Operator

Good morning and welcome to the Innovative Food Holdings Fourth Quarter 2023 Earnings Conference Call. My name is Ronit Wallerstein and I'll be moderating today's call. With me on today's call for Innovative Food Holdings is Bill Bennett, our CEO; Brady Smallwood, our COO; and Gary Schubert, our newly appointed CFO. Throughout the conference, we will be presenting both GAAP and non-GAAP financial measures including, among others, historical and estimated EPS, adjusted EBITDA, which is net income before costs associated with amortization, depreciation, interest and taxes, and excluding certain one-time expenses; and adjusted fully diluted earnings per share, using the weighted average shares outstanding for the quarter ended 12.31.23.

These measures are not calculated in accordance with GAAP. Quantitative reconciliation of certain of our non-GAAP financial measures to their most directly comparable GAAP financial measures appear in today's press release.

I would also like to remind everyone that today's call will contain forward-looking statements from our management made within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, concerning future events.

Words such as “aim”, “may”, “could”, “should”, “projects,” “expects”, “intends”, “plans”, “believes”, “anticipates”, “hopes”, “estimates”, “goal” and variations of such words and similar expressions are intended to identify forward-looking statements. These statements involve significant known and unknown risks and are based upon a number of assumptions and estimates, which are inherently subject to significant risks, uncertainties and contingencies, and many of which are beyond the Company's control.

Actual results, including without limitation, the results of our Company's growth strategies, operational plans, as well as future potential results of operations or operating metrics (and other matters to be addressed by our management in this conference call), may differ materially and adversely from those expressed or implied by such forward-looking statements.

Factors that could cause actual results to differ materially include, but are not limited to, the risk factors described and other disclosures contained in our filings with the Securities and Exchange Commission including the risk factors and other disclosures in our Form 10-K and our other filings with the SEC, all of which are accessible on www.sec.gov. Except to the extent required by law, we assume no obligation to update statements as circumstances change.

With that, I would like to turn the call over to Mr. Bill Bennett. Please go ahead.

Bill Bennett

Hello everyone and good morning. I'm happy to welcome you to our third consecutive earnings call. I'm joined by our COO, Brady Smallwood, and I'm also glad to welcome our new CFO, Gary Schubert, to our call today. You'll be hearing from him a bit later on the call.

Today we'll be discussing the results from our 2023 fiscal year, as well as the fourth quarter of 2023, which was only my third full quarter in the role as CEO of IVFH. Hopefully you saw the press release this morning with some highlights from the quarter. We'll also be filing our full 10-K later today for your reference.

As I outlined in our call last quarter, I want to start my comments today by reminding investors of some strategic context to the moment we're in as a company. Our goal at IVFH is to grow shareholder value by building a company that delivers long term profitable growth to our investors. With my arrival at the company last year, I outlined to our board a three-phase approach we're taking to build towards that goal. As a reminder, those phases are as follows:

Our first phase is focused on the "stabilization" of our business. We need to build credibility that we can consistently deliver a profitable business model and positive cash flow. This is why we've been focused so heavily on right sizing our margins, expenses, and uses of cash. We anticipate that this phase will last for my first year.

We're calling phase 2: "Laying the Foundation for Growth," which will entail making several strategic moves to build a next generation business model. We're calling phase 3: "Build and Scale," when we'll be prepared to make the investments to scale the successful business models that we've fully tested.

As we traverse this path, I think it's helpful to remember that we are still squarely in our "Stabilization" phase, but our commitment to investors is transparency and candor along that journey.

