



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

November 13, 2024

Key Third quarter data points:

- Revenue of \$17.0 million, +0.3% vs. Q3 2023
- Specialty Foodservice revenue +5.5% vs. Q3 2023; Q4 to date increased more than 25%
- Gross margin declined by 158 basis points vs. Q3 2023 to 25.2%
- GAAP net income from continuing operations of \$1.3 million, compared to Q3 2023 net income of \$0.1 million
- GAAP net income from continuing operations per fully diluted share of \$0.026 vs. Q3 2023 of \$0.003
- Adjusted net income from continuing operations of \$737 thousand, compared to Q3 2023 of \$528 thousand
- Adjusted net income per fully diluted share of \$0.014, compared to an adjusted net income per fully diluted share in Q3 2023 of \$0.011
- Adjusted EBITDA of \$997 thousand, compared to \$921 thousand in Q3 2023
- Acquisition of Denver-based Golden Organics remains on track
- Results of new retail business will begin in Q4

BONITA SPRINGS, Fla., Nov. 13, 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 third quarter of 2024.

Bill Bennett, Chief Executive Officer of IVFH, remarked, "As we messaged last quarter, Q3 2024 represented a return to growth for our core specialty foodservice business, which grew 5.5% this quarter vs. the prior year. This is an important turning point, as our growth initiatives begin to take hold. In fact, our focused growth channels contributed \$809 thousand to our growth this quarter, with our legacy drop ship business experiencing lesser declines than in Q2. As a reminder, our direct-to-consumer business, which has now been sold in an asset sale, is still included in "continuing operations" due to its divestiture as an asset sale. Despite the revenue headwinds of the sold business, our overall revenue continued to grow slightly at +0.3%. It's also important to note that our new retail business only contributed slightly to this quarter's growth, given the small footprint of ten test stores during the quarter. The larger ramp up to several hundred stores will show up in reported financials beginning in Q4, while we did begin to incur costs in our gross margin line during Q3. Accordingly, our gross margins declined by 158 basis points. Our cost savings efforts continued to reduce SG&A by \$482 thousand compared to last year, excluding non-cash and non-recurring legal & transactional expenses. 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 improved by \$1.2M vs. Q3 2023, driven by the sale of the iGourmet business. Adjusted EBITDA increased by \$76 thousand to \$997 thousand this year."

Mr. Bennett added, "We're very pleased to see our core foodservice business, net of the divested businesses, return to growth in Q3 as we've been forecasting for several quarters. But we are even more excited about the Q4 growth we haven't yet reported as we begin scaling our cheese business with our new retail partner. For context, in Q4 through Nov 9<sup>th</sup>, our core foodservice business has grown more than 25%, though this first quarter of retail business will include start up costs as we get the operation to scale. We also continue to see strong growth with our new distributor partner announced this Spring, triple digit growth in our Amazon sales channel, double digit growth in our airline catering business, and double-digit growth in our Chicago Artisan business. As a reminder, our acquisition of Denver-based Golden Organics has not yet closed, and is not yet included in any of our reporting, but represents incremental growth ahead. We remain on track with the close process, and expect to begin including partial quarter results in our fourth quarter 2024 earnings release."

"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 third quarter of 2024 increased 0.3% to \$17.0 million, impacted by a 38.6% decrease in eCommerce revenue as the Company as we continued to the ramp down the direct-to-consumer business. Third quarter 2024 Specialty Foodservice revenue increased 5.5% as our previously communicated growth strategy takes shape. We are actively working to recast our revenue by category reporting to make them more relevant to our new portfolio of businesses, and expect to begin the new reporting in the coming quarters.

