

Operator

Good afternoon and welcome to the Innovative Food Holdings Second Quarter 2025 Earnings Conference Call. 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 6.30.25. 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 afternoon. I'm happy to welcome you to our Q2 2025 earnings call. You can read more detail about our results when we file our 10Q with the SEC later today.

I want to start by reminding everyone about the announcement we made a week and a half ago regarding the sale of our Mountain Top, Pennsylvania warehouse. In tandem with this transaction, we are sunsetting our cheese conversion business, and relocating our remaining profitable airline business to Chicago, and integrating it into our Artisan Specialty Foods business. This strategic shift necessitates several different views of our Q2 financials, to help you see the difference between our GAAP reporting and the adjusted results based on our go-forward businesses.

We are very excited about this new direction for Innovative Food Holdings. While we had aspirations for the cheese conversion business, as we looked at our pipeline of additional opportunities, we decided that we couldn't quickly enough get the business to the scale necessary to justify the size and expense of the Pennsylvania warehouse, and therefore make the business model work. This strategic shift will allow us to return to our originally stated strategy to sell the warehouse and consolidate our operations to Chicago, saving significant cash flow, and allowing us to focus more resources on growing our core asset-light Digital Channels business. As a reminder, this business requires very little capital and expense to grow, since we generally don't own the inventory, and can grow revenues by bringing more vendors into our catalog, and listing their assortment with the largest broadline distributors in the country (namely Sysco, Performance Foodservice Group, and US Foods). As we exit the cheese conversion business, sell the building, and relocate the airlines business to Chicago, we expect significant progress in margin growth, SG&A reduction, and cash flow growth. With a planned close date of September 30th, our financial results in Q2 and Q3 won't yet reflect these changes, but we expect Q4 to better demonstrate the earning potential of the company.

Now let's jump into our Q2 results. In Q2 2025, revenue increased 26.9%. Excluding the cheese conversion business, Q2 revenue grew 13.5%, with acquisitions driving the majority of the year-over-year growth, since they did not contribute revenue in the prior comparable period. After an initial period of declines in these acquisitions as we've been working through the transition, our weekly revenues have stabilized throughout Q2, and we continue to optimize the team and implement our operational playbook.

The remaining core business revenue, excluding our acquisitions, was roughly flat year-over-year. Within that core business, our airline catering business grew 26.1%, which was offset by a 4.9% decline in Digital Channels, an improvement from the 6.8% decline in Q1. Within Digital Channels, we continue to see strong growth with our new national distributor partner announced last year, and triple-digit growth in our Amazon sales channel. These growth initiatives were offset by continued softness in our largest customer, US Foods, driven by continued increased competition within their marketplace. Returning this business to growth through significant catalog expansion remains a key initiative for the entire management team.

Now I'll update on a few of our key strategic initiatives. Last quarter, I outlined our strategy to turn around our digital channels business by accelerating our catalog growth. Just last week we completed the soft launch of our new AI-driven catalog management platform, and are now taking our first vendor through the process. The platform is smooth, fast, and accurate, so we

will now begin to invite new vendors onto the platform. We also added headcount to the largest bottleneck of our catalog setup process, which helped us to accelerate item setup. In the last four weeks, we setup over 400 items – more than we setup for the rest of the year to date. Beyond catalog growth, we also recently extended our business into five new regional markets with Performance Foods Group, and will be exhibiting at US Foods' first national Food Fanatics show in Las Vegas later this month.

We also continue to work on the integration of our recently acquired businesses. We recently installed a new President of Golden Organics and LoCo, a veteran of a much larger food distribution business in Denver. We completed the integration of ERP systems, allowing us to now combine all data and reporting into our corporate platform. This is also enabling us to combine all logistics between the two acquisitions, driving efficiency, and reducing headcount and distance driven by our trucks. Lastly, we've made progress in preparing the business to onboard to our digital channels, by capturing images and dimensions of the entire catalog. We also continue to work on implementing standard operating procedures across all key functions and tracking daily progress.