With that introduction, let's jump into the results for the fiscal year. If you've been following IVFH, you know what an important year of progress this has been for the company. Margins have improved. SG&A is down nearly $1 million vs. last year. We've sold one of our office buildings, and exited the lease for another. We have 36 fewer employees than we had last year, a decrease in headcount of 28%. We refinanced the company's debt with a guarantee from the USDA, dramatically extending the terms of our loans. We've refreshed the board, changed out the majority of our professional services providers, and hired a new, experienced management team. We settled a significant five-year-old lawsuit for no cash out of pocket. We're posting our SEC filings on time, and have re-commenced earnings calls for the first time in years. We've announced our "100/10" strategic path towards a growing, profitable company, which we're delivering on. We've sold off non-core assets to focus on our profitable businesses. We're communicating transparently and candidly. And while revenues have declined, we've openly forecasted that they would, and we've put in place an exciting pipeline of new growth opportunities which will begin to materialize later this year. While our GAAP net loss for the year of $4.2M doesn't appear strong, our efforts this year have led to an adjusted EBITDA of

$2.5M vs. last year, a more than $2M improvement over prior year. We've given a full reconciliation of these adjustments in today's press release as we work to transparently provide a metric to track our operational progress.

In Q4 2023, we continued our progress on stabilizing the company through critical decisions that set us up for success going forward. As you'll recall, during Q4 we announced our capital reallocation plan to sell off unproductive and non-core assets, and to ramp down our e-commerce business. We've made strong progress on that plan so far. We sold our position in three different entities: Oasis Sales Corp, Organic Food Brokers, and Haley Food Group (last of which consummated in Q1). We also sold off Plantbelly. You'll see these in our discontinued operations in the financial statements. We received an offer on our Florida office building (which we subsequently closed in Q1), and put our Pennsylvania building up for sale. We also put the remainder of our direct-to-consumer e-commerce business up for sale. Lastly, we've begun reviewing an interesting pipeline of potential M&A opportunities to expand our category breadth and our geographical spread.

In the midst of these strategic moves, we continued working to stabilize the business. As expected, our revenue declined during Q4, driven by Specialty Foodservice business sales declining by 13.6%, as we continued to focus on overcoming the headwinds created by the previously disclosed change in the technology platform used by a key partner. That said, with the majority of the first quarter of 2024 behind us, we are seeing roughly flat year-over-year revenue in our Specialty Foodservice business, and expect to return to growth in the back half of the year. Q1 has already included the signing of a new contract with an existing large customer (Gate Gourmet), and exciting progress made in relationships with four large new customers. We expect all of these new relationships to begin contributing to revenue in the back half of the year. E-commerce was also a driver of our overall sales decline, with sales down 20.4%. This was expected given business restructuring initiatives. In line with previous disclosures, during the quarter we began cutting back on e-commerce assortment, marketing efforts, labor, and inventory in the planned ramp down of the business.

Now to margin for Q4. Our GAAP gross margins declined by 65 basis points vs. prior year, but our adjusted gross margins grew +30 basis points versus prior year, with the difference being driven by e-commerce inventory write downs. This is a slow down in the year-over-year trend, but is consistent with Q3 margins. Looking at the business split, Specialty Foodservice gross margins continued to grow versus last year, while e-commerce gross margins declined as we began writing down and selling off inventory in preparation for the ramp down of the business. These trends will normalize as we complete the ramp down of the ecommerce business, and as Professional Chef returns to revenue growth. Overall, our performance in the fourth quarter resulted in a GAAP net loss from continuing operations of approximately $1.6 million, but a positive adjusted EBITDA of $0.6 million, marking the sixth consecutive quarter of positive adjusted EBITDA.

It's exciting to see the impacts of our plan beginning to take shape as we are seeing improvements in our capital structure, margins, expenses, profit, and business outlook. As we look forward, improving near term profitability and returning to revenue growth continue to be top priorities. We also remain committed to maintaining our new, higher margin levels, and establishing a new lower baseline in SG&A expenses as we optimize our corporate structure. As I said earlier, we want to continue to demonstrate that even in the face of the expected revenue declines, we are building a sustainable, profitable business model, and I think this quarter was a great example of the progress we're making.

Now I'll turn some time over to Brady to talk through some of the specific actions we've taken in the operation of our business this quarter. Brady?