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

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For the Three Months Ended

	September 30, 2024	% of Net Sales	September 30, 2023	% of Net Sales	% Change
Specialty Foodservice	15,583,758	91.6%	14,775,073	87.1%	5.5%
E-Commerce	1,120,040	6.6%	1,824,699	10.8%	-38.6%
Logistics	<u>305,973</u>	<u>1.8%</u>	<u>270,443</u>	<u>2.1%</u>	-14.7%
Total IVFH	17,009,771	100%	16,958,489	100%	0.3%

Gross margins as a percentage of sales decreased during the current period to 25.2%, compared to 26.8% in the comparable period, representing a decline of 158 basis points. Although our margins have declined, they continue to stabilize as we transition away from the direct-to-consumer e-commerce business. In Q3, we also benefited from our renegotiated contract with our shipping provider, which significantly reduced shipping expenses.

Selling, General, and Administrative expenses ("SG&A") decreased by \$0.6 million, or 14.1%, to \$3.6 million during the three months ended September 30, 2024, compared to \$4.2 million for the same period in 2023. SG&A as a percentage of sales decreased from 24.5% of sales during the three months ended September 30, 2023 to 21.0% of sales during the current period as we continued to thoughtfully reduce our expense structure. This reduction was primarily attributed to a decrease in non-cash share-based compensation by \$0.3 million, advertising and marketing costs by \$0.2 million, payroll and related costs by \$0.1 million, depreciation and amortization by \$0.1 million, and office-related expenses by \$0.1 million. These reductions were partially offset by an increase in professional and legal fees amounting to \$0.2 million, which were associated with the recent sale of iGourmet business and Golden Organics acquisition. Excluding non-cash compensation and non-recurring legal & transactional expenses, SG&A would have decreased by \$0.5 million, or 11.0%, resulting in a 222 basis point reduction in SG&A as a percentage of sales compared to the comparable period.

The Company recorded GAAP net income from continuing operations for the 2024 third quarter of \$1.3 million, compared to a net income of \$123 thousand in the prior year.

Adjusted Net Income, a non-GAAP metric (see tables below), for the 2024 third quarter was \$737 thousand, or \$0.014 per fully diluted share, compared to \$528 thousand, or \$0.011 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 third quarter was \$997 thousand compared to \$921 thousand in the prior year.

Adjusted Free Cash Flow, a non-GAAP metric (see tables below), for the 2024 third quarter was \$776 thousand compared to \$633 thousand in the prior year.

#### Conference Call

The Company's management will hold an investor call on November 13, 2024 at 12:00 pm Eastern Time to discuss the Company's third fiscal quarter results for the quarter ended September 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/89062221377?pwd=WlRlXktTfjVWXBn1lePBQSlonVgSVkaQI.1>

Meeting ID: 890 6222 1377

Passcode: 211739

One tap mobile

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#### 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 chefs create unforgettable experiences for their guests. Additional information is available at [www.ivfh.com](http://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>.

#### Investor and Media contact:

Gary Schubert

**Innovative Food Holdings, Inc.**  
**Consolidated Balance Sheets**

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
	(unaudited)	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 4,820,970	\$ 5,327,016
Accounts receivable, net	4,965,381	4,307,726
Inventory, net	3,134,237	2,973,134
Other current assets	519,624	287,528
Assets held for sale	5,941,933	649,884
Current assets - discontinued operations	-	95,861
Total current assets	<u>19,382,145</u>	<u>13,641,149</u>
Property and equipment, net	1,227,880	7,000,015
Right of use assets, operating leases, net	15,779	28,519
Right of use assets, finance leases, net	364,379	436,403
Tradenames and other unamortizable intangible assets	217,000	217,000
Total assets	<u>\$ 21,207,183</u>	<u>\$ 21,323,086</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,090,153	\$ 6,252,951
Accrued separation costs, related parties, current portion	334,532	463,911
Accrued interest	91,251	95,942
Deferred revenue	886,787	1,312,837
Stock appreciation rights liability	731,181	255,020
Notes payable - current portion	125,259	121,041
Lease liability - operating leases, current	14,898	17,131
Lease liability - finance leases, current	151,984	115,738
Current liabilities - discontinued operations	-	6,422
Total current liabilities	<u>6,426,045</u>	<u>8,640,993</u>
Note payable, net of discount	8,436,849	8,855,000
Accrued separation costs, related parties, non-current	541,025	791,025
Lease liability - operating leases, non-current	881	11,388
Lease liability - finance leases, non-current	46,942	219,266
Total liabilities	<u>15,451,742</u>	<u>18,517,672</u>
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 51,133,485 and 49,714,929 shares outstanding at September 30, 2024 and December 31, 2023, respectively	5,395	5,251
Additional paid-in capital	43,055,316	42,762,811
Treasury stock: 2,644,297 and 2,623,171 shares outstanding at September 30, 2024 and December 31, 2023, respectively	(1,141,372)	(1,141,370)
Accumulated deficit	(36,163,898)	(38,821,278)
Total stockholders' equity	<u>5,755,441</u>	<u>2,805,414</u>
Total liabilities and stockholders' equity	<u>\$ 21,207,183</u>	<u>\$ 21,323,086</u>

