Innovative Food Holdings, Inc. Reports Financial Results for Second Quarter 2024

August 14, 2024

Key Second quarter data points:

- *Revenue of $16.7 million, -10.1% vs. Q2 2023*
- *Specialty Foodservice revenue -4.3% vs. Q2 2023*
- *Gross margin declined by 41 basis points vs. Q2 2023 to 23.8%*
- *Adjusted gross margin improved by 36 basis points vs. Q2 2023, after adjusting for liquidation efforts related to the igourmet.com divestiture*
- *GAAP net loss from continuing operations of ($0.1) million, compared to a Q2 2023 net income of $0.1 million*
- *GAAP net income loss from continuing operations per fully diluted share of ($0.002) vs. Q2 2023 of $0.002*
- *Adjusted net income from continuing operations of $554K, compared to Q2 2023 of $819K*
- *Adjusted net income per fully diluted share of $0.011, compared to an adjusted net income per fully diluted share in Q2 2023 of $0.017*
- *Adjusted EBITDA of $821K, compared to $1.176M in Q2 2023*

BONITA SPRINGS, Fla., Aug. 14, 2024 (GLOBE NEWSWIRE) -- Innovative Food Holdings, Inc. (OTCQB: IVFH) ("IVFH" or the "Company"), a national seller of gourmet specialty foods to professional chefs, today reported its financial results for the second quarter of 2024.

Bill Bennett, Chief Executive Officer of IVFH, remarked, "As we messaged last quarter, Q2 2024 was anticipated to be our toughest revenue quarter of the year. Our overall revenue declined 10.1%, primarily due to our intentional ramp down of our direct-to-consumer e-commerce business, which saw a 52.2% decline, contributing 62% of the overall revenue decline. Our Specialty Foodservice revenue also declined by 4.3%, accounting for 37% of the overall declines. This was due to continued headwinds in our legacy drop ship business, partially offset by growth in our Artisan Specialty Foods business, our airlines business, and our newly added customers. Despite these challenges, we continued to make progress on the structure of our business, which will benefit us as we get back to growth. We grew adjusted gross margins (non-GAAP) by 36 basis points and reduced SG&A by more than $700K compared to last year, excluding non-cash items. We are pleased with this overall reduction in SG&A, since while we've been aggressively managing down expenses, we also substantially increased expenditures on growth-related items compared to the same period last year. GAAP Net Income declined by $103K vs. Q2 2023, driven by our sales softness. Adjusted EBITDA also declined, from $1.176M last year, to $821K this year."

Mr. Bennett added, "While this quarter was in line with our revenue expectations, we're not satisfied with the business's performance, and we are making material progress on our turnaround efforts. In fact, we continue to be confident that we'll return our foodservice business to year-over-year growth in the back half of the year, achieving annual 2024 growth, through three areas of focus:

1. **Previously disclosed growth opportunities:** Our business with a new broadline distributor partner has gotten off to a strong start with our non-perishable assortment, and the partner is now further accelerating our relationship by agreeing to expand into our perishable assortment.
2. **New growth initiatives:** This quarter, we launched a new, ten-store test with a large national retailer, where we are managing and supplying their gourmet cheese category for them.
3. **Resource reallocation:** We are leveraging the recently announced divestiture of our consumer e-commerce business to reallocate resources and focus on our profitable growth businesses. For example, we moved our Amazon marketplace expert from focusing on the consumer e-commerce business to our foodservice offering platform. Since this shift, we have onboarded more than 700 new items and achieved triple-digit growth rates."

"The Company has 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 believe in our ability to adapt, innovate, and capitalize on opportunities focused on driving long-term shareholder value," concluded Mr. Bennett.

Financial Results
Revenues in the second quarter of 2024 decreased 10.1% to $16.7 million, impacted by a 52.2% decrease in eCommerce revenue as the Company continued to ramp down the direct-to-consumer side of the business. Second quarter 2024 Specialty Foodservice revenue declined 4.3% reaffirming the prior communication that Q2 would be our toughest quarter.

