

## **Operator**

Good morning and welcome to the Innovative Food Holdings Fourth Quarter and Fiscal Year 2024 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 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 12.31.24. 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](http://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 Q4 and FY2024 earnings call. I'm joined by our COO, Brady Smallwood, and our CFO, Gary Schubert. Today we'll be

discussing the results from our 2024 fiscal year, as well as the fourth quarter of 2024. You can read more detail about our results when we file our annual report and 10K with the SEC in the coming weeks.

As we reflect on 2024, I want to start by emphasizing just how much progress we've made on our path to eventually becoming a profitable \$1B revenue company. When I joined IVFH, we laid out a three-phase roadmap to drive long-term success:

1. Phase 1: Stabilization – We refocused the business, recapitalized the company, divested unprofitable operations, fixed gross margins, and restored financial health to the business.
2. Phase 2: Laying the Foundation for Growth – We're now working to expand our core distribution business, optimize operations, and leverage strategic acquisitions to build a playbook for larger future growth. And finally,
3. Phase 3: Build and Scale – once our business model is well-cemented, we will look to accelerate M&A, market expansion, and customer acquisition, driving our profitable flywheel forward.

As we said last quarter, we can now confidently say Phase 1 is complete, and we are well on our way with Phase 2. Over the past year, we have:

1. Divested all non-core businesses, including igourmet.com and Mouth.com, reducing operational distractions and financial drag.
2. Strengthened our financial position by selling our Florida headquarters, and reducing our overhead structure
3. Refocused entirely on our core foodservice business, which saw organic revenue growth of 44.3% in Q4 2024.
4. Successfully acquired Golden Organics and LoCo Foods, bringing immediate revenue contributions and accretive profit.
5. Launched a major national retail distribution partnership, which has already scaled and is now expanding, delivering game-changing revenue growth in a brand new sales channel for the company

And the results speak for themselves. Despite a year of significant transformation, this team is executing *tremendously* well. We delivered \$72.1 million in revenue, up 2.5% year-over-year despite the headwinds from the divested businesses. GAAP net income improved by \$6.1 million to \$2.4 million, while adjusted EBITDA increased 18.1% to \$3.2 million. These results are even more impressive when considering the upfront investment costs associated with our new retail business and the M&A integration.

As we have now transitioned into Phase 2, our focus will be on driving profitable sales and successfully integrating our recent acquisitions. The two main actions you've seen from us so

far in Phase 2 include the launch of our retail business, and our first steps forward in our M&A strategy. I'll spend a moment on each of these.

First, our new retail business. We're very excited about this new business! As you can see in today's results, this new cheese business has driven a dramatic shift in our results, with organic revenue growing +44% in Q4. As we mentioned in last quarter's call, the business comes at low margins, like any retail business does, while also including large startup costs in its first quarter of operation. But you can see that we are still controlling expenses carefully and ramping the business thoughtfully. Over time, you will see that while our gross margin rate comes under some pressure from this new business, the incremental dollars will be highly worthwhile.

In addition to the positive results from the retail business, we're also excited by how this launch begins to de-risk our customer mix. For example, in Q4 of 2023, our largest customer made up 46.7% of our revenue, while in Q4 of 2024, that same customer made up just 33.9% of our revenue. Of course, this metric is also benefited by our recent acquisitions. We expect our continued focus on expanding sales channels will further de-risk our customer mix into the future.

Now let's move to M&A. As we've said before, we have remained disciplined in searching out acquisitions that meet our four key investment criteria:

1. Profitability – The business must already be generating positive EBITDA and cash flow (or have clear, near term opportunities to get there).
2. Attractive Valuation – We seek acquisitions at 3-5 times adjusted EBITDA, ensuring a strong return on investment within five years, before considering the impact of synergies.
3. Operational Synergies – The business must have exciting upside, bringing clear cost or revenue benefits.
4. Right-Sized for Integration – We have focused on companies with \$5-15 million in revenue, large enough to be impactful but small enough for smooth integration.

Both Golden Organics and LoCo Foods fit these criteria well. They both have a deep, loyal customer base, a unique catalog that will unlock synergies for IVFH, and a well-known local brand. In fact, as we recently announced, the LoCo Foods integration into Golden Organics' Denver warehouse has already unlocked major efficiencies, reducing logistics costs by 60%, cutting driver hours by 50%, and eliminating a \$158,000 annual warehouse lease and property tax expense.

