



Innovative Food Holdings, Inc. Reports 2022 Third Quarter Financial Results and Record Third Quarter Sales

November 16, 2022

- Total revenue up 32% year-over-year to a third-quarter record of \$20.1 million
- *igourmet B2B growth of over 300%, helped drive a 46% year-over-year increase in specialty foodservice revenue to a third quarter record*
- *Increased scale and previously announced optimization and SG&A efficiency strategies drive third quarter profitability*
 - *\$0.5 million of operating cash flow generated during the third quarter*

BONITA SPRINGS, Fla., Nov. 16, 2022 (GLOBE NEWSWIRE) – Innovative Food Holdings, Inc. (OTCQB: IVFH) (“IVFH” or the “Company”), a leading end-to-end DTC eCommerce platform and direct-to-chef online platform that provides high-quality, unique specialty foods through eCommerce offerings and multichannel partnerships, reported its financial results for the third quarter of 2022.

“Positive trends across our business remained strong in the third quarter, reflecting solid market share gains within our specialty foodservice business as we grew our customer base and expanded our offerings within existing customers. Robust specialty foodservice revenue drove record third-quarter sales, and we returned to profitability as a result of initiatives we announced in the second quarter aimed at optimizing our marketing cost structure and our continued emphasis on SG&A efficiency and bottom-line profitability. These trends helped SG&A expenses as a percentage of total revenue improve to 21.5% for the 2022 third quarter, from 32.9% for the same period last year and our relentless focus on bottom-line results drove a significant turnaround in core profitability and operating cash flow,” stated Sam Klepfish, CEO of Innovative Food Holdings.

Mr. Klepfish continued, “Our specialty foodservice and eCommerce teams continue to execute on our strategic growth plan, while successfully navigating unprecedented logistics, supply chain, and inflationary challenges. In addition, we continue to effectively offset normalizing eCommerce trends and industrywide changes impacting the effectiveness of digital marketing, demonstrating the benefits, flexibility, and sophistication of our DTC eCommerce and direct-to-chef platform.”

“While the economic and business environment remains extremely fluid, we have a strong, established, and leverageable foundation that provides valuable specialty food offerings to both professional chefs and consumers alike. The direction we are headed is encouraging, and we entered the seasonally strong fourth quarter with positive momentum as we focus on profitably growing our business,” concluded Mr. Klepfish.

Financial Results

Revenues in the 2022 third quarter increased 32% to a third quarter record of \$20.1 million, compared to \$15.2 million for the three months ended September 30, 2021. Third-quarter revenue benefited from a 46% increase in specialty foodservice revenue, which was partially driven by the nationwide opening of restaurants and other foodservice establishments previously affected by COVID-19, as well as strong increases in travel related foodservice. In addition, the Company’s unique supply chain capabilities continue to provide reliable, consistently high-quality specialty foodservice solutions for its customers. eCommerce revenue was \$1.8 million, compared to \$2.7 million for the same period last year primarily due to a decrease in COVID-19 driven demand in 2022 compared to 2021, and a strategic decision to focus on maximizing near term return on marketing spend, given the shifting changes within the digital marketing environment.

For the 2022 nine-month period, total revenue increased 36% to \$56.2 million, compared to \$41.4 million last year.

The following table sets forth IVFH’s revenue by business category for the three and nine months ended September 30, 2022, and September 30, 2021 (unaudited):

	Three Months Ended				
	September 30, 2022	% of Net Sales	September 30, 2021	% of Net Sales	% Change
Specialty Foodservice	\$ 17,630,000	88%	\$ 12,060,000	79%	46%
eCommerce	1,840,000	9%	2,652,000	17%	-31%
National Brand Management	337,000	2%	261,000	2%	29%
Logistics Services	253,000	1%	234,000	2%	8%
Total IVFH	\$ 20,060,000	100%	\$ 15,207,000	100%	32%

	Nine Months Ended				
	September 30, 2022	% of Net Sales	September 30, 2021	% of Net Sales	% Change
Specialty Foodservice	\$ 46,072,000	82%	\$ 29,049,000	70%	59%
eCommerce	8,637,000	15%	10,917,000	26%	-21%
National Brand Management	873,000	2%	752,000	2%	16%
Logistics Services	644,000	1%	645,000	2%	0%
Total IVFH	\$ 56,226,000	100%	\$ 41,363,000	100%	36%

