

## **Operator**

Good afternoon, and welcome to the Innovative Food Holdings Third Quarter 2025 Earnings Conference Call.

On today's call for Innovative Food Holdings is Gary Schubert, our CEO, and Brady Smallwood, our COO.

Throughout the conference call, we will be presenting both GAAP and non-GAAP financial measures, including, among others, historical and estimated EPS, adjusted earnings before interest, taxes, and depreciation. 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 9.30.25. 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 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 estimate, 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'd now like to turn the call over to Gary Schubert, Chief Executive Officer of Innovative Food Holdings.

**Gary Schubert**

Thank you, and good afternoon, everyone.

Before we get into the results, I want to take a moment to acknowledge a leadership transition that took place since our last call. Earlier this quarter, we made a leadership transition at the CEO level. The board now want to acknowledge Bill's contributions to the organization over the past two years, and that we both wish him continued success in his future endeavors.

Given that this is my first earnings call as Chief Executive Officer, I want to ensure that I outline how I view the state of the company today, what has changed since I stepped into the CEO role on October 3rd, and how we are going to get where we need to be as an organization.

While reported Q3 results largely reflect performance prior to this transition, it is important to highlight that we've already taken decisive action to clarify leadership accountability, tighten execution, and begin addressing the structural and technological issues that have slowed this company's ability to operate with consistency. I will start by grounding us in the numbers, and then I'll share how we've already begun aggressively working to improve them in a sustainable manner.

In Q3 2025, revenue from continuing operations increased 3.5% year-over-year to \$16.4 million, driven primarily by contributions from Golden Organics and Loco Food Distributions, which were not part of the organization in the prior comparable period. The underlying performance across our core channels, while containing a few areas of clear optimism, revealed three material pressure points that are central to our turnaround.

First, local distribution declined materially on a like-for-like basis. This decline was not demand-driven. It was a result of service inconsistency, fulfillment inaccuracy, and operational strain within our Chicago and recently acquired Denver businesses. The top-line growth displayed in local was acquisition-driven, but these underlying core businesses contracted, which affected margin quality, labor efficiency, and overall operating leverage. The swift and decisive actions recently taken since the management transition to remedy these issues will be discussed shortly.

Second, digital channels declined 4.5% due to continued softness with our largest partner. The root cause of softness with our largest partner is not demand-driven. This continued softness has been almost entirely rooted in the transition of our products from our partner's legacy marketplace platform to its new marketplace platform. This transition has been ongoing since January of 2023, and is set to be complete by December 31st, 2025. However, diversification is taking hold within our digital segment. Our newer digital partners delivered strong growth in the quarter and autumn expansion, supported by early AI-enabled onboarding. Which is helping broaden reach and stabilize overall digital channel's run rate performance.

Third, national distribution remained a relative strength, but while it added stability to the quarter, the operational transition into Chicago was not as smooth as anticipated. Workflow

transfers, system alignments, and process shifts created friction that extended cycle times and affected inventory visibility.

Our gross margin held at 23.5%, consistent with last year.

Our gap net income from continuing operations was \$651 thousand, or 1.2 cents per fully diluted share, compared with \$861 thousand in the prior year. Adjusted EBITDA was \$321 thousand versus \$1 million last year. The year-over-year decline reflects operational inconsistencies across local, digital, and Chicago-based national operations, as well as transitional expenses tied to facility operations and integration.

Taken together, these results highlight a simple reality. The business has underlying strength, but operational inconsistency and a lack of focus on key business functions has eroded profitability. These issues are fully within our control, and we are already taking both broad and specific targeted corrective actions, and are continuing to do so in Q4. While we are encouraged by preliminary indicators that have seemed to come from corrective actions already underway. Work remains to stabilize certain areas of the business and ensure the organization is in a position for sustainable growth across the board. Our focus going forward is on building conditions for consistent performance, and we expect clear indicators to emerge as we progress throughout the next several quarters.

Since taking on the CEO role, my first step was to realign the leadership structure to remove layers, improve accountability, and accelerate decision making.

One of the first things I did was reinstate Argie Liarakos as head of Chicago and other physical distribution operations. His reinstatement was the first corrective step to restore operational discipline, strengthen execution reliability, and build the commercial foundation for the business. He brings deep food service distribution expertise and a proven track record of building reliable operations. He is now overseeing our commercial, airline, and vendor operations, a move designed to bring cohesion to our selling, fulfillment, and supply chain functions.

We also reorganized the company into 5 core operating domains:

- Commercial Operations & Execution
- Digital Enablement & Technology
- People & Process Transformation
- Finance & Accountability
- Business Insights & Financial Planning

Separating the company into these five core operating domains is intentional and essential to how we'll operate going forward. Each domain has a clear ownership and measurable

accountability, ensuring every function understands its responsibilities, how success is measured, and where the decision-making authority sits.