As we continue our work to integrate these acquisitions into IVFH during 2025, we don't expect to make any additional acquisitions. As we're able to prove out the synergies and demonstrate a successful integration, we will look to apply our learnings to future potential acquisitions.

I also wanted to update you on our legacy distributor drop ship business. While this business continued to show softness in Q4, the trends improved versus Q3, and we continue to focus on

returning that business to growth. I have gone full “founder mode”, now having the team reporting directly to me. We are dramatically expanding our pace of catalog growth, through the application of new artificial intelligence tools, which we’ve identified as the largest and most effective growth driver we have. We’re also simultaneously growing our sales efforts through the hiring of new sales people. In addition to focusing these new sales people on growing our relationship at the distributor headquarters level, we’re also testing their deployment at the market level, with deeper engagement with the distributor’s division leadership, driving education and awareness at the specific restaurant level.

The last thing I wanted to mention here is that we also continue to see strong growth with our new national distributor partner announced last 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, and we continue to have many different growth opportunities we are pursuing.

In summary, we’re very pleased to see our new growth businesses and acquisitions begin to materialize this quarter, and demonstrate the profitable growth potential of the Company, and we’re excited to see how these pieces continue to come together.

With that, I’ll turn it 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, and good morning everyone.

Last year, I spoke about our e-commerce turnaround, which improved profitability but didn’t offer a compelling long-term path forward. That put strain on our 200K sq. ft. warehouse and team in Pennsylvania, leaving uncertainty about the future of that facility. But what unfolded in 2024 was truly remarkable—our dedicated team in rural Mountain Top, PA pivoted, expanded, and became even more efficient, now shipping more artisan products nationwide than ever before.

We sold igourmet.com last August and concluded the transition period in September. Just three weeks later, we fulfilled our *largest-ever purchase order*, launching our gourmet cheese program in hundreds of retail locations across the U.S.

We’re encouraged by the customer proposition of our cheese business. We work across a broad network of producers and importers, maintaining an active assortment in the hundreds—allowing us to source nearly any cheese, without being tied to a single brand or type.

High labor costs, complex supply chains, and high waste can drive fresh products like artisan cheeses into premium, almost novelty price points. Centralizing processing in our SQF-certified facility, now with automated cutting and packaging, and leveraging our 20 years of expertise in cheese can enable our customers to offer gourmet cheese at accessible prices, without added complexity or waste.

Our retail business drove \$5.3 million of revenue in Q4 alone, and we expect it to continue to drive material growth for us throughout 2025.

Given our growing volume at the Pennsylvania warehouse and the need for flexibility, we've decided to retain control of the property rather than pursue an outright sale. While rising interest rates have made it challenging to secure acceptable terms, we're still actively exploring sale-leaseback opportunities that align with our long-term strategy.

Beyond retail, our airline catering business grew 16% and Artisan Specialty Foods grew 13%, as we invested more resources into our sales and support teams. This has led to a solid foundation of growth: more items, more customer locations, and bigger and more frequent orders. And in case you were wondering, we sell a lot more than cheese in these businesses!

The strong growth of Retail, Airlines, and Artisan more than offset a continued slowdown with our largest broadline distributor. While the diversification of our business is a good thing that reduces risk, Bill explained multiple growth opportunities we see in our broadline business, with a particular focus on expanding our catalog, continuing to improve online content, and more deeply engaging with our distribution partners on our selling efforts.

Regarding M&A, I want to highlight the actions we've taken since closing the Golden Organics and Loco Food Distribution acquisitions in late 2024:

- First, we focused on retaining key vendors and customers, and we made strategic personnel changes to enhance operations
- From there we consolidated warehouses, driving a 2/3 volume increase in the same footprint, and eliminating LoCo's \$158 thousand lease and property tax expense
- We cut logistics costs by relocating LoCo to Golden Organics' central location, including a 60% reduction in miles driven, and a 50% reduction in driver hours.

With warehouse consolidation complete, our next focus is back-office integration and driving sales growth by unlocking synergies across all of IVFH.

Across IVFH, broadening our catalog and selling seamlessly in multiple channels will be enabled by our continuous progress in technology. When we started, our operations were fragmented with multiple entities, disconnected tech stacks, and inefficiencies driven by past M&A. This complexity burdened our IT team, forcing them to focus on maintenance instead of transformation. Streamlining the organization has enabled us to build better for the future.