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

For the Three Months Ended	For the Three Months Ended	For the Nine Months Ended	For the Nine Months Ended
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	<u>September 30, 2024</u>	<u>September 30, 2023</u>	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Revenue	\$ 17,009,771	\$ 16,958,489	\$ 49,398,874	\$ 52,154,339
Cost of goods sold	<u>12,725,537</u>	<u>12,419,325</u>	<u>37,312,903</u>	<u>39,354,071</u>
Gross margin	4,284,234	4,539,164	12,085,971	12,800,268
Selling, general and administrative expenses	3,570,339	4,157,015	11,559,747	12,782,029
Separation costs - executive officers	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,945,650</u>
Total operating expenses	3,683,526	4,157,015	11,559,747	14,727,679
Operating income (loss)	713,895	382,149	526,224	(1,927,411)
Other income (expense):				
Interest expense, net	(217,275)	(260,994)	(642,212)	(643,355)
Gain on sale of assets	834,463	-	2,763,735	-
Gain on sale of subsidiary	-	-	21,126	-
Other leasing income	<u>1,900</u>	<u>2,389</u>	<u>5,700</u>	<u>6,189</u>
Total other income (expense)	619,088	(258,605) #	2,148,349	(637,166)
Net income (loss) before taxes	1,332,983	123,544	2,674,573	(2,564,577)
Income tax expense	-	-	-	15,834
Net income (loss) from continuing operations	<u>\$ 1,332,983</u>	<u>\$ 123,544</u>	<u>\$ 2,674,573</u>	<u>\$ (2,580,411)</u>
Net income (loss) from discontinued operations	1,847	11,189	\$ (8,624)	\$ (100,151)
Consolidated net income (loss)	<u>\$ 1,334,830</u>	<u>\$ 134,733</u>	<u>\$ 2,665,949</u>	<u>\$ (2,680,562)</u>
Net income (loss) per share from continuing operations - basic	<u>\$ 0.03</u>	<u>\$ 0.00</u>	<u>\$ 0.05</u>	<u>\$ (0.05)</u>
Net income (loss) per share from continuing operations - diluted	<u>\$ 0.03</u>	<u>\$ 0.00</u>	<u>\$ 0.05</u>	<u>\$ (0.05)</u>
Net (loss) per share from discontinued operations - basic	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Net (loss) per share from discontinued operations - diluted	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average shares outstanding - basic	<u>50,995,008</u>	<u>49,193,476</u>	<u>50,518,152</u>	<u>48,909,277</u>
Weighted average shares outstanding - diluted	<u>51,639,238</u>	<u>49,235,998</u>	<u>51,162,382</u>	<u>48,909,277</u>

