



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

November 9, 2023

Key highlights:

- *Third quarter adjusted EBITDA improved by \$0.4 million to \$0.9 million, the fifth consecutive quarter of year-over-year improved adjusted profitability*
- *Adjusted EBITDA as a percent of sales improved to 5.1%, from 2.4% in the third quarter of 2022, with adjusted EBITDA per share growing to \$0.018, from \$0.010 in the same period last year*
- *Year-over-year gross margin improved 568 basis points to 28.2%*
- *Third quarter revenue declined 13.8% year-over-year to \$17.3 million*
- *Culmination of executive review of company strategy, resulting in a capital reallocation strategy, which will be discussed in more detail in today's earnings call*

BONITA SPRINGS, Fla., Nov. 09, 2023 (GLOBE NEWSWIRE) -- Innovative Food Holdings, Inc. (OTCQB: IVFH) ("IVFH" or the "Company"), a national seller of gourmet specialty foods to professional chefs and home gourmets, today reported its financial results for the third quarter of 2023.

"During the third quarter, we continued to focus on profit during our year of stabilization, with gross margins increasing 568 basis points to 28.2%. Overall, our performance in the third quarter drove a \$124,987 improvement in net income to \$134,733, and a \$397,184 improvement to adjusted EBITDA to \$887,673, or 5.1% of revenue, compared to 2.4% of revenue in the third quarter of 2022, marking the fifth consecutive quarter of year-over-year improved adjusted profitability," stated Bill Bennett, CEO of Innovative Food Holdings.

Mr. Bennett continued, "Our revenue declined by 13.8%, driven primarily by our Specialty Foodservice business sales declining by 16%, as we continued to focus on overcoming the headwinds created by a change in the technology platform used by a key partner, leading to a smaller, though significantly more profitable business for us. We expect this Specialty Foodservice revenue softness to continue at a similar magnitude for the remainder of the year while our new growth plans begin to take shape. This quarter included the establishment of our new sales team, the opening of several new customers, and the deepening of several existing customer relationships. The B2B sales cycle is long, but we are optimistic about how today's efforts will drive results next year. On the eCommerce business, we continued to restrict marketing spend relative to historical levels as we improve the business model. We have now lapped four consecutive quarters of these marketing cuts, and the current quarter decline of only 0.7% (compared to declines of 20%+ over the last four quarters) indicates that the decline has subsided as we anticipated. That said, the e-commerce business continues to lose money, so we are now evaluating strategic alternatives for the business, with an eye towards eliminating the associated losses."

"It's exciting to see the impacts of our plan begin to take shape as we see improvements in our capital structure, margins, expenses, and profit. As we look forward, improving near term profitability and operating cash flow continue to be top priorities. This includes delivering continued improvements to gross margin 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."

Mr. Bennett added, "As announced earlier this year, we've used the last several months to conduct a full review of the company strategy. As an outcome to that work, we've made the decision to reallocate resources and capital from our long-term loss-making businesses, into our consistently profitable businesses, while reducing our debt, and causing zero incremental dilution to our shareholders. These moves will make a significant impact to our P&L as we reduce losses in e-commerce, allocate capital to profitable business growth, and reduce interest expense for the company. We will discuss more details of the strategy in today's earnings call."

"Over the past eight months as my tenure as CEO has developed, my level of confidence in the opportunity that lies ahead for IVFH continues to increase. We have a solid foundation, a passionate and committed team, and an industry with tremendous long-term potential. 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. 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 third quarter decreased 13.8% to \$17.3 million, compared to \$20.1 million for the three months ended September 30, 2022. Third-quarter revenue was impacted by a 16% decrease in specialty foodservice revenue. Third-quarter eCommerce revenue was down 0.7% to \$1.8 million from \$1.8 million for the same period last year, as the Company begins to lap the commencement of marketing cuts in the third quarter of 2022.

The following table sets forth IVFH's revenue by business category for the months ended September 30, 2023, and September 30, 2022 (unaudited):

Three Months Ended				
September 30, 2023	% of Net Sales	September 30, 2022	% of Net Sales	% Change

Specialty Foodservice	14,775,073	85.3%	17,630,515	87.8%	-16.2%
E-Commerce	1,825,924	10.6%	1,839,541	9.2%	-0.7%
National Brand Management	340,577	2.0%	336,766	1.7%	1.1%
Logistics	358,717	2.1%	253,160	1.3%	41.7%
Total IVFH	17,300,291	100%	20,059,982	100%	-13.8%

For the 2023 third quarter, gross margin as a percentage of sales was 28.2%, compared to 22.5% for the same period last year, primarily due to improved margin and mix management and lower shipping costs.

For the 2023 third quarter, selling, general, and administrative (SG&A) expenses were \$4.5 million, or 25.9% of revenue, compared to \$4.3 million, or 21.5% of revenue for the same period last year. The \$0.2 million, or 3.8% year-over-year increase in SG&A expense was primarily the result of \$272,727 in connection with the quarterly revaluation of stock appreciation rights held by the Company's Chief Operating Officer.