I wanted to share a few recent examples:

The first is data democratization. When I first arrived, there were no useful management reports and leaders were frequently making decisions in the dark. We have now fully transitioned to Power BI, giving every decision-maker real-time, granular insights that weren't possible before. This helps us move faster and make better calls.

Next, we are using AI to efficiently improve our online presence. We built an MVP of a combined Golden Organics and LoCo website in less than 2 weeks with one person working on it part time. The biggest cost and time saving was using AI to optimize images in both portfolios, many taken with a cell phone, to create consistent quality, look, and feel, with titles optimized for SEO. That process is now built out in an automation tool, Zapier, and can easily be triggered with a cell phone picture of future items we add. In fact, we've optimized images of over 6,000 different products with AI recently. Other AI models now write or improve much of our product content, and we have other AI use cases in-the-works.

One more example is cross-company collaboration, which was a struggle in the past. To prepare for large growth initiatives last year, we needed a precise, coordinated effort with team members in at least 6 different states. We piloted Asana for project management, and it worked so well that we are now rolling it out company-wide, with triggered and automated workflows. If I have a new product that we need to import from Europe, I can now just type in the name of the product, the date it needs to be on shelves, and hit submit. That triggers a 32-step workflow that automatically assigns out tasks, collects important data points and documentation, and triggers the final approval step for me before we commit to any large purchase orders. This process can still last many weeks, but when you have many products in various stages, it can be paralyzing or cause you to miss important details if you don't build a solution like this.

Growing sales with reduced SG&A is supported by these tech-enabled processes, and it's a small example of what we mean when we discuss our "platform": a single set of tools, reporting, technology, and processes that will be leveraged over and over again by each entity under our umbrella.

Thank you and I'll now turn the mic over to Gary to talk financials.

### **Gary Schubert**

Thank you, Brady. Hello everyone. As you may be aware, this Q4 wraps up my first year with the company. It's been a great year, and I am excited to be in this position and help drive the organization's growth potential. I will now share the financial highlights for fiscal year 2024.

As Bill mentioned earlier, we have made significant progress this year. For the fiscal year ended December 31, 2024, IVFH reported revenue of \$72.1 million, a 2.5% increase compared to \$70.4 million in 2023. Notably, our organic revenue growth, which excludes the impact of divestitures and acquisitions, was an impressive 11.4% for the full year. This revenue growth was particularly

strong in Q4, with total revenue increasing 19.2% and organic revenue increasing 44.3%. These results reflect our strategic efforts to enhance our market presence and expand our customer base.

We experienced a slight decline in gross margin dollars by \$188 thousand, mainly due to inventory write-offs and the ramp-up of our lower-margin retail business. However, this was more than offset by notable improvements in SG&A. Excluding non-cash stock compensation and non-recurring expenses, SG&A decreased by \$1 million, driven by strategic divestments and cost reductions. Key areas of improvement included a \$555 thousand reduction in advertising expenses, a \$279 thousand decrease in depreciation expenses, a \$227 thousand reduction in office, facility, and vehicle expenses, and a \$122 thousand decrease in IT expenses. These changes were largely due to our decision to exit the direct-to-consumer eCommerce business and the sale of our Florida headquarters. Additionally, payroll and related expenses decreased by \$272 thousand, mainly due to a lower annual incentive payout to our leadership and executive teams.

Throughout the year, we recorded several gains and losses. We achieved a gain on the sale of assets totaling \$2.8 million, which included \$1.8 million from the sale of the headquarters building and \$834 thousand from the sale of certain intangible assets related to the direct-to-consumer eCommerce business. We also recorded a gain on the sale of subsidiaries of \$21 thousand from the sale of Haley Group, Inc., and gained other income of \$6 thousand from leasing space in our Mountaintop warehouse. Overall, our total non-operating income was \$2 million, positively contributing to our financial performance.

Turning to profitability, GAAP net income from continuing operations improved significantly, reaching \$2.5 million compared to a net loss of \$3.7 million in 2023. This translates to GAAP net income from continuing operations per fully diluted share of 4.9 cents, compared to a loss of 7.6 cents in 2023. Adjusting for non-recurring items and non-cash expenses, our adjusted net income from continuing operations also saw a substantial increase, reaching \$2.1 million compared to \$1.3 million in 2023. This results in adjusted net income per fully diluted share of 4.1 cents, up from 2.7 cents in 2023.