The following table sets forth IVFH's revenue by business category for the quarter ended June 30, 2024, and June 30, 2023 (unaudited):

	For the Three Months Ended				
	June 30, 2024	**% of Net Sales**	**June 30, 2023**	**% of Net Sales**	**% Change**
Specialty Foodservice	15,354,697	92.2%	16,045,427	86.6%	-4.3%
E-Commerce	1,055,036	6.3%	2,205,221	11.9%	-52.2%
Logistics	249,257	1.5%	270,443	1.5%	-7.8%
Total IVFH	16,658,990	100%	18,521,091	100%	-10.1%

Gross margins as a percentage of sales decreased during the current period to 23.8% compared to 24.2% during the comparable period, a decline of 41 basis points, driven by our continued ramp down and liquidation efforts related to the consumer eCommerce business. However, after adjusting for these liquidation efforts, gross margins continued to make forward progress, improving by 36 bps during the comparable period, as we continued implementing our strategy to improve cost controls, better manage pricing, and focus more on product mix. Importantly, the improvement was driven by an increase in gross margins in the Specialty Foodservice business. Additionally, we renegotiated a new contract with our shipping provider which has just begun to materially reduce shipping expenses.

Selling, General, and Administrative expenses ("SG&A") decreased by $0.3 million or 7.6% to $3.9 million during the three months ended June 30, 2024 compared to $4.2 million for the three months ended June 30, 2023. The decrease in SG&A expenses was primarily due to a decrease in payroll and related costs of $0.3 million, a decrease in advertising and marketing costs of $0.2 million, a decrease in office and facilities costs of $0.1 million, and a decrease in depreciation and amortization of $0.1 million. These decreases were partially offset by an increase in non-cash compensation of $0.4 million associated with the revaluation of stock appreciation rights pursuant to a management compensation plan. Excluding non-cash compensation, SG&A expenses would have decreased by $0.7 million or 17.9%, resulting in a 190 basis point reduction in SG&A as a percentage of sales compared to the last year period.

The Company recorded GAAP net losses from continuing operations for the 2024 second quarter of $103k, compared to a net income of $83k in the prior year.

Adjusted Net Income, a non-GAAP metric (see tables below), for the 2024 second quarter was $553K, or $0.011 per fully diluted share, compared to $819K, or $0.017 per fully diluted share, in the prior year. Adjusted Net Income accounts for the impact of non-core expenses including addbacks for one-time organizational restructure expenses, gains or losses on sale of assets or subsidiaries, tradename impairments, amortization expense, expense on the extinguishment of debt, and stock related expenses in both 2024 and 2023.

Adjusted EBITDA, a non-GAAP metric (see tables below), for the 2024 second quarter was $821K compared to $1.176M in the prior year.

Adjusted Free Cash Flow, a non-GAAP metric (see tables below), for the 2024 second quarter was $597K compared to $926k in the prior year.

Conference Call
The Company's management will be holding an investor call on August 14, 2024 at 11:00 am Eastern Time to discuss the Company's second fiscal quarter results for the quarter ended June 30, 2024. At the end of the meeting, the Company will host a question-and-answer session with investors. All interested participants may attend the call on the web or by phone. The Company encourages those who wish to ask questions to join the call virtually through Zoom, rather than on the phone, as Zoom's "raise hand" feature makes it easier for management to identify questioners. Details for the meeting are as follows:

Join Zoom Meeting
https://us02web.zoom.us/j/82548501523?pwd=amjV9hfrqT7MstdCR8pB8eRnsSIRNM.1

Meeting ID: 825 4850 1523
Passcode: 788684
One tap mobile: +17193594580,,82548501523# US

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 nationwide. We curate the assortment, experience, and tech enabled tools that help our professional and home chefs create unforgettable experiences for their guests. Additional information is available at www.ivfh.com.

Forward-Looking Statements
This release contains certain forward-looking statements and information relating to 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, including those related to the Company's growth plans, 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, which include words such as "should," "could," "will," "anticipate," "believe," "intend," "plan," "might," "potentially" "targeting" or "expect", or similar expressions. Additional factors that could also cause actual results to differ materially relate to current conditions and expected future developments, international crises, environmental and economic issues and other risk factors described in the Company's public filings. As a result, readers are cautioned not to place undue reliance on these forward-looking statements and should understand that these statements are not guarantees of performance or results and that there are a number of risks, uncertainties and other important factors, many of which are beyond the Company's control, that could cause the Company's actual results to differ materially from those expressed in these statements, including, among others: economic factors affecting consumer confidence and discretionary spending; cost inflation/deflation and commodity volatility; competition; reliance on third party suppliers and interruption of product supply or increases in product costs; changes in the Company's relationships with vendors and customers. The Company does not intend to update these forward-looking statements.