For the 2022 third quarter, selling, general, and administrative (SG&A) expenses were \$4.3 million, or 21.5% of revenue, compared to \$5.0 million, or 32.9% of revenue for the same period last year. The \$0.7 million decrease in SG&A dollars was primarily due to reductions in payroll and related costs,

and decreased advertising and marketing expenses as a result of the strategic reductions in digital marketing given the challenging digital marketing environment, partially driven by higher customer acquisition costs and expanded privacy rules that significantly reduce data sharing. For the 2022 nine-month period, SG&A expenses were \$15.0 million, or 26.7% of revenue, compared to \$14.5 million, or 35.1% of revenue for the same period last year.

The Company recorded GAAP net income for the 2022 third quarter of \$9,746, or \$0.00 per diluted share, compared to GAAP net income of \$367,026, or \$0.01 per diluted share, in the prior year's third quarter. For the 2022 nine-month period, the Company reported a net loss of \$(2.4 million), or \$(0.05) per share, compared to net loss of \$(2.4 million) or \$(0.06) per share, for the same period last year. GAAP net income in both the 2021 third quarter and nine-month periods included a one-time gain of \$1.6 million related to forgiveness of loans under the Paycheck Protection Program.

Cash provided by operating activities for the 2022 third quarter was \$454,000, an improvement of \$1.5 million compared to cash used in operating activities of \$1.0 million for the same quarter a year ago. IVFH now expects to close its previously announced USDA loan guarantee in the first quarter of 2023. These USDA approvals, if received as currently anticipated, will extend the Company's current term loan to 30 years and will provide approximately \$4.5 million of additional non-dilutive capital to the Company. According to the terms of the loan, uses include, but are not limited to, supporting the Company's expansion strategies, and investments to support and enhance the Company's specialty food, direct-to-consumer, and direct-to-chef platforms.

Adjusted net income a non-GAAP metric (see tables below), for the 2022 third quarter was \$173,000, or \$0.004 per diluted share, compared to an adjusted net loss of \$(1.1 million), or \$(0.028) per share, for the same period last year. For the first nine months of 2022, adjusted net income was a loss of \$(1.6 million), or \$(0.034) per share, compared to an adjusted net loss of \$(3.4 million), or \$(0.091) per share, for the same period last year.

Cash EBITDA, a non-GAAP metric (see tables below), for the 2022 third quarter improved by over \$1.4 million to \$490,000, compared to a Cash EBITDA loss of \$(922,000), in the prior year quarter. For the 2022 first nine months, Cash EBITDA was a loss of \$(790,000), compared to a Cash EBITDA loss of \$(2.7 million) for the same period a year ago.

About Innovative Food Holdings, Inc.

IVFH's leading end-to-end direct-to-consumer e-commerce platform and direct-to-chef platform connect the world's best artisan food makers with top chefs and epicurean consumers nationwide. Our unique ability to reach both specialty foodservice B2B customers and consumers positions IVFH as a compelling resource for artisanal food producers, CPG brands, chefs, and consumers. IVFH's owned online retailer brands on its leading DTC e-commerce platform include www.igourmet.com and www.mouth.com.

Additional information is available at 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.

Innovative Food Holdings, Inc. Condensed Consolidated Balance Sheets

	September 30, 2022	December 31, 2021
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,752,404	\$ 6,122,671
Accounts receivable, net	4,670,645	3,256,764
Inventory	2,937,098	3,109,984
Other current assets	<u>336,350</u>	<u>314,107</u>
Total current assets	10,696,497	12,803,526
Property and equipment, net	8,008,057	8,186,227
Investments	286,725	286,725
Right of use assets, operating leases, net	168,344	232,381
Right of use assets, finance leases, net	603,803	669,039
Other amortizable intangible assets, net	41,325	72,218
Tradenames and other unamortizable intangible assets	<u>1,532,822</u>	<u>1,532,822</u>
Total assets	<u>\$ 21,337,573</u>	<u>\$ 23,782,938</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,070,249	\$ 5,702,905
Accrued interest, current portion	18,008	29,349
Deferred revenue	1,094,649	1,631,406
Line of Credit	2,014,333	2,000,000
Notes payable - current portion, net of discount	5,667,485	412,961
Lease liability - operating leases, current	63,569	74,088
Lease liability - finance leases, current	188,818	159,823
Contingent liability - current portion	<u>187,000</u>	<u>187,000</u>
Total current liabilities	15,304,111	10,197,532

