



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

August 23, 2022

- Total revenue up 47% year-over-year to a second quarter record of \$20.5 million
- Specialty foodservice revenue increased 66% year-over-year to a second quarter record

BONITA SPRINGS, Fla., Aug. 23, 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 second quarter of 2022.

"The strong growth we are experiencing in specialty foodservice revenue is encouraging and helped IVFH produce record second quarter revenue. Positive momentum remains robust across our foodservice operations, including igourmet's B2B business, as a result of continued re-opening activities and our ability to grow market share by providing unique specialty foods and excellent customer service to our customers. I am proud of our team's hard work as we continue to successfully navigate unprecedented logistics, supply chain, and inflationary challenges. Second quarter and year-to-date sales also reflect the strength of our platforms as record foodservice revenue successfully offset normalizing eCommerce trends and industry wide changes impacting the effectiveness of digital marketing," stated Sam Klepfish, CEO of Innovative Food Holdings.

"Overall, eCommerce trends remain significantly above pre-pandemic levels and we continue to improve our overall cost structure with a focus on driving long-term profitable growth within our eCommerce businesses. Second quarter profitability was impacted by several nonrecurring, one-time items affecting both our cost of goods sold and our SG&A expenses, including inventory adjustments and fees associated with our recent refinancing. Additionally, we implemented several actions towards the end of the second quarter and in the third quarter aimed at improving our marketing cost structure. This includes realigning our marketing strategies to improve our customer acquisition costs, while also doubling down on efforts to improve customer retention, and drive recurring and subscription revenues within our eCommerce business," continued Mr. Klepfish.

"We believe our specialty foodservice assets are well positioned for revenue growth throughout 2022 and beyond, while we also navigate the rapidly changing digital marketing environment by continuing to focus on the customer experience within our eCommerce platform. We also continue to pursue an expanding number of organic, non-organic, and partnership opportunities, as well as additional B2B opportunities. We believe we are well positioned to leverage our specialty food direct-to-consumer eCommerce platform, which includes leading back-end logistics, fulfillment, and procurement capabilities, as well as our front-end digital infrastructure. Looking at the second half of 2022, I am excited by the direction we are headed as we focus on growing our business profitably," concluded Mr. Klepfish.

Financial Results

Revenues in the 2022 second quarter increased 47% to a second quarter record of \$20.5 million, compared to \$14.0 million for the three months ended June 30, 2021. Second-quarter revenue benefited from a 66% 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 \$3.2 million, compared to \$3.3 million for the same period last year primarily due to a decrease in COVID-19 driven demand in 2022 compared to 2021, and a more challenging digital marketing environment. For the first half of fiscal 2022, total revenue increased 38% to \$36.2 million, compared to \$26.2 million last year.

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

	Three Months Ended				
	June 30, 2022	% of Net Sales	June 30, 2021	% of Net Sales	% Change
Specialty Foodservice	\$16,901,000	82%	\$10,161,000	73%	66%
eCommerce	3,185,000	16%	3,285,000	23%	-3%
National Brand Management	252,000	1%	265,000	2%	-5%
Logistics Services	185,000	1%	\$ 263,000	2%	-30%
Total IVFH	\$20,523,000	100%	\$13,974,000	100%	47%

	Six Months Ended				
	June 30, 2022	% of Net Sales	June 30, 2021	% of Net Sales	% Change
Specialty Foodservice	\$28,442,000	79%	\$16,989,000	65%	67%
eCommerce	6,797,000	19%	8,265,000	32%	-18%
National Brand Management	536,000	1%	491,000	2%	9%
Logistics Services	391,000	1%	411,000	1%	-5%

Total IVFH	\$36,166,000	100%	\$26,156,000	100%	38%
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For the 2022 second quarter, selling, general, and administrative (SG&A) expenses were \$5.5 million, or 27% of revenue, compared to \$4.7 million, or 33% of revenue for the same period last year. The \$0.9 million increase in SG&A dollars was primarily due to higher advertising and marketing costs driven by an increasingly challenging digital marketing environment, including expanded privacy rules that significantly reduce data sharing and an increase in foodservice payroll to support higher sales, mostly offset by reductions in eCommerce related payroll. For the 2022 first six months, SG&A expenses were \$10.7 million, or 30% of revenue, compared to \$9.5 million, or 36% of revenue for the same period last year.

The Company recorded a GAAP net loss for the 2022 second quarter of \$(1.2 million), or \$(0.03) per share, compared to a GAAP net loss of \$(0.9 million), or \$(0.03) per share, in the prior year's second quarter. For the first six months of 2022, the Company reported a net loss of \$(2.5 million), or \$(0.05) per share, compared to a net loss of \$(2.8 million), or \$(0.08) per share, for the first six months of 2021.