For a detailed discussion of these risks, uncertainties and other factors that could cause the Company's actual results to differ materially from those anticipated or expressed in any forward-looking statements, see the section entitled "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission ("SEC"). Additional risks and uncertainties are discussed

from time to time in current, quarterly and annual reports filed by the Company with the SEC, which are available on the SEC's website at https://www.sec.gov/.

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Innovative Food Holdings, Inc.
Consolidated Balance Sheets

	June 30, 2024 (unaudited)	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,866,448	$ 5,327,016
Accounts receivable, net	5,198,153	4,307,726
Inventory	2,762,071	2,973,134
Other current assets	299,424	287,528
Assets held for sale	5,941,933	649,884
Current assets - discontinued operations	20,284	95,861
Total current assets	18,088,313	13,641,149
Property and equipment, net	934,353	7,000,015
Right of use assets, operating leases, net	20,098	28,519
Right of use assets, finance leases, net	407,427	436,403
Tradenames and other unamortizable intangible assets	217,000	217,000
Total assets	19,667,191	$ 21,323,086
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	3,222,324	6,252,951
Accrued separation costs, related parties, current portion	342,666	463,911
Accrued interest	89,990	95,942
Deferred revenue	1,440,803	1,312,837
Stock appreciation rights liability	786,768	255,020
Notes payable - current portion	122,717	121,041
Lease liability - operating leases, current	15,927	17,131
Lease liability - finance leases, current	154,392	115,738
Current liabilities - discontinued operations	2,522	6,422
Total current liabilities	6,178,109	8,640,993
Note payable, net of discount	8,459,439	8,855,000
Accrued separation costs, related parties, non-current	624,359	791,025
Lease liability - operating leases, non-current	4,171	11,388
Lease liability - finance leases, non-current	85,771	219,266
Total liabilities	15,351,849	18,517,672
Commitments & Contingencies (see note 18)		
Stockholders' equity		
Common stock: $0.0001 par value; 500,000,000 shares authorized; 52,562,238 and 52,538,100 shares issued, and 49,717,941 and 49,714,929 shares outstanding at June 30, 2024 and December 31, 2023, respectively	5,251	5,251
Additional paid-in capital	42,950,189	42,762,811
Treasury stock: 2,644,297 and 2,623,171 shares outstanding at June 30, 2024 and December 31, 2023, respectively	(1,141,370)	(1,141,370)
Accumulated deficit	(37,498,728)	(38,821,278)
Total stockholders' equity	4,315,342	2,805,414
Total liabilities and stockholders' equity	19,667,191	$ 21,323,086

Innovative Food Holdings, Inc.

Consolidated Statements of Operations
(unaudited)

	For the Three Months Ended June 30, 2024	For the Three Months Ended June 30, 2023	For the Six Months Ended June 30, 2024	For the Six Months Ended June 30, 2023
Revenue	16,658,990	18,521,091	32,389,103	35,195,850
Cost of goods sold	12,691,567	14,034,137	24,587,366	26,934,746
Gross margin	3,967,423	4,486,954	7,801,737	8,261,104
Selling, general and administrative expenses	3,862,794	4,180,620	7,876,221	8,625,014
Separation costs - executive officers	-	-	-	1,945,650
Total operating expenses	3,862,794	4,180,620	7,876,221	10,570,664
Operating income (loss)	104,629	306,334	(74,484)	(2,309,560)
Other income (expense):				
Interest expense, net	(209,487)	(209,640)	(424,937)	(382,361)
Gain on sale of assets	-	-	1,807,516	-
Gain on sale of subsidiary	-	-	21,126	-
Other leasing income	1,900	1,900	3,800	3,800
Total other income (expense)	(207,587)	(207,740)	1,407,505	(378,561)
Net income (loss) before taxes	(102,958)	98,594	1,333,021	(2,688,121)
Income tax expense	-	15,834	-	15,834
Net income (loss) from continuing operations	$ (102,958)	$ 82,760	$ 1,333,021	$ (2,703,955)
Net (loss) from discontinued operations	(366)	$ (69,289)	$ (10,471)	$ (111,340)
Consolidated net income (loss)	$ (103,324)	$ 13,471	$ 1,322,550	$ (2,815,295)
Net income (loss) per share from continuing operations - basic	$ (0.00)	$ 0.00	$ 0.03	$ (0.06)
Net income (loss) per share from continuing operations - diluted	(0.00)	$ 0.00	$ 0.03	$ (0.06)
Net (loss) per share from discontinued operations – basic	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Net (loss) per share from discontinued operations - diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average shares outstanding – basic	49,702,026	49,064,084	49,708,112	48,764,822
Weighted average shares outstanding – diluted	49,702,026	49,064,084	51,123,656	48,764,822