Brady Smallwood
Thanks Bill. I want to first provide an update on the evolution of our ecommerce business. As I discussed in our Q3 call, our main goals were to boost margin, reduce shipping & packaging costs, optimize marketing channels, and streamline warehouse operations. We also established a firm guardrail of keeping our marketing spend flat YoY, even if it meant sales could decline. Largely due to higher costs of acquiring customers online and the flat marketing spend, we experienced revenue declines of -20.4% in our consumer ecommerce business.

But our profit actions continued and drove what we consider a successful quarter as it relates to our strategy. We took various actions such as streamlining our gift bundle offering to optimize dollar profit, upgrading shipping on fewer orders, continuing to save from consolidating shipping carriers and decreasing our labor hours per order.

As we moved past the busy holiday season, we took further planned profit actions in January, which resulted in the reduction of some corporate, customer service, and warehouse positions, elimination of marketing spend, the winding down of one our properties Mouth.com, and a data-driven optimization of our remaining assortment. These actions substantially reduce any losses from ecommerce as we pursue a more viable business model, in particular a model in which ecommerce supports growth opportunities in Professional Chef.

Now pivoting to Professional Chef, our sales declined by -13.6% in Q4. This is a moderation to the -16.2% decline we saw in Q3, and in Q1 we are now trending about flat year-to-date. Since Professional Chef is our focus going forward, this is the most important business to keep an eye on. We've recently signed a new contract with Gate Gourmet, our second largest customer, which deepens the relationship, and locks in terms that are important to the company. We have historically been an ad-hoc supplier to Gate Gourmet, but we are now integrated into their quarterly menu cycle, giving us more opportunities to engage and sell to this critical partner. Bill also mentioned four new important customers we're building relationships with. These are customers where previously, we either had insignificant businesses, or no business at all, but where we now have much larger strategic initiatives. Three of them represent some of the largest broadline distributors in the country, and one represents another large airline caterer. While I'm excited about the sales we get from these new relationships, I'm most excited by what they mean for our value proposition. The progress demonstrates that more customers see the value in our offering, and the company has significant upside as we continue to develop these sales channels.

As we've been building out our customer base, we've also been conducting a broad assortment assessment which resulted in a new strategic initiative to add new vendors and products which will help us to strengthen key categories, reduce our costs, and reduce prices to chefs. Our first focus is to strengthen our perishable offering, which is of paramount importance to chefs. While perishables is the category the company was founded upon, we now do less than 10% of our revenue in perishables, so it represents significant upside for us. As an example, we've recently onboarded a premier supplier of seafood to restaurants in New York City. We also recently onboarded a fantastic new seafood provider in Alaska, who we will enable to ship to chefs all over the country. These products were not previously available to chefs in other parts of the country, but now through our partners, a restaurant in the middle of the country could have access to fresh New England striped bass, live scallops in shell, or live sea urchins, and Alaskan black cod, wild-caught King Salmon, or Spot Prawns, all shipped the day after they were caught. This sourcing effort is hard work for which we are uniquely positioned due to our history of sourcing and distributing top quality items from small farms, boats, and ranches.

In summary, we are so far pleased with the organized transition away from small dollar consumers, and we look forward to delivering results in the professional chef business as we continue to unlock more resources.

With that, I'll turn the mic over to Gary.

Gary Schubert

Thank you, Brady. Hello everyone. My name is Gary Schubert and as you may be aware this is my first earnings call after assuming the role of CFO on January 1st, 2024. I am excited for the opportunity to be in this position and help drive the organization's growth potential.

I would like to provide the financial highlights for Q4 and fiscal year 2023.

As Bill mentioned, our revenues declined in the 4th quarter by -(14.9%) bringing the 2023 fiscal year to $72.2 million a decrease (8.5%).

Although revenues declined, we were able to grow and stabilize our adjusted gross margins throughout the year. After adjusting for an inventory write-off as a result of our decision to ramp down our direct-to-consumer ecommerce business. We experienced a stabilized Q4 adjusted gross margin at 24.5%, an improvement of 30bps compared to last year. Our pricing initiatives continue to make a large positive impact to margin. That said, the year-over-year margin slowdown was driven by a significant shift in mix, as our high gross-margin businesses saw a decline in revenue, and our lower margin food distribution business returned to revenue growth.