The Company recorded GAAP net income for the 2023 third quarter of \$0.134 million, or \$0.003 per share, compared to \$0.009 million, or \$0.000 per share, in the prior year's third quarter.

Adjusted EBITDA, a non-GAAP metric (see tables below), for the 2023 third quarter was \$887,673, or \$0.018 per share, compared to \$490,489, or \$0.010 per share, for the same period last year. Adjusted EBITDA accounts for the impact of non-core items including an addback for interest, taxes, amortization expense, expense on the extinguishment of debt, and stock related expenses in both 2023 and 2022.

Conference Call

IVFH will host an investor call on November 9, 2023 at 9:00 am Eastern Time via Zoom and by phone. The purpose of the meeting will be for management to discuss the Company's third fiscal quarter results for the quarter ended September 30, 2023, followed by Q&A with investors. The company will also provide additional details on its future strategy.

Investors and other interested participants may attend the call on the web or by phone as follows:

Join Zoom Meeting

<https://us02web.zoom.us/j/83433496652?pwd=NURCdEhSS01zSU82R3FtMGVwdnY3QT09>

Meeting ID: 834 3349 6652

Passcode: 631890

One tap mobile

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Dial by your location

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• +1 253 215 8782 US (Tacoma)

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• +1 669 444 9171 US

• +1 301 715 8592 US (Washington DC)

• +1 305 224 1968 US

• +1 309 205 3325 US

• +1 312 626 6799 US (Chicago)

• +1 360 209 5623 US

• +1 386 347 5053 US

• +1 507 473 4847 US

• +1 564 217 2000 US

• +1 646 931 3860 US

• +1 689 278 1000 US

• +1 929 205 6099 US (New York)

Meeting ID: 834 3349 6652

Find your local number: <https://us02web.zoom.us/u/kdbx2cHBTA>

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 gourmets 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, www.plantbely.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 international crises, 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.

Investor and Media contact:

Richard Tang

Chief Financial Officer

Innovative Food Holdings, inc.

**Innovative Food Holdings, Inc.
Consolidated Balance Sheets**

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,711,887	\$ 4,899,398
Accounts receivable, net	4,969,374	4,969,395
Inventory	2,986,258	3,053,852
Other current assets	339,410	289,432
<u>Total current assets</u>	<u>12,006,929</u>	<u>13,212,077</u>
Property and equipment, net	7,682,896	7,921,561
Right of use assets, operating leases, net	104,775	152,425
Right of use assets, finance leases, net	469,883	570,323
Other amortizable intangible assets, net	-	30,994
Tradenames and other unamortizable intangible assets	1,532,822	1,532,822
<u>Total assets</u>	<u>\$ 21,797,305</u>	<u>\$ 23,420,202</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,228,965	6,853,253
Accrued separation costs, related parties, current portion	343,144	-
Accrued interest	91,660	18,104
Deferred revenue	1,094,322	1,558,155
Line of Credit	-	2,014,333
Stock appreciate rights liability	274,755	-
Notes payable - current portion	139,131	5,711,800
Lease liability - operating leases, current	66,860	64,987
Lease liability - finance leases, current	185,226	191,977
<u>Total current liabilities</u>	<u>7,424,063</u>	<u>16,412,609</u>
Note payable, net of discount	8,861,213	-
Accrued separation costs, related parties, non-current	874,359	-
Lease liability - operating leases, non-current	37,915	87,438
Lease liability - finance leases, non-current	197,077	333,092
<u>Total liabilities</u>	<u>17,394,627</u>	<u>16,833,139</u>
Commitments & Contingencies (see note 17)		
Stockholders' equity		
Common stock: \$0.0001 par value; 500,000,000 shares authorized; 51,662,238 and 49,427,297 shares issued, and 48,799,067 and 46,589,717 shares outstanding at September 30, 2023 and December 31, 2022, respectively	5,159	4,938
Additional paid-in capital	42,685,559	42,189,471
Common stock to be issued, 180,000 and 1,499,940 shares at September 30, 2023 and December 31, 2022, respectively	18	150
Treasury stock: 2,623,171 and 2,623,171 shares outstanding at September 30, 2023 and December 31, 2022, respectively.	(1,141,370)	(1,141,370)
Accumulated deficit	(37,146,688)	(34,466,126)
<u>Total liabilities and stockholders' equity</u>	<u>4,402,678</u>	<u>6,587,063</u>
<u>Total stockholders' equity</u>	<u>\$ 21,797,305</u>	<u>\$ 23,420,202</u>

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

	<u>For the Three Months Ended Sep 30, 2023</u>	<u>For the Three Months Ended Sep 30, 2022</u>	<u>For the Nine Months Ended Sep 30, 2023</u>	<u>For the Nine Months Ended Sep 30, 2022</u>
Revenue	\$ 17,300,291	\$ 20,059,982	\$ 53,128,812	\$ 56,226,249