Cash used in operating activities for the 2022 second quarter was \$384,000 an improvement of \$996,000 compared to cash used in operating activities of \$1.4 million for the same quarter a year ago. Furthermore, IVFH is on track to close its previously announced USDA loan guarantee. These USDA approvals 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 table below), for the 2022 second quarter was a loss of \$(0.4 million), or \$(0.009) per share, compared to an adjusted net loss of \$(0.8 million), or \$(0.022) per share, for the same period last year. For the six months of 2022, adjusted net income was a loss of \$(1.8 million), or \$(0.038) per share, compared to an adjusted net loss of \$(2.3 million), or \$(0.063) per share, for the same period last year.

Cash EBITDA loss, a non-GAAP metric (see tables below), for the 2022 second quarter improved by over \$0.4 million to \$(0.1 million), compared to Cash EBITDA loss of \$(0.6 million) in the prior year's second quarter. For the 2022 first six months, Cash EBITDA was a loss of \$(1.3 million), compared to an EBITDA loss of \$(1.8 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

	June 30, 2022	December 31, 2021
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,360,473	\$ 6,122,671
Accounts receivable, net	5,027,892	3,256,764
Inventory	3,041,782	3,109,984
Other current assets	340,702	314,107
Total current assets	10,770,849	12,803,526
Property and equipment, net	8,090,295	8,186,227
Investments	286,725	286,725
Right of use assets, operating leases, net	184,003	232,381
Right of use assets, finance leases, net	640,931	669,039
Other amortizable intangible assets, net	51,656	72,218
Goodwill and other unamortizable intangible assets	1,532,822	1,532,822
Total assets	<u>\$ 21,557,281</u>	<u>\$ 23,782,938</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,285,703	\$ 5,702,905
Accrued interest, current portion	43,535	29,349
Deferred revenue	1,222,247	1,631,406

Line of Credit	2,014,333	2,000,000
Notes payable - current portion, net of discount	5,617,323	412,961
Lease liability - operating leases, current	64,665	74,088
Lease liability - finance leases, current	185,715	159,823
Contingent liability - current portion	187,000	187,000
Total current liabilities	15,620,521	10,197,532
Lease liability - operating leases, non-current	119,338	158,293
Lease liability - finance leases, non-current	430,672	499,240
Contingent liability - long-term	108,600	108,600
Note payable - long term portion, net	4,720	5,409,172
Total liabilities	16,283,851	16,372,837
Commitments & Contingencies (see note 17)		
Stockholders' equity		
Common stock: \$0.0001 par value; 500,000,000 shares authorized; 50,014,147 and 48,879,331 shares issued, and 47,176,567 and 46,041,751 shares outstanding at June 30, 2022 and December 31, 2021, respectively	4,997	4,885
Additional paid-in capital	41,980,090	41,662,710
Treasury stock: 2,623,171 and 2,623,171 shares outstanding at June 30, 2022 and December 31, 2021, respectively.	(1,141,370)	(1,141,370)
Accumulated deficit	(35,570,287)	(33,116,124)
Total stockholders' equity	5,273,430	7,410,101
Total liabilities and stockholders' equity	\$ 21,557,281	\$ 23,782,938

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

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue	\$ 20,523,156	\$ 13,974,564	\$ 36,166,267	\$ 26,155,463
Cost of goods sold	16,074,259	10,165,144	27,991,438	19,044,058
Gross margin	4,448,897	3,809,420	8,174,829	7,111,405
Selling, general and administrative expenses	5,522,049	4,663,302	10,694,475	9,514,130
Total operating expenses	5,522,049	4,663,302	10,694,475	9,514,130
Operating loss	(1,073,152)	(853,882)	(2,519,646)	(2,402,725)
Other income (expense):				
Impairment of investment	-	-	-	(209,850)
Gain on interest rate swap	-	-	294,000	-
Loss on extinguishment of debt	(40,556)	-	(40,556)	-
Other leasing income	2,294	1,900	7,384	7,040
Interest expense, net	(112,372)	(85,542)	(195,345)	(175,860)
Total other income (expense)	(150,634)	(83,642)	65,483	(378,670)
Net loss before taxes	(1,223,786)	(937,524)	(2,454,163)	(2,781,395)
Provision for income taxes	-	-	-	-
Net loss	\$ (1,223,786)	\$ (937,524)	\$ (2,454,163)	\$ (2,781,395)
Net loss per share - basic	\$ (0.03)	\$ (0.03)	\$ (0.05)	\$ (0.08)
Net loss per share - diluted	\$ (0.03)	\$ (0.03)	\$ (0.05)	\$ (0.08)
Weighted average shares outstanding - basic	46,855,525	35,872,143	46,557,498	35,729,807
Weighted average shares outstanding - diluted	46,855,525	35,872,143	46,557,498	35,729,807