In summary, Q2 represented a large strategic shift for IVFH as we focus our resources onto the core, profitable parts of our business. We still have significant work to do to achieve the growing, profitable business we're targeting, but we're seeing traction in key elements of the strategy, and we're laying the foundation for long-term value creation. I want to thank our team for their focus and execution, and we look forward to updating you further in the quarters ahead.

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.

Today I want to give more detail on the warehouse transition and our exit from cheese conversion. Since joining just over two years ago, we've tested a range of potential growth paths for the Pennsylvania facility. That operation was unprofitable for many years and presented significant headwinds. Over six-months, we ran targeted tests, but the results made clear that the scale, capital, and risk required to reach sustainable profitability were too high.

At that point, we began sales processes for the warehouse AND the ecommerce business. The e-commerce business sold first, six months later in fall of 2024. As we retained the building, we continued running other positive contribution profit businesses and pursued new B2B opportunities, including the large retail program we launched late last year. Q1 was our first full quarter of results for the revised businesses in PA. Our review showed the cheese business would

need to double its current run rate — a scale that we were targeting but was increasingly uncertain given tariff pressure on imported cheeses.

Compounding that challenge, our tenant in the other half of the building — a solar company — announced plans to vacate due to tariff impacts and changes in government incentives. With both halves of the building under pressure, the decision was clear: wind down cheese conversion and move aggressively to sell the facility. Despite the property being on the market for 18 months, redoubling our efforts quickly produced a viable buyer.

We have now entered into a definitive agreement to sell the Pennsylvania facility, and are well into the due diligence phase, with closing targeted by the end of September. The sale price reflects current market conditions for specialized cold storage assets in the region and aligns with independent broker valuations. Proceeds will eliminate roughly \$9 million in debt, strengthening our balance sheet and freeing capital for higher return investments.

On the transition front, work is well underway. We have sequenced the migration of airline and broadline distribution into our Chicago hub to minimize customer disruption, rationalized assortments to boost sales and margin while using less warehouse capacity, and identified meaningful overhead savings.

Supporting our airlines business is high priority. The year-over-year growth in our airline business accelerated from 2.2% in Q1 to 26.1% in Q2 led by faster expansion with newer customers while our largest account remained stable. Execution here is critical — airlines rely on us for a wide assortment and flexible service to meet unique purchasing cycles. We're consistently presented with new product opportunities, and by maintaining high service levels at competitive prices, we believe there's a long runway for growth.

Overall, the decisive actions this quarter both derisk our financial position and set us up for scalable, margin accretive growth ahead.

With that, I will hand it over to Gary.

Gary Schubert

Thank you, Brady.

Hello everyone. As we reflect on the second quarter of 2025, I'd like to walk you through our financial performance and provide some context around the numbers.

As Bill mentioned, our GAAP revenue for Q2 was \$21.1 million, a 26.9% increase compared to the same period last year. However, when adjusting for the impact of our cheese conversion business and recent acquisitions, our revenue growth from continuing operations was a modest 0.4%.

Gross margin for the quarter was 21.0%, down 294 basis points year-over-year, primarily due to the expansion of the cheese conversion business, which accounted for 17.5% of Q2 revenue versus 0% in 2024. Excluding cheese, gross margins improved by 66 basis points, driven by lower shipping costs and our continued efforts to manage tariffs by passing price increases through to customers.

Selling, general, and administrative expenses rose to \$4.2 million in Q2 2025 from \$3.8 million in Q2 2024, mainly due to a \$658 thousand increase in payroll, and a \$335 thousand rise in office and vehicle expenses. The increase is linked to the additional operating structure to support new acquisitions and the cheese conversion business. These increases were partially offset by a \$705 thousand decrease in share-based compensation.

Adjusted EBITDA for the quarter was \$228 thousand, down from \$859 thousand last year, primarily due to margin pressure from the cheese conversion business. GAAP net income from continuing operations was \$59 thousand, compared to a loss of \$60 thousand in Q2 2024.

In the second quarter, we reported positive operating cash flow of approximately \$575 thousand, compared to a use of \$977 thousand in the prior quarter. This improvement reflects more efficient working capital management and a reduction in cash tied up in receivables and inventory. While this is a step in the right direction, we remain focused on sustaining and building upon these gains in future periods.