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

	For the Six Months Ended June 30, 2024	For the Six Months Ended June 30, 2023
Cash flows used in operating activities:		
Net income (loss)	$ 1,322,550	$ (2,815,295)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Gain on disposition of asset	(1,807,516)	-
Gain on sale of subsidiary	(21,126)	-
Depreciation and amortization	168,562	286,869
Amortization of right of use asset	8,421	31,850
Amortization of discount on notes payable	2,568	729
Stock based compensation	208,504	250,851

Value of stock appreciation rights	531,748	(419)
Provision for doubtful accounts	35,855	50,905
Changes in assets and liabilities:		
Accounts receivable, net	(926,416)	313,618
Inventory and other current assets, net	199,167	333,422
Accounts payable and accrued liabilities	(3,037,522)	(1,303,268)
Accrued separation costs - related parties	(287,911)	1,476,482
Deferred revenue	128,319	(474,033)
Operating lease liability	(8,421)	(31,850)
Net cash used in operating activities	(3,483,218)	(1,880,139)
Cash flows from investing activities:		
Acquisition of property and equipment	(15,857)	(32,473)
Cash received from disposition of asset, net of loan payoff	2,101,185	-
Net cash provided by (used in) investing activities	2,085,328	(32,473)
Cash flows from financing activities:		
Cash received from notes payable, net of costs	-	3,285,588
Principal payments on debt	(43,548)	-
Principal payments financing leases	(94,841)	(99,942)
Net cash provided by (used in) financing activities	(138,389)	3,185,646
Decrease in cash and cash equivalents	(1,536,279)	1,273,034
Cash and cash equivalents at beginning of period	5,422,335	4,899,398
Cash and cash equivalents at end of period - continuing operations	$ 3,866,448	$ 6,172,432
Cash and cash equivalents at end of period - discontinued operations	$ 19,608	
Cash and cash equivalents at end of period	$ 3,886,056	$ 6,172,432
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 456,062	$ 342,081
Taxes	$ -	$ -
Non-cash investing and financing activities:		
Reclassify fixed assets as held for sale	$ 5,941,933	$ -
Debt to Fifth Third Bank paid directly by Maple Mark Bank	$ 353,815	$ -
Issuance of common stock for severance agreement previously accrued	$ -	$ 168,000
Issuance of stock for cashless exercise of options	$ 2	$ -

Innovative Food Holdings, Inc.
Reconciliation of GAAP to Non-GAAP Measures
Adjusted EBITDA Calculations
(unaudited)

	Q2 2024	Q2 2023	2024 YTD	2023 YTD
Net Income (Loss) From Continuing Operations (GAAP)	**$ (102,958)**	**$ 82,760**	**$ 1,333,021**	**$ (2,703,955)**
Depreciation & Amortization (1)	$ 58,302	$ 141,485	$ 168,562	$ 286,869
Interest expense – net	$ 209,487	$ 209,640	$ 424,937	$ 382,361
Income tax provision	$ -	$ 15,834	$ -	$ 15,834
EBITDA (Non-GAAP) (2)	**$ 164,831**	**$ 449,719**	**$ 1,926,520**	**$ (2,018,891)**
Adjustments:				
Separation Costs	$ -	$ -	$ 68,791	$ 1,952,060
Unaccrued 2022 Leadership Bonus' Expensed & Paid in 2023	$ -	$ 100,923	$ -	$ 125,923
Other Restructuring Costs	$ 131,887	$ 520,309	$ 180,087	$ 608,035
Stock Compensation Expense (3)	$ 518,119	$ 72,804	$ 740,253	$ 251,256
Legal Fees - JIT Lawsuit	$ 1,811	$ 32,288	$ 26,325	$ 56,480
Gain on Sale of Subsidiaries	$ -	$ -	$ (21,1226)	$ -
Other Legal	$ 4,664	$ -	$ 41,823	$ -
Commission on Sale of Asset	$ -		$ 147,300	