Now, let's dive into our cash flow analysis. Operating activities used \$6.3 million, primarily due to changes in working capital components. While this might seem like a large outflow, it's actually a sign of our robust growth and strategic investments. Accounts receivable increased by \$3.8 million, reflecting higher sales of our new large retail customer, indicating strong demand and expanding market reach. Inventory increased by \$1.9 million, driven by the acquisition of Golden Organics and LoCo Foods, as well as higher inventory levels to support the new retail customer. This positions us well to meet future demand and capitalize on growth opportunities.

Additionally, accounts payable and accrued liabilities decreased by \$850 thousand. This decrease was primarily due to the lower annual incentive payout recorded in 2024 but paid in 2025, and the elimination of accrued liabilities related to the divestiture of eCommerce operations. This reduction in liabilities represents an outflow of cash as we settled these

obligations. Following the sale of the remainder of our eCommerce business, we no longer sell or service gift cards or subscription services, which was the largest contributing factor to the \$791 thousand decrease in deferred revenue. This decrease in deferred revenue also reflects an outflow of cash as we no longer receive advance payments for these services.

Turning to our investing activities, we generated a positive cash inflow of \$1.2 million, primarily driven by the sales proceeds of assets, offset by the acquisition of Golden Organics and property and equipment. Key investments and proceeds included \$2.1 million from the sale of our headquarters building, \$617 thousand from the sale of certain intangible assets associated with igourmet.com, \$1.2 million for the acquisition of Golden Organics, and \$317 thousand for the acquisition of property and equipment.

On the financing side, activities provided \$2 million, primarily from the sale of \$3.3 million of common stock in the private offering we executed in December 2024. This was offset by \$228 thousand in principal payments on financing leases and \$96 thousand in principal payments on notes payable.

Looking ahead, I am pleased to announce that we are progressing with our plans to uplist to the NASDAQ. This move is expected to enhance our visibility in the market, attract a broader investor base, and provide greater liquidity for our shareholders. As part of our uplisting strategy, we have also announced a company name change, and a reverse stock split to meet the requirements of the NASDAQ. We do not currently have concrete dates to share publicly, but continue to make progress, and will make public statements as the process advances.

In summary, our financial performance this year reflects our strategic focus on growth and efficiency. We are well-positioned to capitalize on future opportunities and continue delivering value to our shareholders. With that, I'll hand it back to Bill to share his thoughts and lead us into the Q&A session. Bill, over to you.

### **Bill Bennett**

Thanks, Gary. Pretty awesome how you've driven our financial rigor after just 12 months in role, and I'm so grateful you joined us here at IVFH!

Hopefully you all can see how well this team is executing. Lots of companies sacrifice profitability in order to grow quickly, or alternatively they choose to retrench and solely focus on profitability at the expense of growth, but I'm super proud of how we're balancing growth with profitability – that's not easy to do!

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.

Jd, please unmute yourself.

### **JD Abouchar**

Hi, good morning. Congratulations on the great results. I'm sure there'll be plenty of questions, people asking about some of the core and bigger opportunities, in retail and whatnot, I thought I'd just focus on a couple of the niche things.

The Amazon business is kind of intriguing. Is that just a niche opportunity or is that something that actually could be meaningful revenues and something you can leverage going down the road?

### **Bill Bennett**

Sure. Thanks for the question, JD. I appreciate it. Yes, we keep mentioning it because we've been surprised at the amount of growth we've seen there so far.

If you think about, for most of our sales channels on the dropship business, we have some kind of intermediary between us and that final customer, when you think about the relationship with US Foods and Sysco and others. We don't actually have ownership over that customer. We don't have opportunities to market to them. And it really makes the growth of the business challenging. We don't have as many growth levers as I'd like to have. So when we look at Amazon, we love the fact that we control everything. The whole platform is set up to be able to have perfect control over your assortment and your content and your pricing and you can spend money in marketing and sponsor your products. We can build a whole store that's dedicated to just our products and tell our story. It just gives us a lot more control than we have on these other platforms.

And so we've been leaning in there over the last year. We're on pace to do just over a million dollars with it this year. So it's certainly not of the scale that retail is at this point. But when you peruse Amazon, there is not a lot of stuff out there in line with what we can offer from our catalog. And so we do continue to believe that there's a cool opportunity to sell more specialty food on Amazon.

I don't want to overplay like how much we're investing there. It's in line with the revenue. We've got maybe half a person working on it and we think as we continue to leverage our

platform, meaning getting our entire catalog up there, that we'll continue to see growth and it will be interesting to see where it goes.