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

	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Cash flows from operating activities:		
Net loss	\$ (2,454,163)	\$ (2,781,395)
Adjustments to reconcile net loss to net cash used in operating activities:		
Impairment of investment	-	209,850
Depreciation and amortization	279,735	271,973
Amortization of right-of-use asset	35,162	49,700
Amortization of prepaid loan fees	20,582	6,211
Stock based compensation	367,492	315,380
Loss on extinguishment of debt	40,556	-
Provision for doubtful accounts	8,056	27,987
Changes in assets and liabilities:		
Accounts receivable, net	(1,779,184)	(571,480)
Inventory and other current assets, net	41,607	625,481
Accounts payable and accrued liabilities	627,395	(1,035,849)
Deferred revenue	(409,159)	(1,937,141)
Contingent liabilities	-	(8,000)
Operating lease liability	(35,162)	(49,700)
Net cash used in provided by operating activities	<u>(3,257,083)</u>	<u>(4,876,983)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(92,633)	(12,686)
Net cash used in investing activities	<u>(92,633)</u>	<u>(12,686)</u>
Cash flows from financing activities:		
Payment of offering costs for stock previously issued	(50,000)	-
Proceeds from Payroll Protection Plan Loan	-	1,748,414
Principal payments on debt	(167,001)	(208,719)
Principal payments financing leases	(85,176)	(70,682)
Cost of debt financing	(110,305)	-
Net cash provided by (used in) financing activities	<u>(412,482)</u>	<u>1,469,013</u>
Decrease in cash and cash equivalents	(3,762,198)	(3,420,656)
Cash and cash equivalents at beginning of period	6,122,671	5,060,015
Cash and cash equivalents at end of period	<u>\$ 2,360,473</u>	<u>\$ 1,639,359</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 128,798	\$ 162,636
Taxes	\$ -	\$ -
Non-cash investing and financing activities:		
Increase (decrease) in right of use assets & liabilities – operating leases	\$ (13,216)	\$ 88,359
Increase in right of use assets & liabilities – finance leases	\$ 42,500	\$ -
Debt to Fifth Third Bank paid directly by MapleMark Bank	\$ 7,695,866	\$ -

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

Three Months Ended (unaudited)	Six Months Ended (unaudited)
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	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Adjusted Net Loss and EPS ⁽¹⁾				
Revenue	\$ 20,523,156	\$ 13,974,564	\$ 36,166,267	\$ 26,155,463
Net loss	(1,223,786)	(937,524)	(2,454,163)	(2,781,395)
Amortization of intangible assets ⁽²⁾	10,331	2,870	20,562	5,740
One-time charges ⁽³⁾	592,518	-	592,518	209,850
One-time gain	-	-	(294,000)	-
Stock related expenses ⁽⁴⁾	214,764	157,589	367,490	315,380
Adjusted Net Loss	\$ (406,173)	\$ (777,065)	\$ (1,767,593)	\$ (2,250,425)
Weighted Avg. Shares Outstanding Diluted ⁽⁵⁾	46,855,525	35,872,143	46,557,498	35,729,807
Adjusted Fully Diluted EPS	\$ (0.009)	\$ (0.022)	\$ (0.038)	\$ (0.063)
	Three Months Ended (unaudited)		Six Months Ended (unaudited)	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Cash EBITDA ⁽¹⁾				
Net loss	\$ (1,223,786)	\$ (937,524)	\$ (2,454,163)	\$ (2,781,395)
Interest expense, taxes & other income	150,634	83,642	228,517	168,820
Depreciation & amortization	141,374	136,149	279,735	271,973
One-time charges ⁽³⁾	592,518	-	592,518	209,850
One-time gain	-	-	(294,000)	-
Stock related expenses ⁽⁴⁾	214,764	157,589	367,490	315,380
Cash EBITDA	\$ (124,496)	\$ (560,144)	\$ (1,279,903)	\$ (1,815,372)

(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

Company Contact:

Ronit Wallerstein
Investor Relations
Innovative Food Holdings, Inc.
(239) 449-3249
rwallerstein@IVFH.com

Investor and Media Contact:

Andrew M. Berger
Managing Director
SM Berger & Company, Inc.
(216) 464-6400
andrew@sberger.com