Cash and cash equivalents increased by \$448 thousand during the quarter. This net increase was achieved after \$127 thousand in combined outflows from investing and financing activities, including modest capital expenditures and scheduled debt and lease repayments. Interest expense for the quarter was \$205 thousand, which continues to be a meaningful component of our cost structure. Looking ahead, we expect the planned repayment of our Pennsylvania facility debt to significantly reduce future interest expense and improve our overall cash flow profile.

The sale of our Pennsylvania facility, expected to close by the end of September, will eliminate approximately \$9 million in debt and free up capital for higher-return investments. We're also continuing to optimize our logistics footprint and streamline operations across our distribution hubs.

Given our strategic priorities, we have decided to defer the previously announced name change and uplisting initiatives to a later date. This approach allows us to concentrate our resources on operational execution and integration efforts at this time.

In summary, Q2 and the developments that followed represented a meaningful evolution in our strategic approach. We've implemented key changes to strengthen our financial footing and orient the business toward sustainable, long-term performance. I want to express my appreciation to the team for their continued focus and execution.

With that, I'll hand it back to Bill to lead us into the Q&A session.

Bill Bennett

Thanks, Gary. Lots of good things happening across the business, with several areas of intense focus as we continue on our strategic journey.

With that said, we're happy to take some Q&A. 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.

Bill Bennett

All right. I see a raised hand from JD Abouchar.

John David Abouchar - Two Lakes Capital

I guess first, it was probably a difficult decision to pull the plug on the cheese business, so soon after starting it. I know a lot of people would have doubled down on the business. So walk me through just a little bit of what you were thinking there. I think it sounds like tariffs had more than a nominal impact on it. And two, with the closing of the Pennsylvania facility, does that affect the ability to execute on the core strategy in the Northeast corridor.

Bill Bennett

Great. So on your first question on the hard decision on the cheese business, yes, definitely hard. I think if you've been listening along to our press releases and earnings calls, you know that we were excited about it. The reality is that the size of the business by the end of Q1, like Brady mentioned, was just not where we needed it to be to justify the expense of the entire facility. We even took a look at should we try leasing out or buying another facility somewhere else that was smaller and more suited for the size of the business that we found, and the reality is that by the time you think about moving all of the equipment, rehiring all the people, getting through training, all the expense and capital associated with all of those pieces, that just didn't make sense.

So we've even talked about the other cheese opportunities we had outside of the large retailer and the one airline that we were doing business with. And we did a really careful sizing and risk assessment across all of those different opportunities and came to the conclusion that the likelihood of us hitting the size and scale we needed to on all of those different opportunities, still couldn't get us to the scale we needed to justify Pennsylvania.

So we continue to like the cheese business. But at the end of the day, we need to be clear-eyed and not emotionally tied to something new that we built like that. And I hope that you'll appreciate the fact that we didn't let it drag on for 2 or 3 years, right? It was really important to us that we viewed this as a test of a new sales channel and at the moment we saw that it wasn't

working the way that we intended to, that we would make the hard decision to move on, and that's what we've done. That's some more thinking on the exit of the cheese business.

As far as the core strategy, the only 2 main businesses that we were operating out of that facility were the cheese conversion business, which we've already addressed, and then the airlines catering distribution whose main customers are Gate Gourmet and LSG Sky Chefs. So the reality is that the airlines business can really operate from anywhere because we're shipping all across the country. We have dozens of airports, airport kitchens, between those two main customers that we're shipping to. And funny enough, it's actually cheaper to ship out of Chicago than it is out of rural Pennsylvania because of where the shipping lanes exist within kind of just the broader transportation landscape of the United States.

So it actually puts us in a very nice position to be able to reduce costs on that business, not to mention combining it with an already efficient operation with Artisan in Chicago will just drive further efficiency for us there. So the actual geographic placement of that business in the Northeast didn't have any strategic importance to us. And in the future, we don't expect any negative impact to the core, to the digital channels business, which, as we talked about in the comments today, is the primary driver of both growth and profitability in the future.

John David Abouchar - Two Lakes Capital

Terrific. I'm sure others are going to have lots of questions on the core business. I'll let them focus on that.