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

	<b>For the Nine Months Ended September 30, 2024</b>	<b>For the Nine Months Ended September 30, 2023</b>
	(unaudited)	(unaudited)
Cash flows used in operating activities:		
Net income (loss)	\$ 2,657,380	\$ (2,680,562)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Gain on disposition of assets	(2,641,979)	-
Gain on sale of subsidiary	(21,126)	-
Depreciation and amortization	211,488	429,048
Amortization of right of use asset	12,740	47,650
Amortization of discount on notes payable	3,850	2,013
Stock based compensation	313,773	328,177
Value of stock appreciation rights	476,161	274,755
Provision for doubtful accounts	40,667	108,694

Changes in assets and liabilities:		
Accounts receivable, net	(697,821)	(108,673)
Inventory and other current assets, net	(301,158)	17,616
Accounts payable and accrued liabilities	(2,281,618)	(1,489,017)
Accrued separation costs - related parties	(379,380)	1,385,503
Deferred revenue	(97,569)	(463,833)
Operating lease liability	(12,740)	(47,650)
Net cash provided by (used) in operating activities	<u>(2,717,332)</u>	<u>(2,196,279)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(309,262)	(58,949)
Cash received from disposition of asset, net of loan payoff	2,101,185	-
Cash received from disposition of intangible assets, net of costs	<u>525,000</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>2,316,923</u>	<u>(58,949)</u>
Cash flows from financing activities:		
Cash received from notes payable, net of costs	-	3,285,588
Principal payments on debt	(64,878)	(52,405)
Principal payments financing leases	(136,078)	(151,133)
Principal payments on line of credit	<u>-</u>	<u>(2,014,333)</u>
Net cash (used in) financing activities	<u>(200,956)</u>	<u>1,067,717</u>
Decrease in cash and cash equivalents	(601,365)	(1,187,511)
Cash and cash equivalents at beginning of period	<u>5,422,335</u>	<u>4,899,398</u>
Cash and cash equivalents at end of period - continuing operations	\$ 4,820,970	\$ 3,535,862
Cash and cash equivalents at end of period - discontinued operations	\$ -	\$ 176,025
Cash and cash equivalents at end of period	<u>\$ 4,820,970</u>	<u>\$ 3,711,887</u>

Supplemental disclosure of cash flow information:

Cash paid during the period for:		
Interest	<u>\$ 456,062</u>	<u>\$ 572,879</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>
Non-cash investing and financing activities:		
Reclassify fixed assets as held for sale	<u>\$ 5,941,933</u>	<u>\$ -</u>
Debt to Fifth Third Bank paid directly by Maple Mark Bank	<u>\$ 353,815</u>	<u>\$ -</u>
Issuance of common stock for severance agreement previously accrued	<u>\$ -</u>	<u>\$ 168,000</u>
Par value of shares issued, previously accrued	<u>\$ -</u>	<u>\$ 66</u>
Issuance of common stock for severance agreement previously accrued	<u>\$ -</u>	<u>\$ -</u>
Reclassify fixed assets as held for sale	<u>\$ 5,941,933</u>	<u>\$ -</u>
Issuance of stock for cashless exercise of options	<u>\$ 2</u>	<u>\$ -</u>

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

	Q3 2024	Q3 2023	2024 YTD	2023 YTD
<b>Net Income (Loss) From Continuing Operations (GAAP)</b>	\$ 1,334,830	\$ 123,544	\$ 2,674,573	\$ (2,580,411)
Depreciation & Amortization (1)	\$ 42,926	\$ 142,179	\$ 211,488	\$ 429,048
Interest expense - net	\$ 217,275	\$ 260,994	\$ 642,212	\$ 643,355
Income tax provision	\$ -	\$ -	\$ -	\$ 15,834
<b>EBITDA (Non-GAAP) (2)</b>	<u>\$ 1,595,031</u>	<u>\$ 526,717</u>	<u>\$ 3,528,273</u>	<u>\$ (1,492,174)</u>
<i>Adjustments:</i>				
Separation Costs	\$ -	\$ 18,675	\$ 68,791	\$ 1,970,735
Unaccrued 2022 Leadership Bonus' Expensed & Paid in 2023	\$ -	\$ -	\$ -	\$ 125,923
Other Restructuring Costs	\$ 5,000	\$ 5,297	\$ 185,087	\$ 613,332
Stock Compensation Expense (3)	\$ 49,682	\$ 350,053	\$ 791,968	\$ 601,309
Legal Fees - JIT Lawsuit	\$ -	\$ 19,996	\$ 26,325	\$ 76,476

