



## Innovative Food Holdings, Inc. Reports Financial Results for First Quarter of 2023

May 16, 2023

- First-quarter total revenue up 8.6% year-over-year to a first quarter record of \$17.0 million
- Specialty foodservice increased 19.6% year-over-year to a first quarter record of \$13.8 million
- First-quarter profitability impacted by \$1.9 million of one-time severance expenses

BONITA SPRINGS, Fla., May 16, 2023 (GLOBE NEWSWIRE) -- Innovative Food Holdings, Inc. (OTCQB: IVFH) ("IVFH" or the "Company"), a national seller of gourmet specialty foods to professional and home chefs, today reported its financial results for the first quarter of 2023.

"I am pleased with the strong start to the year as we achieved record first-quarter revenue. The reopening of restaurants, hotels, and other travel related foodservice customers post-COVID has continued to provide us with a tailwind, enabling us to serve our customers and drive our business forward. As many of these positive trends are normalizing, we are focused on leveraging our recent success as a springboard to build a more resilient and adaptable business model, as evidenced by the year-over-year improvement in gross margin and reductions in SG&A expenses. Overall profitability during the quarter was impacted by approximately \$1.9 million of one-time employee severance as a result of our recent leadership transition. Backing out these one-time expenses, our first quarter adjusted net loss would have improved by 49%, reflecting the third consecutive quarter of improved adjusted profitability. In addition, our first quarter cash flow used by operating activities, adjusted for payments made on the \$1.9 million one-time charge for employee severance, improved over the prior year period," stated Bill Bennett, CEO of Innovative Food Holdings."

Mr. Bennett continued, "As we look forward, improving near-term profitability and operating cash flow are top priorities. This includes delivering continued improvements to our gross margin, returning to pre-inflation levels by enhancing our product mix, building a more strategic pricing and promotional plan with supplier support, and reducing shipping expenses. We also remain committed to establishing a new lower baseline in SG&A expenses as we optimize our corporate structure, and proactively reduce spending on digital marketing programs. While this strategy continues to impact eCommerce sales, it has significantly increased eCommerce profitability. Programs are also underway to enhance our eCommerce customer experience and retention, and we are currently targeting 2024 to re-accelerate marketing spend to drive eCommerce growth. In addition, we expect approval of our previously announced loan guarantee from the USDA shortly. If approved, this will provide IVFH with over \$3 million of additional borrowings, improve working capital levels, and extend the maturity on our credit facilities."

"Over the past three months, I have had the pleasure of engaging with our customers, vendors, team members, and partners across the country as my tenure as CEO develops. IVFH has a solid foundation and committed team that is passionate about connecting the world's best artisan food makers with top professional chefs and gourmet home chefs. The tremendous long-term potential in our industry is evident, and we are excited about the future ahead. We recognize the importance of maintaining a laser focus on our top priorities in a complex economic environment to create a robust, profitable, and sustainable business model. Additionally, we remain dedicated to promoting a culture of continuous improvement and attracting top talent to drive our growth initiatives forward. As we navigate the ever-changing landscape of the food industry, we are confident in our ability to adapt, innovate, and capitalize on opportunities that will drive long-term shareholder value," concluded Mr. Bennett.

### Financial Results

Revenues in the 2023 first quarter increased 8.6% to a first-quarter record of \$17.0 million, compared to \$15.6 million for the three months ended March 31, 2022. First-quarter revenue benefitted from a 19.6% increase in specialty foodservice revenue, which was primarily driven by the nationwide opening of restaurants and other foodservice establishments as well as increases in travel related foodservice and restaurant dining. First-quarter eCommerce revenue was down 27.3% to \$2.6 million from \$3.6 million for the same period last year, as the Company continues to proactively reduce spending on digital marketing and improve the customer experience to drive marketing efficiency.

The following table sets forth IVFH's revenue by business category for the months ended March 31, 2023, and March 31, 2022 (unaudited):

	Three Months Ended				
	March 31, 2023	% of Net Sales	March 31, 2022	% of Net Sales	% Change
Specialty Foodservice	\$ 13,805,000	81.2%	\$ 11,541,000	73.8%	19.6%
E-Commerce	2,626,000	15.4%	3,612,000	23.1%	-27.3%
National Brand Management	316,000	1.9%	284,000	1.8%	11.1%
Logistics	248,000	1.5%	206,000	1.3%	20.8%
Total IVFH	\$ 16,995,000	100%	\$ 15,643,000	100%	8.6%

For the 2023 first quarter, gross margin as a percentage of sales was 24.0%, compared to 23.8% for the same period last year, primarily due to reduced fuel surcharges and lower shipping costs.

For the 2023 first quarter, selling, general, and administrative (SG&A) expenses were \$4.8 million, or 28.2% of revenue, compared to \$5.2 million, or 33.1% of revenue for the same period last year. The \$0.4 million, or 7.2% year-over-year reduction in SG&A expense was the result of overall cost-cutting efforts as well as restructuring the Company's marketing and advertising programs.