We expect these mix headwinds to slow as we complete the ramp-down of the e-commerce business, and as the higher margin drop ship business returns to growth.

I'm also excited about the progress we continued to make in SG&A during Q4, since the increase was driven by one-time items, while the base business continued to become more efficient. For example, our labor dollars on our e-commerce business declined by $124K as we significantly cut back in our warehouse labor and management structure during the quarter. And as Brady mentioned, we've now cut back fully on our e-commerce marketing dollars in Q1, which will provide additional tailwinds in 2024. The one-time items included organizational restructuring expenses of $247k and performance incentive accruals of $426k as the team exceeded goals for 2023. Overall for 2023, as Bill mentioned earlier, our SG&A for has reduced by approximately $1M.

Before adjusting for unusual items our Q4 (GAAP) net loss from continuing operations came in at approximately ($1.6M), a $2.7M reduction compared to last year. Our 4th quarter Adjusted EBITDA finished at $600 thousand, compared to approximately $1.4M last year. For fiscal 2023 Adjusted EBITDA finished at a very healthy $2.5 million, compared to $317 thousand last year. While the company's non-GAAP metrics have shifted over the years making comparisons difficult, we're confident this is the most profitable year the company has had since acquiring the e-commerce businesses back in 2018, on an adjusted basis. And importantly, I hope you can begin to see the tremendous profit-generation potential of this business as we move forward.

Our adjusted diluted earnings per share for Q4 ended at $0.006 (point 6 cents), compared to $0.023 (2 point 3 cents) last year. For fiscal 2023 our adjusted diluted earnings per share finished at $0.023 (2 point 3 cents), up from a negative ($0.017) (1 point 7 cents) last year.

Additionally, Working Capital improved from a deficit of a negative ($3.2 million) at the end of 2022 to a surplus of $5.0 million at the end of 2023, representing an increase of approximately $8.2 million. The refinancing of company debt, USDA debt guarantee, and subsequent long-term maturity extensions and term improvements during the year massively improved the financial flexibility of the company. We finished the year with $5.3M in cash, and $0 drawn on our $3M revolver. As a reminder, this is prior to the Q1 closing of the sale of our Florida building. We also continue to market for sale our Pennsylvania building, after which we anticipate being able to pay off all long term company debt.

The results demonstrate how our focus up and down the P&L is helping us to create a sustainable business model.

Thank you. Back to you, Bill.

Bill Bennett

Thanks, Gary. Hopefully you can get a sense that, despite the lower revenue, we're in a great position to stabilize the company this year, cement a much stronger business model, and prepare to begin investing for the future.

With that said, we're happy to take some Q&A, so I'll turn it back to Ronit to moderate the Q&A for us.

Operator

We'll now move to the Q&A section of the call. If you'd like to ask a question, please use the Zoom function to "raise your hand" or dial *9 if you are calling in from a phone. Please limit your comments to one question and one follow up if needed, and keep your comments professional and respectful. We've allocated approximately 20 minutes to this portion of the call.

Our first question is from Ian Cassel through the chat: "Great to see you referenced excitement about revenue growth with these 4 additional new customers. Can you give any more context how should we think about the size of the opportunities relative to your existing business with US Foods?

Bill Bennett

Thanks, Ronit. Go ahead, sorry.

Operator

And there's a second question, also from Ian: "I was excited to see that the lawsuit has finally been resolved. Can you offer any more context on the settlement?"

Bill Bennett

Great. Sorry to cut you off, Ronit. Thank you, and thanks, Ian, for your questions. Yes, we're really excited about the revenue growth that we've been messaging for a while as well. We, of course, have to be careful because we don't want to count our chickens before they hatch, but we want to make sure we're also being transparent about the progress that's being made. So like Brady mentioned in his comments, the 4 new customers that we're talking about, 3 of them are large broadline distributors that have a nationwide presence. And the fourth is another airline caterer somewhat similar to Gate Gourmet. So really right within our wheelhouse, squarely within the value proposition that we've built over the years and customers that we know how to service.