### **JD Abouchar**

Great, great. Second question is just on the artisan business in Chicago sort of what had been neglected and sort of, to my mind, an unsung hero, an opportunity to expand into other metros because it seems to be, at least in my mind, a very successful business model so maybe talk about growth within Chicago and also the opportunity to maybe replicate that in other metro areas. Thanks.

### **Bill Bennett**

Yeah, great question. Specialty food distribution is an interesting game because it has very high barriers to entry.

To get a warehouse and imagine entering a new market. You bring in your first few products and you've got to have a place to sell those because food goes bad.

I call it a cold start problem. It's really hard to bring in enough inventory to attract a large number of customers quickly. But without those customers, you can't really justify bringing in enough inventory.

So you sort of end up between a rock and a hard place and it's why the way I look at the success of artisan is that, yes, it's a business model to copy, but probably through acquisition, not through starting from scratch in new markets. So, that's been the thesis behind the Golden Organics and LoCo acquisitions is that as we get those under the umbrella of IVFH, and get them selling onto our other platforms on the drop ship businesses, as well as pushing their own local growth, that we're able to bring those synergies to these small businesses that didn't exist before? Because they were only selling there locally.

So anyway, those are kind of some of the early opportunities we see from a synergistic standpoint.

Last thing I'll say on Artisan is we added a salesperson there this year and it's driving growth. I mean, it's simple. When you put more salespeople in place, they find more opportunities and we've been very pleased with how the people there get creative and ambitious and go out and find new opportunities for us. We've got significantly more salespeople there at Artisan - we have five versus at Golden and LoCo, we've got like one and a half salespeople total.

So big opportunity to continue investing in sales teams and building out our platform structure around how we operate at the market level.

**JD Abouchar**

Great. Thank you. Keep up the great work, Bill.

**Bill Bennett**

Thanks, JD. Appreciate it.

**Operator**

Our next question is from Garrett. Garrett, please unmute yourself.

**Garrett**

Thank you. Appreciate it.

Hey, Bill, Gary Brady, congratulations. Really impressive stuff out here. Wanted to get an idea, obviously, you're doing a lot of optimization through acquisition. Now that those are inside the business, how are you guys leveraging the bi-directional synergies, and then how are you creating incentives inside the business verticals for these new managers that you just referenced?

Yeah, sure. So for those of you who might be new to the story, we talked about bidirectional synergies in the press releases around those acquisitions. And the thought process is that these companies have really just operated locally for many, many years. And so when we bring them onto our platform, generally, we do see local growth opportunities for them, but the bigger opportunity is to get them listed on our other selling platforms. So on US Foods, on Sysco, on Amazon, and help them build a drop ship business where they didn't have one before. And the model here really goes back to what I was saying earlier on Artisan. Artisan does about \$20 million out of their building there in Chicago. Half of that goes out in dropship. So only \$10 million gets delivered locally. The other \$10 million goes out with FedEx shipments. So under that model, you'd hope that over time, we can get to a similar mix of dropship business out of these new acquisitions, and be able to drive significant growth and return on assets that didn't exist there before?

So in these early days, we've really focused first on the relocation of LoCo Foods. We're super excited about the leader that we brought in when Golden was first acquired. Taeshaud Jackson is his name. We talked about him in the press release. Super energetic team builder there, that we're very excited to have in place. Poor guy though, he was four weeks into his role and we told him we were going to make another acquisition to put under his company, and that he needed to work to relocate them down to Denver from Fort Collins. He's had his hands full

managing the relocation. And now that that's complete here in just the last couple of weeks, we're starting to shift our attention more to those synergies.

The way we've talked about these synergies is that they're not that complex. The capital investment is going to be a card table and a label printer, along with some cardboard boxes. And that's going to be enough to get him up to speed on the dropship business. We've got to go through the assortment and make sure that everything's ready to go into boxes. They've historically packaged their products in a way that it's more suited for local delivery, so we're revisiting the whole packaging process.

We're looking at our labeling and branding. Because they haven't leaned super heavily into the Golden Organics brand historically. And we think there's an opportunity to carve out a nice presence for that as we put it on these other platforms.

And then lastly. A lot of what they sell is actually in big 40- and 50-pound bags, big commodities, so we need to ramp up their repacking operation which is breaking down those big bags into smaller bags that are more conducive to a drop ship business. So lots of minutia to work through there, logistics and tactical pieces that need to be in place to be able to harness those synergies that we're looking for, but the team is up for it and excited. And that's really what we'll be working on for the rest of this year.