Lease liability - operating leases, non-current	104,775	158,293
Lease liability - finance leases, non-current	382,286	499,240
Contingent liability - long-term	108,600	108,600
Note payable - long term portion, net	1,899	5,409,172
Total liabilities	15,901,671	16,372,837
Commitments & Contingencies (see note 17)		
Stockholders' equity		
Common stock: \$0.0001 par value; 500,000,000 shares authorized; 50,616,590 and 48,879,331 shares issued, and 47,779,010 and 46,041,751 shares outstanding at September 30, 2022 and December 31, 2021, respectively	5,057	4,885
Additional paid-in capital	42,132,756	41,662,710
Treasury stock: 2,623,171 and 2,623,171 shares outstanding at September 30, 2022 and December 31, 2021, respectively.	(1,141,370)	(1,141,370)
Accumulated deficit	(35,560,541)	(33,116,124)
Total liabilities and stockholders' equity	5,435,902	7,410,101
Total stockholders' equity	\$ 21,337,573	\$ 23,782,938

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

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Revenue	\$ 20,059,982	\$ 15,207,353	\$ 56,226,249	\$ 41,362,816
Cost of goods sold	15,546,132	11,427,343	43,537,570	30,471,401
Gross margin	4,513,850	3,780,010	12,688,679	10,891,415
Selling, general and administrative expenses	4,320,981	4,998,673	15,015,456	14,512,803
Total operating expenses	4,320,981	4,998,673	15,015,456	14,512,803
Operating (loss) income	192,869	(1,218,663)	(2,326,777)	(3,621,388)
Other income (expense):				
Impairment of investment	-	-	-	(209,850)
Gain on interest rate swap	-	-	294,000	-
Gain on forgiveness of debt	-	1,665,818	-	1,665,818
Loss on extinguishment of debt	-	-	(40,556)	-
Other leasing income	785	1,900	8,169	8,940
Interest expense, net	(183,908)	(82,029)	(379,253)	(257,889)
Total other income (expense)	(183,123)	1,585,689	(117,640)	1,207,019
Net (loss) income before taxes	9,746	367,026	(2,444,417)	(2,414,369)
Income tax expense	-	-	-	-
Net (loss) income	\$ 9,746	\$ 367,026	\$ (2,444,417)	\$ (2,414,369)
Net (loss) income per share - basic	\$ 0.00	\$ 0.01	\$ (0.05)	\$ (0.06)
Net (loss) income per share - diluted	\$ 0.00	\$ 0.01	\$ (0.05)	\$ (0.06)
Weighted average shares outstanding - basic	47,390,976	40,253,543	46,838,377	37,254,290
Weighted average shares outstanding - diluted	47,390,976	40,253,543	46,838,377	37,254,290

Innovative Food Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
	(unaudited)	(unaudited)
Cash flows from operating activities:		
Net loss	\$ (2,444,417)	\$ (2,414,369)
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain on forgiveness of debt	-	(1,665,818)
Impairment of investment	-	209,850
Depreciation and amortization	423,844	407,704
Amortization of right-of-use asset	50,821	76,005
Amortization of prepaid loan fees	70,618	9,368
Stock based compensation	520,218	476,132
Loss on extinguishment of debt	40,556	-