With each of those, we've had top-to-top executive conversations and alignment. We don't have contracts in place, which we will announce when they are in place. But like I said, we're very excited about the additional breadth that gives us. Certainly, we need to de-risk our portfolio of customers over time. And so it's really important that we can add additional customers to that portfolio.

And then also, like Brady mentioned, I've been really eager to see how our value proposition resonates with additional customers because we've been so concentrated for so long. And to me, seeing the additional large broadliners are excited about what we have to offer really is just a vote of confidence in the uniqueness of our offering and our flexibility and our technology integrations, all of those things that make us a unique value proposition that I think is going to pay a lot of dividends for us later on.

As for the lawsuit, yes, if you've been watching the company, you would have seen that we've been dealing with this lawsuit for about 5 years now. It was related to a car crash, one of our trucks causing a car crash out of our iGourmet business in Pennsylvania, unfortunately. That did finally get resolved. We announced it in late December, early January. And the settlement was handled by our insurance carriers with no cash out of our pocket. The reason this is a big deal is the claim was for $50 million, and our insurance coverage was for -- I forget the exact amount, I think it was about $20 million. So we had a lot of uncovered exposure with the claim. And so the fact that it settled and with no cash out of our pocket was really an important step forward for the company because it sort of removes yet another one of those risks that had existed over our heads for a long time.

So thanks, Ian. Appreciate your questions there. Back to you, Ronit.

Operator

Our next question is from Sebastian Krog.

Sebastian Krog

Yes, first of all, congratulations on the progress you have made so far. Even though the numbers don't show them, I think it's quite remarkable if you take a closer look. So my question is, on the last call, you mentioned also the Chicago warehouse and that it has kind of restricted further growth in the Chicago area. Now it looks like you're more focusing on what I assume is kind of the drop ship part of the professional chef business. So the addition of further broadline distributors, which I guess is -- would also be a drop shipping aspect. So do you also see growth options in maybe increasing the warehouse in Chicago or let's say, in general in the more traditional building warehouses and having like a local presence?

Bill Bennett

Great. Thanks for the question, Sebastian. I'm really glad you brought that up because we did focus our comments a lot on the traditional drop ship business and probably should have included more commentary on Chicago because we do still continue to see an opportunity there. We're looking now at options for the warehouse in Chicago. So we talked earlier in prior calls about potentially getting a bigger warehouse in Chicago or even just expanding our existing warehouse. Those strategies are continuing. And we're continuing our research and our search for the right move to make in Chicago. Of course, we want to be extremely careful and thoughtful about how we deploy any additional capital. And that has to happen sort of in tandem with our other asset sales to generate the cash we would want to have before we make any kind of moves there. So definitely still an opportunity for us. We actually added a couple of new salespeople to our local Chicago sales force relative to where we were last year and continue to have big aspirations for that business as well.

I think once we get the e-commerce ramp down sort of behind us, this business is really going to be separated into the drop ship business where we don't touch inventory, and what I would call the food distribution business, which is what we do in Chicago. And they both have large opportunities in my mind. We make better margins on the drop ship side because we don't have to run a warehouse network and trucks and warehouse labor to be able to run that business. But there are still compelling returns to be had on the food distribution side and a cool opportunity to look at expansion, like we mentioned, through M&A, both through additional categories in Chicago as well as looking at additional markets outside of Chicago. So lots of opportunity on both sides, and thank you for the question.

Sebastian Krog

Can I maybe ask one follow-up question? So once the e-commerce part has gone, you mentioned that you already seen some improvements in the SG&A for the next year. But in terms of the B2B part, what gross margin are we looking at? What would be your target for the future only for the B2B part of the business?