### **Garrett**

That's awesome, Bill. Thanks. And then if you don't mind one more.

You know, you've talked about in the past creating this franchise type of model where you could have this repeatable process for scalability. We want to focus in on it's called Golden Organics and LoCo. Have you guys standardized pricing packages and just, you know, distribution, automation, how everything's going down the line? Is that now standardized from start to finish?

### **Bill Bennett**

Not yet, but we're in the process. And that's literally what phase two is, as I described in the upfront comments. It takes time to build a playbook like that, and that's exactly what we're doing. You know, it's interesting because these are still small businesses that we've acquired so far. And of course, you don't want to load them up with a bunch of overhead. So we're trying to use our headquarters personnel to do things like create a pricing framework that the acquisition can work within, that we know will hit the profitability outcomes we're looking for. Brady talked about using Asana to automate processes and handoffs and make sure that things

don't fall through the cracks. We're working on applying that same type of technology down to the entity level and helping them be efficient and have the technology in place there too.

I mentioned the sales team at Artisan that I think is a sort of best-in-class model that we need to go replicate now at Golden and LoCo and think through the right incentive plans for those salespeople and how we set up regions and territories and what the reporting structure should be, all those things. We want to get to where we're not reinventing the wheel with each acquisition, but we've got a package that we in the future can implement quickly, because in this phase we spent time developing it and testing it and getting confident in our ability to execute it.

The last piece I want to mention there is the data and reporting that Brady mentioned. Most of these small companies are operating off of QuickBooks and had very little reporting and insights in the type of data they had access to. We're bringing in our Power BI platform and all the automatically generated insights that are coming out of that to be able to direct the leader of that business on where to focus first, and again, help them operate as efficiently as possible. So the goal on these acquisitions to maintain that local and regional feel. The one that we hired is intentionally a Denver native, has grown up there. So he's got deep connections and friendships and business relationships that he can lean on. That makes it feel like a local business. While still bringing some, you know national company scale and know-how and technology to play to be able to be as efficient as possible. That's sort of how we're thinking about those. But I'll just reemphasize what I said in my opening comments, which is this year is really about figuring that out and we don't intend to do any other acquisitions in the near term because our focus needs to be on developing that playbook.

### **Garrett**

Awesome. Thanks, Bill. Congratulations again. Great job, guys.

Thanks, Garrett. Appreciate it.

Our next question is from Christian. If you can please unmute yourself.

### **Christian Schmidt**

Yeah, hello, everyone. Thank you for taking my questions. I have three questions. First, on the ramp up of the cheese business, I think it was Gary who just mentioned that it impacted the gross margin. Due to its lower margin, should we expect that to improve as the ramp up progresses and what kind of gross margin should we anticipate for this business once the ramp up is complete?

### **Bill Bennett**

Yeah, sure. We do expect it to improve. We're not going to release a specific number for our target there, but we do expect it to improve.

If you think about in the early days of running that business, everything's inefficient. It's essentially a startup. We've never done this kind of production of cheese at the scale that we're doing now today. And now that you're actually seeing the revenue come out of the business, you can get a sense of how big this business is. We bought brand new machines that we've never used before. We're cutting cheese at scale that we've never done before. We're using packaging equipment we haven't used before. And that's all very different than the old business for iGourmet.com which was cutting for one customer at a time \$100 average order value.

So that's really what you're seeing in that first quarter of performance on the retail business is that learning curve that we're going through. As Brady mentioned, we are deep in the details and deep in the weeds of every single process of that entire business as we are pushing to improve. So we have strong confidence that you'll continue to see improvement in the gross margin on that business in the drag it has on the overall company numbers. But of course, I'll continue to say, I do expect that it being a retail business, it's always going to be at a lower gross margin than the rest of our businesses.

Did you have a second question, Christian?

**Christian Schmidt**

Yeah, sorry, I muted myself. My second question is, you mentioned in the press release 25% organic growth in Q1. So year to date, how was this growth distributed across your different business areas? So which categories contributed what percentage to this growth you mentioned?

**Bill Bennett**

Yeah, so we'll speak to Q1 results a lot more in detail when we get to releasing the financials for Q1. The reason we included that is we just want to give you a sense that the huge organic growth we saw in Q4 was really due to the launch of the retail business and filling the supply chain, but that 25% growth is still significant. We expect that to continue on through the year, until we get to lapping the initial launch of that retail business. We're not going to release more details yet at this point, but fortunately Q1 results are not too far away.