Provision for doubtful accounts	11,493	32,443
Changes in assets and liabilities:		
Accounts receivable, net	(1,425,374)	(1,254,764)
Inventory and other current assets, net	150,643	869,165
Accounts payable and accrued liabilities	386,414	(747,187)
Deferred revenue	(536,757)	(1,861,665)
Contingent liabilities	-	(8,000)
Operating lease liability	(50,821)	(76,005)
Net cash (used in) operating activities	<u>(2,802,762)</u>	<u>(5,947,141)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(107,045)	(14,812)
Net cash used in investing activities	<u>(107,045)</u>	<u>(14,812)</u>
Cash flows from financing activities:		
Payment of offering costs for stock previously issued	(50,000)	-
Proceeds from sale of common stock, net of costs	-	3,580,372
Proceeds from Payroll Protection Plan Loan	-	1,748,414
Principal payments on debt	(169,696)	(299,924)
Principal payments financing leases	(130,459)	(108,528)
Cost of debt financing	(110,305)	-
Net cash provided by (used in) financing activities	<u>(460,460)</u>	<u>4,920,334</u>
Decrease in cash and cash equivalents	(3,370,267)	(1,041,619)
Cash and cash equivalents at beginning of period	6,122,671	5,060,015
Cash and cash equivalents at end of period	<u>\$ 2,752,404</u>	<u>\$ 4,018,396</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	<u>\$ 187,090</u>	<u>\$ 250,967</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>
Non-cash investing and financing activities:		
Increase in right of use assets & liabilities – new leases	<u>\$ -</u>	<u>\$ 88,359</u>
Decrease in right of use assets & liabilities – cancellation of lease	<u>\$ 13,216</u>	<u>\$ -</u>
Finance lease for fixed assets	<u>\$ 42,500</u>	<u>\$ 21,885</u>
Debt to Fifth Third Bank paid directly by Maple Mark Bank	<u>\$ 7,695,866</u>	<u>\$ -</u>
Reclassification of accounts receivable to other assets	<u>\$ -</u>	<u>\$ 22,380</u>

Innovative Food Holdings, Inc.
Reconciliation of GAAP to NON-GAAP Measures
Adjusted Net Income, Adjusted Net Income Per Share and Adjusted Cash EBITDA Calculations
(unaudited)

	Three Months Ended (unaudited)		Nine Months Ended (unaudited)	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Adjusted Net Income and EPS ⁽¹⁾				
Revenue	\$ 20,059,982	\$ 15,207,353	\$ 56,226,249	\$ 41,362,816
Net income (loss)	9,746	367,026	(2,444,417)	(2,414,369)
Amortization of intangible assets ⁽²⁾	10,331	2,870	30,893	8,610
One-time charges ⁽³⁾	-	-	592,518	209,850
One-time gain	-	(1,665,818)	(294,000)	(1,665,818)
Stock related expenses ⁽⁴⁾	152,728	160,752	520,218	476,132
Adjusted Net Income	\$ 172,805	\$ (1,135,170)	\$ (1,594,788)	\$ (3,385,595)
Weighted Avg. Shares Outstanding Diluted ⁽⁵⁾	47,390,976	40,253,543	46,838,377	37,254,290
Adjusted Fully Diluted EPS	\$ 0.004	\$ (0.028)	\$ (0.034)	\$ (0.091)
	Three Months Ended (unaudited)		Nine Months Ended (unaudited)	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Cash EBITDA ⁽¹⁾				
Net income (loss)	\$ 9,746	\$ 367,026	\$ (2,444,417)	\$ (2,414,369)
Interest expense, taxes & other income	183,123	80,129	411,640	248,949
Depreciation & amortization	144,109	135,733	423,844	407,676
One-time charges ⁽³⁾	-	-	592,518	209,850

One-time gain	-	(1,665,818)	(294,000)	(1,665,818)
Stock related expenses ⁽⁴⁾	152,728	160,752	520,218	476,132
Cash EBITDA	\$ 489,706	\$ (922,178)	\$ (790,197)	\$ (2,737,580)

(1) Adjusted Net Income and Cash EBITDA 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) Charges that are non-recurring or one-time items include: inventory adjustment expenses of \$316,666, \$86,866 in digital marketing fees associated with a settlement of digital marketing fees to a service provider, and \$188,986 in expenses associated with the MapleMark loan transaction.

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

(5) Full Year GAAP weighted fully diluted share count

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