Bill Bennett

Yes. We haven't ever released actual margin numbers by business. So I'm not going to give an exact number, but I think if you look back at our history, like if you look at the years from – I believe it's like 2016 to 2017 when we had no e-commerce business – you can get a sense of the economics of the foodservice business alone. And then over the coming quarters, you'll see as the e-commerce business sort of ramps down, how our margins manifest on the rest of the foodservice business. But if you look at -- one of the maybe comparison points you could think about is look at gross margins that exist on other foodservice businesses across the industry, and we would run in similar ranges while especially on the drop ship side, we don't have the labor and other operating expenses that detract quite so much from that gross margin. So it's definitely an attractive business and like I said, one that we want to continue leaning into.

Sebastian Krog

So it should be in line with the historical of the business like you said.

Operator

Our next question is from Owen Hayworth.

Owen Hayworth

My question would be, what does it look like for Innovative Food to go from Phase 1 to Phase 2? Bill, I heard your comment at the beginning saying we're still solidly in the stabilization. But what does it look like as we move in towards Phase 2? How does business operations change? How do initiatives change? Maybe what a day-to-day focuses look like for you and your executive team.

Bill Bennett

Yes. Thanks, Owen. Good question. First of all, I'd love to see a much smaller delta between reported net income and our adjusted net income. You'll see those adjustments drop off over time as the business stabilizes and we've got a consistent business model we're delivering on. But importantly, the 2 things I'm watching for before I will sort of declare victory on stabilization is, number one, getting back to revenue growth like we keep talking about; and number two, selling the Pennsylvania building.

So the reason those 2 are important is, first, on the revenue growth, I've been super open and candid that we've got to prove that the business model, the value proposition has value outside of our existing customer base. And as we add new customers and can actually drive growth in that professional chef business, that will be the proof, right, that we've got a lot of headroom to grow the business. And even though we saw declines for the first year that there's a long runway ahead of us to continue growing the business. If I'm an investor, that's what I want to see, to believe that the company has been stabilized.

On the sale of the Pennsylvania building, like we've talked about, unlocking that capital is huge to the rest of the growth strategy. The anticipation is that we'll use that, number one, to pay off the approximately $9 million in loans that are against that building today, which would bring us effectively debt free as a company. Then you roll the remaining proceeds in with what we've gotten from Florida, the Florida sale and our other cash-generating activities. And we'll be sitting on $8 million to $10 million in cash, debt-free, growing revenue as a company. And that to me looks like a stabilized company. That looks like a healthy company that I think investors can feel much more confident investing in, right? So that to me is what stabilization looks like. I hope that answers your question.

Owen Hayworth

Yes, that really does. That leads perfectly to the next question. So we're making progress towards this 100/10 plan. Curious if you have a vision for what capital allocation might look like if we're sitting at a comfortable profit margin, a net cash position, what might capital allocation look like? Or what do you think your priorities might be if we reach that position?

Bill Bennett

Yes. Good. So this is a lot of what Phase 2 is about. And I don't know how to predict exactly where our growth is going to come from during that phase. When I talked earlier about really having 2 businesses at that point, the food distribution business and the drop ship business, I don't know yet which one has more runway to it. Like I said that from a pure operating margin perspective, the drop ship business looks more attractive. But I want to see proof that it can grow to be multiple hundreds of millions of dollars before I'll say that's the key business we're focusing on. We may find that we can grow at 50% or 100%, but we top out. And then I want to see more growth from the food distribution business. This is an extremely fragmented business in food distribution. If you look at the concentration ratios across industries, food distribution is not at all concentrated, meaning that there's lots of opportunities for a roll-up strategy for entering new markets, for disrupting with new business models. And because of that, I think there's -- like I said earlier, a lot of opportunity there, too. Of course, if we invest more in food distribution, it's a more capital-intense business to buy the warehouses or the businesses and the trucks and hire the labor. And so I think the capital allocation looks different if we end up leaning more into that side. But that to me, again, is really what Phase 2 is about is defining who we are as a company going forward and which of those 2 or some combination of the 2 is our long-term strategy for the company, defining who we are, if that makes sense.

Operator

Our next question is coming from Adam Wilk.