Bill Bennett

Sounds good. Thanks, J.D. All right. Tom Kerr. I see that you have your hand up.

Tom Kerr

Just a big picture growth question kind of going forward. The portfolio of businesses you have now after the cheese divestiture, is that where you want to be to grow this company? Or is there always room for sort of tuck-in acquisitions to meet your growth goals?

Bill Bennett

Yes. Great question. Thank you for that. We've said all along that the 2 acquisitions we made back late last year out in Denver, Golden Organics and LoCo Food Distribution, that these were another part of our Phase II where we're trying out different sales channels and trying to nail down the long-term strategy for the company. So as I mentioned in the comments, those are those 2 acquisitions are still very much in flight. We're in the process of integration. It's a big, long messy process, as you might imagine. And we are making progress, but certainly not at a point where we can get the insights out of it that we need to be able to make further decisions.

So the jury is still out on whether if those acquisitions can meet the synergies and the goals that we had when we went out to make them, then there may be opportunity to make further acquisitions.

If we don't get to where we want to, as we've said all along, we bought them for such a good price that that doesn't create any financial headwinds for us going forward, but it will definitely shape how we think about M&A in the future beyond that. So a lot of question marks still on that business.

But if you look at the investor presentation we put out several months ago out on our website, we still think of the company as a drop ship company. So any acquisitions we would make would want to be supportive of that broader strategy and mission because that's where we make differential profits, that really is different than any other food distributor can make in the United States. And so we really would be remiss if we didn't continue to lean into that business and work to get to a much more respectable growth number there. So that does continue to be the focus, but the learnings we get out of the M&A we made will be interesting and will definitely inform our future strategy.

Tom Kerr

Got it. One very quick follow-up. Are you still contemplating the name change or corporate rebranding. I don't see much on that lately.

Bill Bennett

Yes. Gary mentioned it just right at the end quickly. So you can look back at the transcript, but we put it on pause, both the NASDAQ uplisting and the name change. Those are just not the right focus for us right now when we're in the midst of a huge business transformation. And so they still remain a goal that we will work towards but we need to get through the sale of the building, the move to Chicago and stabilizing post move before we will jump back into that piece.

Awesome. Thanks, Tom, for your question. I appreciate it.

All right. Next on the list is Brian Harper, if you could unmute yourself. Go ahead.

Brian Harper

I wanted to ask about kind of balance sheet effects of this of sale of the warehouse in Pennsylvania. And I look – you had inventory more than doubled in the last 12 months, vs. the comparable quarter in the last year. And then and AR was up net of AP. So I was wondering how can we expect that to come down a lot? You guys, I think you capitalized some stuff too. Is there any potential impairment on exiting Pennsylvania and assuming it closes, will there be any tax impacts on selling the building?

Bill Bennett

Sure, yes. Gary, do you want to take that one for us?

Gary Schubert

Yes, all of the above is true. So yes, we'll have some tax impacts associated with the sale of the building, but we do have some net operating losses on the books that will take care of the bulk of those tax impacts as it relates to the sale of the building from years past. So not really a lot of cash outflow as it relates to that. As it relates to kind of the balance sheet items, our AR has already come down since the beginning of the year, which is how we've actually improved our cash position a bit, and we expect that to as we flush out the cheese business, we still have AR that will keep on coming through as our inventory continues to actually decline as well from the cheese declining in value.

We may have some write-offs as it relates to excess inventory, but we're working through that very diligently and trying to make sure that we have very little -- as little as possible from a costing perspective. So we're working through all of those pieces to ensure that we make the most out of the money that we've actually got invested in those positions at the current moment.

I don't think we have any risk on the AR, quite frankly, because the AR are with large customers that are very reputable and they pay on time. So very, very good from that perspective. And then the last thing we're going to get rid of some property plant and equipment that will actually reduce some fixed assets on the balance sheet, but that will also reduce a huge amount of debt on our balance sheet. Pretty much be virtually debt free. I won't say 100% debt free, but it will reduce debt by 98%. So very much debt-free at that point.

Bill Bennett

Thanks, Gary. Thanks for your question, Brian. Appreciate it.