**Christian Schmidt**

Okay. And finally, regarding the retail business, another question, can you share anything about potential expansions into new categories beyond cheese and maybe that you will add

additional retailers? If there's anything you can already share about your plans, I would really appreciate it.

**Bill Bennett**

Yeah, sure. So, I've talked about this before, we used a broker to help us find this retail business, and that really goes back to our mentality around being thoughtful with overhead. We didn't go hire a whole sales team with no business to manage, to just go out and prospect for us. We hired a broker who for \$30,000 a year or something like that, was out there pounding the pavement looking for opportunities for us.

So the benefit of that is that now that we've got this business in place, the broker we're using has a national footprint. So now we're partnering with them to develop and pitch this, not the exact same business, but a similar capability to other retailers. So, you know, the main capability is centralization of labor, as Brady talked about today. Typically when a grocer has a gourmet cheese business at retail level, it's very expensive. Between the waste and the labor that they expend at the store level. They just can't get through a whole wheel of cheese and it's incredibly expensive. I know this from my Kroger days. And so what we're pitching now is for other retailers to take advantage of this centralized production capability we have to be able to more profitably operate their gourmet cheese category. And then, like you said, we're also continuing to work on additional categories that could be a good fit for retail and this broker is helping us push forward all those different opportunities. So definitely nothing to announce yet but it is why we announced that new airline business this last week. So we're leveraging all the same equipment, the same sourcing capabilities, the same people at the warehouse to now run this new airline first class cheese plate business and we expect to continue to push more into that as well. So it doesn't all have to be retail. We want to be able to leverage the warehouse and the equipment to pursue cheese opportunities and then gourmet foods opportunities anywhere we can.

**Christian Schmidt**

Okay. Okay. Thank you, Bill. Gotcha.

**Bill Bennett**

Thanks, Christian. Appreciate it.

All right, let me go to a couple texted questions I got in the chat here.

From Michael Richardson. "Just a question on the Pennsylvania property. It seems very nice. Is it normal to take this long to close the deal? Or are there thoughts of maybe keeping the property since we are considering a lease back and growing the cheese business so rapidly? I'm

wondering if maybe keeping the property might be better now, but curious to your thoughts on that.”

Yeah, that's exactly how we're thinking about it, Michael. And Brady spoke a little bit to this but we were definitely surprised how long it took to sell it. We initially hoped to sell it before we even landed this retail business. I think in hindsight, it's worked out very well that we didn't because it helped us to ramp the retail business very quickly, since we had all the personnel and equipment in place already. Now, looking forward, we are still interested in doing a sale lease back and getting the cash out of that building, but frankly, with the increase in interest rates late last year, we had several interested parties, but the terms we were being offered were just not favorable enough for the company. And this is the largest physical asset that IVFH owns, and so we want to be very thoughtful with any big decisions we make there and not tie ourselves up for too long commensurate with the financial benefit.

So we're going to continue to seek a sale lease back and rates have come down again in the last few weeks, and perhaps that changes the situation. But for now, we definitely need to maintain control of the facility because of that cheese business and don't anticipate that changing anytime soon.

Another texted question from Curtis Nolan. “Could you elaborate on the timing, size, and breadth of the opportunities that you are seeing for acquisitions across the nation? How many per year, what size companies do you think might be in the sweet spot for IVFH? If it's too early to say, then when do you see this beginning to ramp up more?”

Yeah, so I alluded to this a little bit earlier, but I'll just reiterate. I don't think we'll make any acquisitions this year, unless something perfect falls in our laps, which of course could always happen. For now, we need to focus on developing that playbook so that future acquisitions can get integrated more quickly and more efficiently than we expect to be able to on these first two.

That said, we do always keep a line in the water and have various outlets that bring opportunities to us as they might appear. My hope is that once we've nailed this playbook and can come back to investors and demonstrate the huge returns that we've generated from these first two acquisitions, then it becomes a no-brainer to accelerate M&A. And at that point, I think we'll articulate a much more clear M&A strategy to the market. At this point, I don't know if it will make sense for us to make lots of small acquisitions, like we've done so far, or if it's best to ramp up the size and do fewer big acquisitions.

But as you can imagine, with our long-term goal being getting to a billion dollars in revenue, it's likely going to require M&A and that's why this phase two is so important so that we can nail that entire process.