This structure reduces complexity by eliminating overlap, streamlining communications, and clarifying decision rights. It aligns our leadership team around a single operating rhythm rooted in disciplined execution, emphasize speed without sacrificing quality and efficiency without compromising accuracy or customer experience.

The purpose of this realignment is straightforward. Build a cohesive organization that operates with clarity, consistency, and precision. By simplifying how the business is structured, we strengthen our operational backbone, drive accountability deeper into the organization, and create a platform that can scale without adding unnecessary complexity.

Our focus is on doing fewer things exceptionally well, stabilizing the core, modernizing our systems, strengthening vendor and customer relations, and building the execution discipline required for sustainable, profitable growth. With leadership aligned around these principles, we can move faster and more deliberately, ensuring reliable service, operational excellence, and strong financial performance.

To fully unlock the value of this operating realignment, we must and are actively addressing one of the most consequential enablers of execution, our technology. Technology is not a standalone initiative for us. It is the connective tissue that ties these operating domains together. Improvements here will enable faster and more effective decision-making, and allow disciplined process to scale without adding complexity.

Our systems were largely built before 2020, and rely on multiple on-premise platforms. That architecture limits speed, visibility, and automation, and it is not suited for efficient AI enablement. Since October, we have begun a full audit of our technology stack with a goal to clean and standardize our data first, because reliable data is the foundation of every improvement that follows.

With these operational and technological priorities defined, it's important to connect them directly to how we are operating our business, day to day. Brady has been leading the execution of our airline's transition into Chicago, the exit of our Pennsylvania building, and the modernization of our technology stack. His team is translating our strategic priorities into practical, operational reality across the network.

With that, I'll turn it over to Brady to walk through our progress relocating the airlines business, the Pennsylvania facility transition, and our digital enablement and technology initiatives.

**Brady Smallwood**

Thanks, Gary, and good afternoon, everyone.

Q3 has been a quarter of transition—transitioning more of the business to Chicago, moving out of our Pennsylvania facility, and modernizing our technology to support a more focused business. My comments today will cover each of those 3 topics.

First of all, Airlines relocation.

Earlier this year, we made the strategic decision to relocate our airline catering operations from Pennsylvania to our artisan facility in Chicago.

That transition is now substantially complete. All sellable inventory and operational responsibilities have been transferred to Artisan, which now serves as our single national hub for airline fulfillment.

As you'd expect, consolidating warehouse operations while continuing to serve customers is a messy process. The past several weeks have been focused on resolving the challenges that come with combining systems, people, and inventory into one roof. We've worked through the most difficult parts of that transition, and the operation is now running on a more stable footing. Having the business team and the operation in the same location provides better day-to-day alignment and more flexibility to reduce freight and drive additional efficiencies going forward.

In the long run, this move positions the airline business for tighter integration with our food service platform. It also puts the program on our core technology stack, improving visibility and eliminating the need to maintain separate systems. That'll make it easier to manage growth and improve service levels over time.

Second is the Pennsylvania facility sale.

We remain under the sale agreement with the buyer, signed on July 28th. The due diligence period expired without resolution on October 6th due to a roof repairs, which required additional inspection time. Last week, both parties executed a third amendment to the agreement. As part of that amendment, the purchase price was reduced by \$500,000 to offset required roof repairs, and the buyer was granted additional time to close. Now scheduled for mid-January.

We currently have non-refundable deposits totaling \$500,000, with an additional \$250,000 in non-refundable deposits if another extension is requested. Additionally, any future delays would carry an extension fee roughly equivalent to our monthly facility costs. If the sale closes as planned, it will eliminate about \$9 million of debt, and remove a high-cost, non-core asset from our balance sheet. If it does not close, then non-refundable deposits and extension fees protect our downside, and we will move quickly to remarket the property.

Regardless of the building transaction timeline, all sellable inventory has already been moved to Artisan. Markdowns on non-sellable inventory were taken in Q3, and remaining machinery and conveyor equipment are being evaluated for final disposition.

All sourcing, production, and sales activities tied to the Pennsylvania business have wound down, and we've also completed the move out of our other major tenant. Staffing at the site has been fully reduced, with only a single warehouse leader remaining to support final transition activities.

When it comes to technology, this quarter marks a different phase for IVFH. In prior years, much of our focus was on transforming, selling, or ramping up businesses. With much of that work now behind us, we have a clearer view of the core activities that drive performance and where technology can best support them. Our digital enablement and technology team has been focused on ensuring those core processes are stable, scalable, and supported by accurate data.

We've made meaningful progress on our new vendor and item setup platform, co-developed with a third-party AI partner. The system can now ingest virtually any vendor catalog or spec sheet, parse the data automatically, and generate a structured vendor profile with minimal manual input.