All right. Our next question is from Sebastian, if you could go ahead and unmute yourself.

Sebastian Krog

Yes. Bill, I have 2 questions. So the first question is regarding our gross profit. If I remember correctly, historically, your foodservice business had gross profit of around -- gross margin of around 30%. And I think you're now sitting at 24%. So is that just a reflection of a different product mix, I guess, historically, US Foods had a higher contribution to net revenue on a percentage basis. Or is that just not attainable any more with the increase in competition on the U.S. Foods marketplace?

Bill Bennett

Yes. Thanks for your question, Sebastian. The business mix definitely looks different in Q2 this year than it would have several years ago. But I think that's a big part of the exit of this business, right? That's a drag for us right now on margins that we will be unburdened by as we get out of that business. Getting from the 24% to 30%, remember that we've also made these acquisitions of the businesses out in Denver that would be more traditional food distribution gross margins. And the artisan business in Chicago makes up a much -- it's a much larger business today than it was a decade ago when you might be -- the time period you might be referring back to. So I think 30% is probably a challenge to get back to that level. But definitely, as we look to succeed in getting digital channels back to meaningful growth, then that should materially drive improvement in our gross margin structure.

Sebastian Krog

Okay. And then the second question on the AI tool, you just launched. Can you maybe get some or give us a bit more color on that? I mean you referred to the soft launch, maybe where actually, obviously, it seems to work right now. Maybe you can give us some additional information there. How far you're already in the process of launching it not only a soft launch, but like really working with it?

Bill Bennett

Sure. Yes. If you've ever -- if anybody on the call has ever been a part of software development, you try to be really careful to not draw a line in the sand and say that we're launched and we're done, right? If you look at like how Apple manages phones or Tesla manages cars, it's a constant development process that never ends. So I just -- I want to be clear that it's not like we're done and we're moving forward. It's our soft launch, which means it's the first time that we're actually getting real vendors into the portal to interact with us in a much more streamlined way than we used to. But I mean, we've got a road map that will probably take us years to get through to actually get the process as fully automated as we would like to. But the reason we picked this time to do a soft launch is we think we can get the majority of the benefits very quickly and early in the process, and those benefits all relate back to the speed of item set up.

So that's kind of how that development process will work. The main thing that we're focused on here though is the outcomes, right? I mean we're not going to invent AI here at IVFH. The main thing we want to think about is how we're driving towards the business outcomes that matter here. And that's why I referenced that even before this tool has launched at any scale with a meaningful number of vendors, just the improvements we've made in the process through added head count and streamlining our internal processes is resulting in an acceleration of items setup. So that's the thing we're looking for is how fast can we set up items.

And then in turn, how fast do those items generate sales and ultimately profits for us. So that's how we're thinking about AI use cases in this situation. We're never going to get married to the

technology or so enthused that we kind of lose the perspective of the business outcomes that we're pushing towards.

Does that answer your question?

Sebastian Krog

Yes.

Bill Bennett

All right. Let's next go to Michael Richardson, if you could unmute yourself. Go ahead.

Michael Richardson

Really appreciate these meetings of yours. And Sebastian pretty much asked my question about AI. You might have said it earlier, but I didn't catch it like -- and correct me if I'm wrong, but used to take about 6 months to setup a new vendor. And I was just wondering where it was -- where is that now, like kind of week or days or...

Bill Bennett

Yes. So I want to be a little bit careful because that's not a metric we want to regularly report on, but it's definitely speeding up significantly. We used to say it was 6 to 12 months to go from a new vendor agreeing that they want to be on our platform to actually having their items live on the platform. So you can imagine that makes it really difficult to go recruit new vendors, right? Like, hey, I need you to put in all this upfront work, I need you to set aside your day-to-day operations, fill out a bunch of spreadsheets and forms and everything and then be patient because we're going to work through it on our side, it's just not a good selling proposition to grow your vendor base at any meaningful scale.

So with this kind of first batch of items that we brought through with the latest acceleration that I'm mentioning, again, this is not even with the AI yet, right, because we're it's just through the added head count that we put in place, but that probably took us about 6 or 8 weeks to get them through the process and that we expect that to just accelerate as we get the AI platform launched and rolled out to add vendors as we move forward.

