499,776
Line of Credit	2,000,000	-
Notes payable - current portion, net	1,052,465	727,766
Lease liability - operating leases, current	99,972	133,296
Lease liability - finance leases, current	49,666	29,832
Contingent liability - current portion	187,000	187,000
Total current liabilities	7,483,913	5,604,599
Lease liability - operating leases, non-current	201,420	60,437
Lease liability - finance leases, non-current	266,946	154,905
Contingent liability - long-term	132,600	156,600
Note payable - long term portion, net	5,966,879	3,881,037
Total liabilities	14,051,758	9,857,578
Commitments & Contingencies (see note 17)	-	-
Stockholders' equity		
Common stock: \$0.0001 par value; 500,000,000 shares authorized; 37,556,746 and 37,210,859 shares issued, and 34,719,166 and 34,373,279 shares outstanding at June 30, 2020 and December 31, 2019, respectively	3,752	3,718
Additional paid-in capital	37,110,893	36,889,818
Treasury stock: 2,623,171 shares outstanding at June 30, 2020 and December 31, 2019	(1,141,370)	(1,141,370)
Accumulated deficit	(29,643,513)	(24,734,769)
Total stockholders' equity	6,329,762	11,017,397
Total liabilities and stockholders' equity	\$ 20,381,520	\$ 20,874,975

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

	For the Three Months Ended June 30, 2020	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Revenue	\$ 11,997,649	\$ 13,925,451	\$ 25,303,569	\$ 26,784,666
Cost of goods sold	<u>8,677,096</u>	<u>9,862,369</u>	<u>18,869,960</u>	<u>18,743,749</u>
Gross margin	3,320,553	4,063,082	6,433,609	8,040,917
Selling, general and administrative expenses	4,895,430	4,017,829	9,508,191	7,806,826
Impairment of intangible assets	-	-	<u>1,698,952</u>	-
Total operating expenses	4,895,430	4,017,829	11,207,143	7,806,826
Operating (loss) income	(1,574,877)	45,253	(4,773,534)	234,091
Other income (expense):				
Other leasing income	10,977	-	21,856	-
Interest expense, net	<u>(90,646)</u>	<u>(23,149)</u>	<u>(157,066)</u>	<u>(48,627)</u>
Total other (expense)	(79,669)	(23,149)	(135,210)	(48,627)
Net (loss) income before taxes	(1,654,546)	22,104	(4,908,744)	185,464

Income tax expense	-	-	-	-
Net (loss) income	<u>\$ (1,654,546)</u>	<u>\$ 22,104</u>	<u>\$ (4,908,744)</u>	<u>\$ 185,464</u>
Net (loss) income per share - basic	<u>\$ (0.05)</u>	<u>\$ 0.00</u>	<u>\$ (0.14)</u>	<u>\$ 0.01</u>
Net (loss) income per share - diluted	<u>\$ (0.05)</u>	<u>\$ 0.00</u>	<u>\$ (0.14)</u>	<u>\$ 0.01</u>
Weighted average shares outstanding - basic	<u>34,656,149</u>	<u>33,947,817</u>	<u>34,641,212</u>	<u>34,001,294</u>
Weighted average shares outstanding - diluted	<u>34,656,149</u>	<u>33,947,817</u>	<u>34,641,212</u>	<u>34,001,294</u>

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

	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Cash flows from operating activities:		
Net (loss) income	\$ (4,908,744)	\$ 185,464
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Impairment of intangible assets	1,698,952	-
Depreciation and amortization	442,465	631,026
Amortization of right-of-use asset	107,271	88,644
Amortization of prepaid loan fees	6,246	-
Stock based compensation	221,109	196,252
Provision for doubtful accounts	221,799	(2,779)
Changes in assets and liabilities:		
Accounts receivable, net	1,217,181	(6,665)
Inventory and other current assets, net	(578,575)	30,921
Accounts payable and accrued liabilities	(159,940)	(1,551,011)
Deferred revenue	(271,955)	(278,387)
Contingent liabilities	(24,000)	(63,768)
Operating lease liability	(107,271)	(88,644)
Net cash used in operating activities	<u>(2,135,462)</u>	<u>(858,947)</u>
Cash flows from investing activities:		
Cash paid for website development	(14,000)	(23,500)
Acquisition of property and equipment	(90,207)	(85,829)
Investment in food related company	-	(25,000)
Net cash used in investing activities	<u>(104,207)</u>	<u>(134,329)</u>
Cash flows from financing activities:		
Proceeds from line of credit	2,000,000	-
Proceeds from Payroll Protection Plan Loan	1,650,221	-
Principal payments on debt	(97,860)	(594,877)
Principal payments financing leases	(20,673)	(12,811)
Net cash provided by (used in) financing activities	<u>3,531,688</u>	<u>(607,688)</u>
Increase (decrease) in cash and cash equivalents	1,292,019	(1,600,964)

Cash and cash equivalents at beginning of period	3,966,050	4,759,817
Cash and cash equivalents at end of period	<u>\$ 5,258,069</u>	<u>\$ 3,158,853</u>

Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest	<u>\$ 125,396</u>	<u>\$ 49,337</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>

Non-cash investing and financing activities:

Issuance of 131,136 shares of common stock previously accrued	<u>\$ -</u>	<u>\$ 93,666</u>
Right to use assets and liabilities - operating, upon adoption of ASU 2016-02	<u>\$ -</u>	<u>\$ 388,581</u>
Return of equipment and reduction in amount due under equipment financing loan	<u>\$ -</u>	<u>\$ 33,075</u>
Building improvements financed under note payable	<u>\$ 851,934</u>	<u>\$ -</u>
Increase in right of use assets & liabilities	<u>\$ 214,930</u>	<u>\$ 18,701</u>
Investment in food related company	<u>\$ 30,000</u>	<u>\$ 30,500</u>
Capital lease for purchase of fixed assets	<u>\$ 152,548</u>	<u>\$ -</u>

	Three Months Ended (unaudited)		Six Months Ended (unaudited)	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Adjusted Net Income and EPS ⁽¹⁾				
Revenue	\$ 11,997,649	\$ 13,925,451	\$ 25,303,569	\$ 26,784,666
Net Income	(1,654,546)	22,104	(4,908,744)	185,464
Amortization of intangible assets ⁽²⁾	-	250,567	210,032	479,697
One-time charges	-	-	1,917,891	-
Stock related expenses ⁽³⁾	155,068	96,108	221,109	196,252
Adjusted Net Income	\$ (1,499,478)	\$ 368,779	\$ (2,559,712)	\$ 861,413
Weighted Avg. Shares Outstanding Diluted ⁽⁴⁾	34,641,212	33,947,817	34,641,212	34,001,294
Adjusted Fully Diluted EPS	\$ (0.043)	\$ 0.011	\$ (0.074)	\$ 0.025

	Three Months Ended (unaudited)		Six Months Ended (unaudited)	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Cash EBITDA ⁽¹⁾				
Net Income	\$ (1,654,546)	\$ 22,104	\$ (4,908,744)	\$ 185,464
Interest expense, taxes & other income	79,669	23,149	135,210	48,627
Depreciation & amortization	117,931	325,821	442,496	631,086
One-time charges	-	-	1,917,891	-
Stock related expenses ⁽³⁾	155,068	96,108	221,109	196,252
Cash EBITDA	\$ (1,301,878)	\$ 467,182	\$ (2,192,038)	\$ 1,061,429

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

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