The same platform facilitates ongoing vendor communication, allowing both sides to maintain and update information seamlessly. In recent weeks, we transitioned entirely to this platform for all new vendor builds, and pilot programs for item setup automation are showing strong accuracy, which gives us confidence to continue expanding its use. The AI now scans and structures hundreds of data fields per SKU across units of measure, pack sizes, and pricing, directly from vendor documents and public databases.

Accuracy at the item level underpins everything in food service. If the unit of measure or cost data is wrong, every downstream process, from pricing to invoicing to fulfillment, becomes more complex and costly. Getting the data right the first time reduces friction, eliminates rework, and creates a smoother experience for both customers and vendors. In the near term, our focus is straightforward. Operate with excellence, ensure reliability for existing customers, and confirm that our systems and processes can scale before taking on additional complexity. We're building a platform designed to grow profitably and sustainably.

Over the past two and a half years, much of the critical turnaround work has centered on simplifying a complex operating model. We've exited multiple non-core businesses that added cost and distraction, and the Pennsylvania exit was by far the most complicated, given its importance to certain customers and vendors, and the number of people and assets tied to that site. With most of that difficult transition work now behind us, we finally have the organization aligned around a smaller set of value drive and priorities. As we enter this next stage, distractions are fewer, opportunities remain significant, and the mandate is clear. Operate with extreme discipline and deliver consistent execution. I'm confident in where the company is headed, and in the refined clarity Gary has brought to the organization. The structure is in place, the focus is right, and the team is capable. Our job now is to execute every day with precision and accountability to turn the foundation we've built into lasting results.

Thank you.

## **Gary Schubert**

Thanks, Brady.

All actions IVFH takes going forward will be aimed to directly tie back to the execution priorities I outlined earlier. With that, let me shift to the questions submitted by investors in advance. We received a total of roughly 59 questions via email. And we have accordingly grouped and combined questions and answers by topic to avoid answering different variations of the same question.

Some of the questions we received asked for forward-looking projections. As a policy, we do not provide projections or quantitative outlooks, so we've excluded those from today's call. I'll let Brady address the first few questions, mainly those focused on Pennsylvania and the digital channels.

Brady.

## **Brady Smallwood**

We did receive some questions regarding the sale of the Pennsylvania warehouse, but I think we've covered all those in my earlier remarks and some other public details, that would be in the 8K. The biggest positive, though, with this latest amendment is that we've structured the agreement now so that if it doesn't go through.

We're financially protected and compensated appropriately for the delay before we remarket the property. But, we'll update you as we have material events related to this transaction in the coming months.

Next, I wanted to hit on a few questions around digital channels.

There's a question about how many items we've been adding to the broadline marketplace, and whether that trend of 100 items per week has continued.

Over the past 4 months, we have averaged essentially right at 100 items per week. That said, we do expect normal variability in those weekly numbers. Some of that's driven by our tech roadmap and the internal resources and customer resources, really, that are required to support the setup process.

So because of this, we've intentionally structured our tech sprints for the rest of this quarter around those slower holiday periods when fewer items are flowing through the system, because it does give us an opportunity to, actually focus more on the platform, to identify edge cases, performance issues, uncover any usability gaps, etc, before we move it into full production. And that's sort of the time period that we're at right now, where we're going from that, that MVP stage, or beta stage, into the V1, which would be put into full production.

There's also a question about lag time between item creation and custom discovery... customer discovery. There is definitely a lag, and it does... it varies by customer. So, some customer platforms, they move more quickly getting the items listed and selling, other customers need different approvals, or they have, capacity constraints that occasionally arise. With our largest customer, what we typically see is that the items start selling within about a month of publishing. That's the time it takes for them to complete their internal setup, make the item live, and for their customers to begin funding it on the platform.

And just to be clear, not every item sells within a month, right? This is more like a cohort curve, where a percentage of items begin selling in the first few weeks, and then we monitor it from there.

There are also some pointed questions on trends in the digital channels space, and whether we're seeing stabilization. Gary and I covered some of those, I believe, in the earlier remarks, but I'll add just a few more points here. As you know, our largest Broadline customer continues to go through a multi-year transition to their new platform, and they've steadily added more capabilities and vendors over the last few years. That transition has been a major driver of declines that we've seen. But the good news is that we're now much further along in that process. Some of the risk is behind us, some isn't.

We do see encouraging percentage growth with several other customers, in the digital channel space, and even though the dollars aren't yet enough to offset the other declines that we see, but the mixed shift in the growth rates in those channels are positive signals for the long run.

Finally, just wanted to hit on the question about whether we're exploring additional channels or customer groups. There are always conversations happening, you know, strategic discussions, research, sourcing initiatives. etc., but the priority right now is exactly what Gary has emphasized, and that's building the stable operational foundation. Adding new channels or beginning integration work with a new large customer at this moment would just increase complexity before the system is fully ready to absorb it.