I've said this before, but historically, because the vendor setup was so difficult we just didn't invest much in vendor sourcing, right? It didn't make sense to push more vendors into a really slow, cumbersome process where we didn't even have the bandwidth to get them onto the platform. Actually, this is a very sad anecdote, but I was looking at old press releases from like 2011, 2012, and the company had announced at one point that we hit 5,000 items in our catalog. I mean that's only barely below where we are today. I mean it's crazy that it's more than a decade and our catalog really hasn't grown since those days. And so that just illustrates

what a pinch point this has been for the entire company strategy where when you don't own inventory, this should be your goal is to grow the catalog as fast as possible.

So I think as we get really rocking and rolling with getting the vendors on, we're going to start to allocate more headcount, resources and focus to vendor sourcing. We're going to mount marketing programs to find more vendors and get them onto the platform and it's just -- it's going to be able to change the entire way that we go to market because we can now have confidence that we can go pitch this value proposition to vendors and help them understand that it's going to be a very low lift on their part to be able to get the orders and revenue flowing for them.

All right. Dr. Brown. Go ahead.

Dr. Brown

Great team, I just wanted to say thank you for all your hard work, and I really respect you, Bill, for what you've done in taking things over from Sam. So I wanted to start out with the appreciation there.

Bill, you and I have spoken about in the past is I really see there being an additional channel that you can add, where you're not only selling to the shareholders for us may be to order 50 steaks or 50 tunas or something that's special or maybe get rid of some of the cheese you've got that's left over.

But to also open that up to your vendors and like U.S. Foods and some of these other entities. I just think it would be worthwhile to look into because if you had something in your website, where as a shareholder, we could log into and get fresh seafood delivered overnight to our houses. I think you'd be surprised at how much ordering you'd actually get for not only your shareholders and food innovations but also maybe U.S. Foods shareholders and some of these other entities?

Bill Bennett

I love it. Thank you for bringing that up. I think that's an interesting opportunity where we could take what we've already built and offer it to others who might want -- might want some of these similar offerings. Of course, they all come in foodservice size offerings, right? So 50 steaks is the right way to think about it, not two steaks. But definitely something we'll take a look at.

All right. I'm not sure if this is the real name or not, but Josh Local. You can unmute yourself and go ahead.

Josh Dannett

Bill, yes, Josh Dannett. I have a question. Can you sort of speak to if there's a backlog of vendors or SKUs to be loaded now that you de-bottleneck the process and sort of what the extent of that is?

Bill Bennett

Yes, sure. So again, I'm not going to perfectly quantify this because then you want me to update it on that every quarter. But we have thousands of items in the backlog already before we even go find new vendors. And that comes from, again, years in this industry, lots of vendors we've talked to who have expressed interest in being on the platform but either we didn't have the bandwidth or they didn't have the patience to actually work through the entire process. So I think there's lots of upside for us very quickly as we get things launched and get the wheels turning on this platform.

Josh Dannett

Okay. Great. And then could you sort of speak to why a vendor would want to go through you guys versus direct to U.S. Foods or through a competitor?

Bill Bennett

Yes, sure. So first, we'll talk about US Foods. Not every vendor wants to do business in the big leagues. U.S. Foods and the others, Sysco and PFG, they all have big complex vendor agreements to sign, rebate structures to track. They're very big and slow moving. You have electronic data exchanges that need to be set up. You have complex food safety rules, and certifications and inspections and a whole host of red tape and administrative pieces that have to be worked with where for a little mom-and-pop shop who might be raising cattle, and spending an hour or 2 in the evening, trying to build their business, they just don't have the bandwidth to work with these big players.

And so one way to think about us is that we're sort of a digital broker, right? We help these small vendors get access to sales channels that they wouldn't otherwise have access to, but we make it as easy as possible. I mean, we've customized it for every single flavor of technology savviness that you can imagine. And at the very base level, we literally e-mail a FedEx label and a packing slip to a vendor that they print off on a little HP printer and tape it onto their box, right?