Adam Wilk

Guys, can you hear me? This is Adam from Greystone Capital. My question was actually just answered revolving around M&A. So I appreciate that. If there's any more color to add, I realize we may be kind of getting ahead of ourselves here, but you brought it up so I'll pull on the thread, I guess. I was just curious, once you kind of get the core business stabilized and poised for growth, as you think about M&A, there does seem to be some precedent for executing sort of an acquisition strategy where you kind of buy and build on top of your existing platform, which you just mentioned. You've got some smaller and larger competitors doing similar things in specialty foods. So if there's any more color to add on what that might look like for you guys in terms of expanding geographies, products, types of business, et cetera, feel free to add. But otherwise, I think my question was answered at a high level.

Bill Bennett

Yes. Thanks, Adam. I can add maybe a little more color. I'll just start by saying we're -- like I said in my comments, too, we're actively reviewing a pipeline of M&A opportunities. I don't think we're probably ready for anything of a super meaningful size until the Pennsylvania building sells and we have that additional capital. And in this Phase 2, I'm not interested in taking on additional debt or issuing new equity for an acquisition. I think we're too early in our cycle to necessitate those moves. So I really want to do it with our existing capital during this Phase 2.

As we're looking at these different opportunities, you're right that there's a lot of precedent in other companies. I think about Chefs' Warehouse in particular in acquiring specialty distributors around the country and sort of rolling them up into a bigger company. In our research, we also think there's an opportunity to take a fairly different approach than Chefs Warehouse and some others who've taken -- who have gone after this strategy that would put us in a really differentiated position. So that's definitely something that we're looking at. Like I mentioned in my comments, too, we only do less than 10% of our business today in perishable sales. And so pure category expansion is a good opportunity for us as well to move more into meat, produce and seafood on the actual food distribution business. We just don't sell enough of those categories today. And frankly, I learned this in my Walmart and Kroger days, fresh is what drives frequency with customers, right? Both of those companies I worked for had a huge focus on fresh because it got your customers into your store every single week. When all you sell is nonperishable, those items might last a month or 2. And the sales cycle is longer, and we have fewer opportunities to sell. So I like the idea of bringing in more fresh. That gives us more selling opportunities and builds deeper relationships with our customers on the food distribution side.

The last thing I'll say is just on the drop ship side, it's really interesting. We're just so unique in the industry. There's not a lot of M&A opportunity. There, I feel like the opportunities are a lot more organic in nature because the model just hasn't been leaned on very hard yet. We've been so concentrated in our customer base for so long that the biggest opportunity requires no capital. It's just boots on the ground, leg work, to sell harder and better articulate our value proposition so that we build deeper relationships with those broadliners that I've mentioned. So those are a few more thoughts on like M&A strategy.

Operator

Thank you for your questions. I'll now turn it back over to Bill to wrap up.

Bill Bennett

Thanks, Ronit. I did get one more as a direct message in the chat from Ian Cassel: "How has the response been since putting the Pennsylvania facility up for sale?"

So it's been good. This is a much larger sale, of course, as compared to the Florida building sale. So listing a building for $18 million is -- and looking for buyers in a remote area like Mountain Top, Pennsylvania, we didn't expect it to turn immediately. But the feedback we've gotten from our broker, we're using CBRE to sell the building, is that the interest we've had so far has been strong. So I don't know what else to say beyond that. We can't really predict when it's going to sell. If you've ever sold a home, you're sitting on pins and needles every day, hoping that you get more showings and eventually get an offer. But all I can say for now is that we've had strong interest. And I think that it's a good building and a strong distribution corridor in the Northeast. And I think we remain confident that we'll be able to sell it for a decent price here over the next several months.

All right. Thanks, Ronit, for moderating. Thanks, everyone, for your questions today and for your attendance and engagement on the call. It's really inspiring to see the level of interest in Innovative Food Holdings. As always, I'm happy to make myself and my leadership team available to connect with investors who have further questions about publicly available data. Please reach out to Gary Schubert, whose contact info is included in our press release, if you'd like to schedule a touch base. Take care, and we look forward to continuing to update you on the progress of our strategy at our Q1 update later this spring. Thanks all, and have a great day.