You know, we've made a lot of changes in recent years, in recent months, and we feel like we do have the right focus right now, and we really want to, again, focus to drive that stable foundation, and that's what we're... that's what we're going to be doing, and what you'll be hearing from us. Our current partners, customers really collectively, represent hundreds of billions of dollars in sales. So our penetration is still extremely low. And the clearest path to upside is continuing to improve the service levels and offerings for the partners we already have. Sustainable growth with them is actually the proof point that we would need to see before we start expanding elsewhere.

That doesn't mean we don't have opportunities in the pipeline, we do, but they need to fit the operating model that we already have and are building, and not require a rethink, of how we go to market, because it's so different.

With that, Gary, I'll turn it back to you.

## **Gary Schubert**

Thanks, Brady.

We received a few questions on the decline of the local distribution business, causes, leadership fixes, and golden organics issues.

After acquiring Golden Organics and loco food distributions, we incurred double-digit declines. Recently, the local distribution performance, excluding acquisitions, declined 21.5% in Q3. As stated, this was driven primarily by controllable factors, including inconsistent service levels, Fulfillment accuracy, and leadership gaps that affected customer trust and repeat ordering. These issues were most acute within Golden Organics and echoed inside Chicago operations. We addressed it immediately by hiring and reinstating experienced operators and tightening process controls across procurement, receiving, picking, fulfillment, last mile delivery.

Early signs of stabilization are emerging, but we expect several quarters before results fully reflect those operational corrections.

Additionally, we had some questions regarding national distribution. Specifically around the airline's business, their penetration, flight mix, Chicago integration.

You know, the airlines business has fully transitioned from Pennsylvania to Chicago. Operationally, the move is complete, with all inventories, processes, and day-to-day responsibilities consolidated underneath the Chicago Hub. We are still completing the technology transition to ensure speed, visibility, and reliability that we expect from these operations. We remain open to serving a mix of domestic and international flights based on partner needs, and Chicago positions us to support that mix more efficiently over time.

While the physical transition is complete, we continue to refine workflows and system integrations to ensure that airline programs operate with the speed and accuracy our customers require.

Additional questions on cash flows and capital needs?

Our near-term focus is, disciplined cash management. We are reducing non-essential spending and investing only in the initiatives that strengthen our foundation. The PA cell meaningfully improves liquidity by reducing debt, freeing operating cash. Based on what we see today, we believe we can self-fund the turnaround, but we will continue to evaluate capital needs pragmatically and opportunistically.

We also had some questions related to the NASDAQ and the uplisting. The NASDAQ uplisting remains paused. Our priorities on stabilization and strengthening our business foundation.

We will revisit the uplisting only when operational consistency and financial performance justify it.

There were also some questions, related to KPIs, accountability, and organizational structure.

Every functional domain now operates under measurable KPIs aligned to speed, accuracy, and cost, efficiency, and reliability. These metrics, are part of our weekly operating rhythm and leadership dashboards. Examples include... OTIF, which is on time and in full percent, also includes inventory accuracy, vendor setup cycle times, digital catalog quality scores, so transactability. We've got customer credit resolution timing, and working capital discipline.

So, a lot of metrics that, that drive, more at behaviors, and making sure that we're focused on the right things to be able to deliver long-term, performance and value to the shareholders.

Our growth strategy, we had a few questions around that, growth strategy, vendor expansion, technology modernization.

Our growth priorities are grounded in discipline. We're going to pursue stabilization and growth concurrently, not sequentially, but at different paces, depending upon where the business's operational readiness.

Our first priority from a growth perspective is low to no capital initiatives, particularly within our dropship and digital marketplaces, where we can expand reach without incremental facility, labor, or infrastructure investment.

We'll continue to pursue selective growth opportunities, but only where they can be supported by reliable execution, accurate data, and available resources. As we strengthen operational consistency across the network, we will evaluate opportunities to expand our distribution footprint and broaden customer access. Growth remains important, but it must be sustainable, efficient, and aligned to our capacity to execute.

Our focus remains on execution and reliability, platform modernization, and clean, structured vendor and item expansion, creating the foundation needed for scalable, profitable growth.

This concludes our prepared remarks and themes Q&A. As we move forward, our mandate remains clear. Stabilize the core, modernize the platform, and build a disciplined, scalable operating model.

With stronger leadership, a clear structure, and a sharpened focus, we are positioning IVFH to operate with greater consistency, improved financial performance, and long-term strategic discipline. We appreciate your continued engagement, look forward to updating you on our progress in the quarters ahead.

Thank you.

**Operator Closing**

Thank you. A replay of this call will be available on the Company's website at [www.ivfh.com](http://www.ivfh.com).

This concludes today's conference call. You may now disconnect.