I mean we've tried to think through how to make everything as easy as possible so that you really don't need any level of sophistication to be able to get up for sale on these platforms. And with all of that in place, it should make it very easy for anybody who wants to get there. So that's why part of this whole AI platform is, I've been trying to get the team to shift their mindset that we really need to be vendor-centric in everything that we do, right? We try to make the vendor process as easy and simple – as easy and simple as possible so that those

vendors want to do business with us. Now who's going to go to US Foods or to the other broadliners? Probably the ones that are bigger and more sophisticated.

I've talked before on the earnings calls that we see that sometimes in the vendor journey with us. They come on to our platform, they build their business. U.S. Foods sees the level of sales that they're doing on their platform and they then in turn go to the vendors and invite them to list directly with them. We do have in our vendor agreements that sort of cutting us out of the loop requires an additional fee to us, the finders fee essentially since we've made that introduction. But at the end of the day, that's a natural part of the evolution of this industry and that makes it our job to make sure we're always looking for the next best thing or the next best vendor and finding that before it becomes mainstream or somebody that US Foods will want to do business with directly.

As far as competitors, there are definitely competitors out there that are playing a brokerage role like this. But I still to date haven't seen anybody that has the reach that we have with access to all 3 of the big broadline distributors and additional sales channels beyond that. So some of this is the access that we currently have. And again, pursuant to the speed that we move at it's critical that we're always working ahead of them and building out additional sales channels and additional capabilities that those competitors don't yet have.

So when we sign an agreement with a vendor, we do ask them to be exclusive with us relative to these sales channels so that they're not sort of just playing the field, and we're sort of making a commitment to one another. But as we go through that sales process vendors really like the opportunity to get on to all of the platforms at once with a single integration with IVFH.

Next, I have a hand up from B. Griffin.

B. Griffin

Bill, can you provide some additional context around the economics of the Amazon sales channel and how that compares to your other sales channels?

Bill Bennett

Yes, sure thing. So Amazon has a little different model than some of the other food distributors because we are a seller on their platform, right? So we actually set the end customer pricing on the Amazon platform as opposed to U.S. Foods and some of the other channels, we're viewed almost as a distributor, right? We sell to the broadline distributor, they mark up our product and resell it to their customers. On Amazon, we have that a little bit more direct connection where we get to set our own prices. And then, of course, the way Amazon's marketplace works is that we pay a 15% commission back to Amazon for the privilege of operating on their platform and getting access to that traffic.

So we're pretty thoughtful about how we set prices in that context to ensure that it remains a profitable and accretive sales channel for us. Like I've said on prior sales calls, it's not a gigantic business for us yet, but it's one that we've been looking at as a fairly easy place to execute something that we've already built for all these other sales channels. So if you go search for fresh seafood or specialty foods like that on Amazon, there aren't a lot of competitors on there yet and maybe there are in the future, but we think it's kind of a nice way to open up a completely different base of customers versus what we see on our much larger sales channels with the broadline distributors.

All right. I have one in the chat from Varyk Kutnick. He says, "I may have missed this detail. So please correct me if I'm wrong on the number. My understanding is that you added a couple of hundred items to the catalog over the past month. So we view that as a sustainable monthly run rate for the rest of the year? Or do you expect the pace to accelerate now that the technology and catalog expansion are in place?"

So again, I'm going to be careful on any specific numbers I gave. I did say in the comments today that we setup 400 items in the last 4 weeks. I certainly believe that we can accelerate from where we are today as we get the rest of the technology and team in place. 100 items a week would be a nice acceleration from where we've been historically. I think I said in prior earnings calls that we had averaged 13 items per week. So going from 13 to 100 is a nice bit of acceleration, but I think I'll be much happier when we're doing 200, 300, 400 a week and really item setup becomes nothing of a hurdle whatsoever, then we're only held back by the speed at which we can source new vendors.

All right. I don't have any other hands raised or questions in the chat, and we've actually gone over time. I'll give it one more minute.

All right. Thanks, everyone, for your questions today and for your attendance and engagement on the call. It's always 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 Q3 update later this Fall. Thanks all, and have a great day.