During the three months ended March 31, 2023, the Company incurred \$1.9 million of separation costs with certain executive officers including the Company's prior CEO and current board member, and Director of Strategic Acquisitions and former board member.

The Company recorded GAAP net loss for the 2023 first quarter of \$(2.8 million), or \$(0.06) per share, compared to a GAAP net loss of \$(1.2 million), or \$(0.03) per share, in the prior year's first quarter, which included a \$0.3 million pre-tax gain on an interest rate swap.

Adjusted net loss, a non-GAAP metric (see tables below), for the 2023 first quarter was \$(0.7) million, or \$(0.014) per share, compared to an adjusted

net loss of \$(1.4) million, or \$(0.029) per share, for the same period last year. Adjusted net income for the 2023 first quarter accounts for the impact of non-core items including an addback for separation costs with executive officers, amortization expense, and stock related expenses, and for the 2022 first quarter includes an addback for amortization expense, a gain on the interest rate swap, and stock related expenses.

#### About Innovative Food Holdings, Inc.

At IVFH, we help make meals special. We provide access to foods that are hard to find, have a compelling story, or are on the forefront of food trends. Our gourmet foods marketplace connects the world's best artisan food makers with top professional chefs and passionate home chefs nationwide. We curate the assortment, experience, and tech enabled tools that help our professional and home chefs create unforgettable experiences for their guests and families. IVFH's owned online retail brands include [www.igourmet.com](http://www.igourmet.com), [www.plantbelly.com](http://www.plantbelly.com) and [www.mouth.com](http://www.mouth.com).

Additional information is available at [www.ivfh.com](http://www.ivfh.com).

#### Forward-Looking Statements

This release contains certain forward-looking statements and information relating to Innovative Food Holdings, Inc. (the "Company") that are based on the current beliefs of the Company's management, as well as assumptions made by, and information currently available to, the Company. Such statements reflect the current views of the Company with respect to future events and are subject to certain assumptions, including those described in this release. Should one or more of these underlying assumptions prove incorrect, actual results may vary materially from those described herein as "should," "could," "will," "anticipate," "believe," "intend," "plan," "might," "potentially" "targeting" or "expect." Additional factors that could also cause actual results to differ materially relate to the global COVID-19 crisis, international crisis, environmental and economic issues and other risk factors described in our public filings. The Company does not intend to update these forward-looking statements. The content of the websites referenced above are not incorporated herein.

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#### Innovative Food Holdings, Inc. Consolidated Balance Sheets (unaudited)

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
	(unaudited)	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,650,127	\$ 4,899,398
Accounts receivable, net	4,829,709	4,969,395
Inventory	3,021,465	3,053,852
Other current assets	<u>372,857</u>	<u>289,432</u>
Total current assets	9,874,158	13,212,077
Property and equipment, net	7,827,980	7,921,561
Right to use assets, operating leases, net	136,111	152,425
Right to use assets, finance leases, net	536,843	570,323
Other amortizable intangible assets, net	20,663	30,994
Tradenames and other unamortizable intangible assets	<u>1,532,822</u>	<u>1,532,822</u>
Total assets	<u>\$ 19,928,577</u>	<u>\$ 23,420,202</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,796,700	\$ 6,853,253
Accrued separation costs, related parties, current portion	559,370	-
Accrued interest, current portion	18,198	18,104
Deferred revenue	1,238,790	1,558,155
Line of Credit	2,014,333	2,014,333
Notes payable - current portion, net of discount	5,709,043	5,711,800
Lease liability - operating leases, current	63,877	64,987
Lease liability - finance leases, current	<u>193,226</u>	<u>191,977</u>
Total current liabilities	14,593,537	16,412,609
Accrued separation costs, related parties, non-current	1,041,425	-
Lease liability - operating leases, non-current	72,234	87,438
Lease liability - finance leases, non-current	<u>285,036</u>	<u>333,092</u>
Total liabilities	15,992,232	16,833,139
Commitments & Contingencies (see note 16)		
Stockholders' equity		
Common stock: \$0.0001 par value; 500,000,000 shares authorized; 50,569,327 and 49,427,297 shares issued, and 47,731,747 and 46,589,717 shares outstanding at March 31, 2023 and December 31, 2022, respectively	5,052	4,938
Additional paid-in capital	42,367,472	42,189,471

Common stock to be issued, 832,214 and 1,499,940 shares at March 31, 2023 and December 31, 2022, respectively	83	150
Treasury stock: 2,623,171 and 2,623,171 shares outstanding at March 31, 2023 and December 31, 2022, respectively.	(1,141,370)	(1,141,370)
Accumulated deficit	(37,294,892)	(34,466,126)
Total liabilities and stockholders' equity	3,936,345	6,587,063
Total stockholders' equity	<u>\$ 19,928,577</u>	<u>\$ 23,420,202</u>