Gain on Sale of Subsidiaries	\$	-	\$	-	\$	(21,126)	\$	-
Other Legal & Transactional	\$	182,103	\$	-	\$	223,926	\$	-
Commission on Sale of Asset	\$	-	\$	-	\$	247,300	\$	-
Gain on sale of assets	\$	(834,463)	\$	-	\$	(2,763,735)	\$	-
<b>Adjusted EBITDA (Non-GAAP) (4)</b>	\$	<b>997,353</b>	\$	<b>920,738</b>	\$	<b>2,286,809</b>	\$	<b>1,895,601</b>
<i>Adjustments:</i>								
Depreciation	\$	(42,926)	\$	(131,847)	\$	(211,488)	\$	(398,054)
Interest expense - net	\$	(217,275)	\$	(260,994)	\$	(642,212)	\$	(643,355)
Income tax provision	\$	-	\$	-	\$	-	\$	(15,834)
<b>Adjusted Net Income (Non-GAAP) (5)</b>	\$	<b>737,152</b>	\$	<b>527,897</b>	\$	<b>1,433,109</b>	\$	<b>838,358</b>
<b>Adjusted Diluted EPS (Non-GAAP)</b>	\$	<b>0.014</b>	\$	<b>0.011</b>	\$	<b>0.028</b>	\$	<b>0.017</b>
<b>Weighted-average diluted shares outstanding (Non-GAAP) (6)</b>		<b>51,162,382</b>		<b>49,235,998</b>		<b>51,162,382</b>		<b>48,909,277</b>

	<u>Q3 2024</u>	<u>Q3 2023</u>	<u>2024 YTD</u>	<u>2023 YTD</u>
Revenue (GAAP)	\$ 17,009,771	\$ 16,958,489	\$ 49,398,874	\$ 52,154,339
<b>Gross profit (GAAP)</b>	<b>\$ 4,284,234</b>	<b>\$ 4,539,164</b>	<b>\$ 12,085,971</b>	<b>\$ 12,800,268</b>
Inventory Reserve	\$ -	\$ -	\$ 129,287	\$ -
<b>Adjusted Gross profit (Non-GAAP) (7)</b>	<b>\$ 4,284,234</b>	<b>\$ 4,539,164</b>	<b>\$ 12,215,258</b>	<b>\$ 12,800,268</b>
<b>Adjusted Gross profit margin % (Non-GAAP)</b>	<b>25.19 %</b>	<b>26.77 %</b>	<b>24.73 %</b>	<b>24.54 %</b>

	<u>Q3 2024</u>	<u>Q3 2023</u>	<u>2024 YTD</u>	<u>2023 YTD</u>
<b>Adjusted EBITDA (Non-GAAP) (4)</b>	<b>\$ 997,353</b>	<b>\$ 920,738</b>	<b>\$ 2,286,809</b>	<b>\$ 1,895,601</b>
Interest Expense -net	\$ (217,275)	\$ (260,994)	\$ (642,212)	\$ (643,355)
Income Tax Expense - net	\$ -	\$ -	\$ -	\$ (15,834)
Maintenance Capital Expenditures (8)	\$ (3,324)	\$ (26,476)	\$ (309,262)	\$ (58,949)
<b>Adjusted Free Cash Flow (Non-GAAP) (9)</b>	<b>\$ 776,754</b>	<b>\$ 633,268</b>	<b>\$ 1,335,335</b>	<b>\$ 1,177,463</b>

(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.