Gain on sale of assets	$ -	$ -	$ (1,807,516)	$ -
Adjusted EBITDA (Non-GAAP) (4)	**$ 821,311**	**$ 1,176,043**	**$ 1,302,457**	**$ 974,863**
Adjustments:				
Depreciation	$ (58,302)	$ (131,152)	$ (168,562)	$ (262,304)
Interest expense – net	$ (209,487)	$ (209,640)	$ (424,937)	$ (382,361)
Income tax provision	$ -	$ (15,834)	$ -	$ (31,668)
Adjusted Net Income (Non-GAAP) (5)	**$ 553,522**	**$ 819,417**	**$ 708,958**	**$ 310,461**
Adjusted Diluted EPS (Non-GAAP)	**$ 0.011**	**$ 0.017**	**$ 0.014**	**$ 0.006**
Weighted-average diluted shares outstanding (Non-GAAP) (6)	**49,702,026**	**49,064,084**	**51,123,656**	**48,764,822**

	Q2 2024	Q2 2023	2024 YTD	2023 YTD
Revenue (GAAP)	$ 16,658,990	$ 18,521,091	$ 32,389,103	$ 35,195,850
Gross profit (GAAP)	**$ 3,967,423**	**$ 4,486,954**	**$ 7,801,737**	**$ 8,261,104**
Inventory Reserve	$ 129,287	$ -	$ 129,287	$ -
Adjusted Gross profit (Non-GAAP) (7)	**$ 4,096,710**	**$ 4,486,954**	**$ 7,931,024**	**$ 8,261,104**
Adjusted Gross profit margin % (Non-GAAP)	**24.59 %**	**24.23 %**	**24.49 %**	**23.47 %**

	Q2 2024	Q2 2023	2024 YTD	2023 YTD
Adjusted EBITDA (Non-GAAP) (4)	**$ 821,311**	**$ 1,176,043**	**$ 1,302,457**	**$ 974,863**
Interest Expense -net	$ (209,487)	$ (209,640)	$ (424,937)	$ (382,361)
Income Tax Expense – net	$ -	$ (15,834)	$ -	$ (15,834)
Maintenance Capital Expenditures (8)	$ (14,451)	$ (24,478)	$ (15,857)	$ (32,473)
Adjusted Free Cash Flow (Non-GAAP) (9)	**$ 597,373**	**$ 926,091**	**$ 861,663**	**$ 544,195**

(1) Includes non-cash depreciation and amortization charges.
(2) Earnings before interest, taxes, depreciation, and amortization
(3) Includes stock and options-based compensation and expenses.
(4) Adjusted EBITDA is 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.
(5) Adjusted Net Income accounts for the impact of non-core expenses including addback for one-time organizational restructure expenses, gains or losses on sale of assets or subsidiaries, tradename impairments, amortization expense, expense on the extinguishment of debt, and stock related expenses in both 2024 and 2023
(6) GAAP weighted average shares outstanding.
(7) Adjusted Gross profit is Gross profit adjusted to remove the impact of inventory reserve adjustments or non-recurring inventory related gains or losses.
(8) Maintenance Capital Expenditures is a component of "Acquisition of property and equipment (GAAP)" on the consolidated statement of cash flows. It represents management's assumptions of capital spending to maintain the company's current level of operations. It does not include expenditures on acquisitions (less cash acquired), nor does it include other capital expenditures made to fund growth of the current business.
(9) Adjusted Free Cash Flow is defined as Adjusted EBITDA less interest expense, income tax expense, and maintenance capital expenditures. The company believes adjusted free cash flow is useful to investors in understanding how existing cash flow from operations before working capital changes and non-recurring items after maintenance capital expenditures (which we believe the best proxy for over time is Adjusted EBITDA less interest expense, income tax expense, and maintenance capital expenditures) is utilized as a source of growing our business. Adjusted Free Cash Flow is not a measure of cash available for discretionary expenditures since the company has certain non-discretionary obligations that were not deducted from the measure.