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

	<b>For the Three Months Ended March 31, 2023</b>	<b>For the Three Months Ended March 31, 2022</b>
Revenue	\$ 16,995,200	\$ 15,643,111
Cost of goods sold	<u>12,908,689</u>	<u>11,917,179</u>
Gross margin	4,086,511	3,725,932
Selling, general and administrative expenses	4,799,086	5,172,426
Separation costs – executive officers	<u>1,945,650</u>	<u>-</u>
Total operating expenses	6,744,736	5,172,426
Operating loss	(2,658,225)	(1,446,494)
Other income (expense):		
Gain on interest rate swap	-	294,000
Other leasing income	1,900	5,090
Interest expense, net	<u>(172,441)</u>	<u>(82,973)</u>
Total other income (expense)	(170,541)	216,117
Net loss before taxes	(2,828,766)	(1,230,377)
Income tax expense	-	-
Net loss	<u>\$ (2,828,766)</u>	<u>\$ (1,230,377)</u>
Net loss per share - basic	<u>\$ (0.06)</u>	<u>\$ (0.03)</u>
Net loss per share - diluted	<u>\$ (0.06)</u>	<u>\$ (0.03)</u>
Weighted average shares outstanding - basic	<u>48,462,234</u>	<u>46,256,160</u>
Weighted average shares outstanding - diluted	<u>48,462,234</u>	<u>46,256,160</u>

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

	<b>For the Three Months Ended March 31, 2023</b>	<b>For the Three Months Ended March 31, 2022</b>
Cash flows from operating activities:		
Net loss	\$ (2,828,766)	\$ (1,230,377)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	145,387	138,361
Amortization of right to use asset	16,314	19,691
Amortization of prepaid loan fees	-	3,088
Stock based compensation	178,048	152,726
Provision (recoveries) for doubtful accounts	4,666	(1,115)
Changes in assets and liabilities:		
Accounts receivable, net	135,020	(164,124)
Inventory and other current assets, net	(51,038)	(175,367)
Accounts payable and accrued liabilities	(2,056,459)	(1,216,020)
Accrued separation costs – related parties	1,600,795	-
Deferred revenue	(319,365)	(380,462)
Operating lease liability	<u>(16,314)</u>	<u>(19,691)</u>
Net cash used in operating activities	<u>(3,191,712)</u>	<u>(2,873,290)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(7,995)</u>	<u>(4,760)</u>
Net cash used in investing activities	<u>(7,995)</u>	<u>(4,760)</u>
Cash flows from financing activities:		

Principal payments on debt	(2,757)	(92,816)
Principal payments financing leases	(46,807)	(40,637)
Net cash (used in) financing activities	(49,564)	(133,453)
Decrease in cash and cash equivalents	(3,249,271)	(3,011,503)
Cash and cash equivalents at beginning of period	4,899,398	6,122,671
Cash and cash equivalents at end of period	<u>\$ 1,650,127</u>	<u>\$ 3,111,168</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	<u>\$ 174,410</u>	<u>\$ 84,961</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>
Non-cash investing and financing activities:		
(Decrease) Increase in right to use assets & liabilities	<u>\$ -</u>	<u>\$ (13,216)</u>
Finance lease for fixed assets	<u>\$ -</u>	<u>\$ 42,500</u>

**Innovative Food Holdings, Inc.**  
**Reconciliation of GAAP to Non-GAAP Measures**  
**Adjusted Net Income Calculations**  
(unaudited, in thousands, except share and per share amounts)

	<b>Three Months Ended</b>	
	<b>(unaudited)</b>	
	<b>March 31,</b>	<b>March 31,</b>
	<b>2023</b>	<b>2022</b>
<b>Adjusted Net Income and EPS (1)</b>		
Revenue	\$ 16,995,200	\$ 15,643,111
Net Income (Loss)	(2,828,766)	(1,230,377)
Separation costs – executive officers	1,945,650	-
Amortization of intangible assets (2)	10,331	10,231
One-time gain	-	(294,000)
Stock related expenses (3)	178,048	152,726
<b>Adjusted Net Income (Loss)</b>	<b>\$ (694,737)</b>	<b>\$ (1,361,420)</b>
Weighted Avg. Shares Outstanding (4)	48,462,234	46,256,160
<b>Adjusted EPS</b>	<b>\$ (0.014)</b>	<b>\$ (0.029)</b>

(1) Adjusted Net Income are each a non-GAAP metric. Management believes that the presentation of these non-GAAP financial measures provides useful information to investors because the information may allow investors to better evaluate ongoing business performance and certain components of the Company's results. In addition, the Company believes that the presentation of these financial measures enhances an investor's ability to make period-to-period comparisons of the Company's operating results. This information should be considered in addition to the results presented in accordance with GAAP, and should not be considered a substitute for the GAAP results.

(2) Includes non-cash amortization charges related to assets acquired

(3) Includes stock and options-based compensation and expenses

(4) Full Year GAAP weighted share count