Man, I got a lot of questions here in the chat, so I'll just keep going.

So from Varyk Kutnik. "Bravo, creating synergistic platforms. How do we assemble a group of businesses that generate bi-directional synergies within a single platform? Each acquisition must be a highly strategic asset, enhancing the platform, making the whole greater than a sum of its parts."

Not just a financial play - yeah, exactly. This is exactly how we're thinking about it, Varyk, because, if we only bought them because of their financials and we were just going to leave them alone as a pure investment play, then you all could probably do that just as well as we could. And that's not probably a good use of our time. So the deployment of capital to acquire a company has to be because we've got a platform that we're plugging it into. And the idea is if we can nail these synergistic opportunities in a bi-directional way, like I've mentioned, that means that we're growing the acquisition not only through listing their catalog on our other sales channels, but also vice versa. So if Golden Organics can sell our dropship assortment locally to their base of 200 customers then we're growing both that business there locally as well as growing our dropship channel. So all of those things need to work together. And that's what will really demonstrate an exciting future for our M&A strategy. But all that needs to be figured out during this phase two. And that's why we've been very overt in communicating that we have a lot to learn during this phase.

All right, from Anthony Parala. "Could you speak to what the cadence of the cheese business is expected to be throughout the calendar year?"

This is our first calendar year on the cheese business. So we're not going to release any details on exactly how we expect it to proceed. But in general, the gourmet cheese category does skew towards the holidays, so that was actually quite nerve-wracking for us as we launched the business last Fall, because our first shipments were in October, right before the holidays started. So there was no warm-up period. We were straight to the big leagues in servicing this retailer during the holidays.

So typically, summer is the slowest. Holidays are the fastest. And everything else is sort of average.

More to come as the quarters progress. But keep in mind with the recent expansion that we announced with this retailer that that's going to probably distort some of those trends as well because we're now in more stores than we were over the holidays and hopefully, as we're successful, then those kinds of opportunities continue to materialize.

Okay, and then last direct message I have here is from Michael S.:

“Quick question. What exposure, if any, does IVFH have to the on-again, off-again tariff environment?”

Thanks. Yeah, so good question. I figured somebody would ask about this.

So far, the tariffs, of course, have been on Mexico, Canada, and China.

And those three markets are not tremendous sources of product for us. So I did hear just yesterday, we just got our first price increase that was tariff-related, on some oysters that we import from Canada. You know, tiny, tiny part of the business. So not material at all, but interesting to see it actually come through for the first time. I would say overall our business pretty heavily skews to imports from Europe, especially the cheese business. So that region we're watching very closely for how the tariff situation progresses.

And, like you've heard from many other companies, if tariffs come through, then we just wholeheartedly pass them through to our customers. We're a middleman in this and there's no reason to try to absorb those. And fortunately we operate in fairly premium categories that are less price sensitive than something more basic. And so it's not something we're incredibly worried about this year, but definitely watching closely and making sure that we're managing it as best we can.

Got one more from Andrew Rem at Odinson Partners: “On the second acquisition, can you comment on normalized revenue post integration? I'm assuming you may walk away from some business.”

Yeah, so I think there's a lot to be seen there still. Like I mentioned, we've focused mostly on the relocation at this point and not on pulling on any growth levers. We really needed to get the businesses stabilized and sort of operating together under one roof there in Denver.

One of the interesting things that we knew we had to take on when we acquired the business is that Loco Foods wasn't doing very well when we acquired them, so there was a lot of back payments that had to be caught up on to their vendors. And because of the nature of that business, it's local foods distribution, anything that's produced in the state of Colorado is what they focus on. So those vendor relationships are critical to keeping the entire business model intact. So we took that as an opportunity to get them paid up to date as quickly as possible and make sure that those relationships were strong and now we're shifting our focus to growth and where we go from here.

I haven't seen any early indicators of specific customers that we need to intentionally drop. But as we get to know that customer base further, we'll definitely learn more and keep you updated.

All right. I think we went over our time, but thank you for all the questions. That was great. Last quarter, I think we had one or something like that. So it's great to have a little more interaction.

Appreciate the awesome attendance. I think we had 59 attendees today, which is a new record for us.

It's awesome to have such engagement from everybody. It's inspiring to see all the interest.

And as always, we're happy to make ourselves 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 all on the progress of our strategy at our Q1 update this spring.

Thanks all and have a great day.