Cost of goods sold	12,424,105	\$ 15,546,132	39,373,204	43,537,570
Gross margin	<u>4,876,186</u>	<u>4,513,850</u>	13,755,608	12,688,679
Selling, general and administrative expenses	4,483,134	4,320,981	13,838,369	15,015,456
Separation costs - executive officers	<u>-</u>	<u>-</u>	<u>1,945,650</u>	<u>-</u>
Total operating expenses	4,483,134	4,320,981	15,784,019	15,015,456
Operating income (loss)	393,052	192,869	(2,028,411)	(2,326,777)
Other income (expense)				
Gain on interest rate swap	-	-	-	294,000
Loss on extinguishment of debt	-	-	-	(40,556)
Other leasing income	2,389	785	6,189	8,169
Interest expense, net	<u>(260,708)</u>	<u>(183,908)</u>	<u>(642,506)</u>	<u>(379,253)</u>
Total other income (expense)	(258,319)	(183,123)	(636,317)	(117,640)
Net income (loss) before taxes	134,733	9,746	(2,664,728)	(2,444,417)
Income tax expense	-	-	15,834	-
Net income (loss)	<u>\$ 134,733</u>	<u>\$ 9,746</u>	<u>\$ (2,680,562)</u>	<u>\$ (2,444,417)</u>
Net income (loss) per share - basic	\$ 0.003	\$ 0.000	\$ (0.055)	\$ (0.052)
Net income (loss) per share - diluted	\$ 0.003	\$ 0.000	\$ (0.055)	\$ (0.052)
Weighted average shares outstanding - basic	49,193,476	47,390,976	48,909,277	46,838,377
Weighted average shares outstanding - diluted	49,193,476	47,390,976	48,909,277	46,838,377

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

	For the Nine Months Ended September 30, 2023 (unaudited)	For the Nine Months Ended September 30, 2022 (unaudited)
Cash flows from operating activities:		
Net loss	\$ (2,680,562)	\$ (2,444,417)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	429,048	423,844
Amortization of right of use asset	47,650	50,821
Amortization of prepaid loan fees	-	70,618
Amortization of discount on notes payable	2,013	-
Stock based compensation	337,971	520,218
Loss on valuation of stock appreciation rights	264,961	-
Loss on extinguishment of debt	-	40,556
Provision (recoveries) for doubtful accounts	108,694	11,493
Changes in assets and liabilities:		
Accounts receivable, net	(108,673)	(1,425,374)
Inventory and other current assets, net	17,616	150,643
Accounts payable and accrued liabilities	(1,489,017)	386,414
Accrued separation costs - related parties	1,385,503	-
Deferred revenue	(463,833)	(536,757)
Operating lease liability	<u>(47,650)</u>	<u>(50,821)</u>
Net cash used in operating activities	<u>(2,196,279)</u>	<u>(2,802,762)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(58,949)</u>	<u>(107,045)</u>
Net cash used in investing activities	<u>(58,949)</u>	<u>(107,045)</u>
Cash flows from financing activities:		
Payment of offering costs for stock previously issued	-	(50,000)
Cash received from notes payable, net of costs	3,285,588	-

Principal payments on debt	(52,405)	(169,696)
Principal payments financing leases	(151,133)	(130,459)
Cost of debt financing	-	-
Principal payments on line of credit	(2,014,333)	-
Cost of debt financing	-	(110,305)
Net cash (used in) financing activities	<u>1,067,717</u>	<u>(460,460)</u>
Decrease in cash and cash equivalents	(1,187,511)	(3,370,267)
Cash and cash equivalents at beginning of period	<u>4,899,398</u>	<u>6,122,671</u>
Cash and cash equivalents at end of period	\$ 3,711,887	\$ 2,752,404

Innovative Food Holdings, Inc.
Reconciliation of GAAP to Non-GAAP Measures
Adjusted EBITDA Calculations

	Three Months Ended	
	(unaudited)	
	September 30,	September 30,
	2023	2022
Adjusted EBITDA & EBITDA per share (1)		
Revenue	\$ 17,300,291	\$ 20,059,982
Net Income (Loss)	134,733	9,746
Interest, net	260,708	183,908
Taxes	-	-
Depreciation and Amortization (2)	<u>142,179</u>	<u>144,109</u>
EBITDA (3)	\$ 537,620	\$ 337,763
Loss on extinguishment of debt	-	-
Stock related expenses (4)	<u>350,053</u>	<u>152,726</u>
Adjusted EBITDA	\$ 887,673	\$ 490,489
Weighted Avg. Shares Outstanding	49,193,476	47,390,976
Adjusted EBITDA per share	\$ 0.018	\$ 0.010

- (1) Adjusted EBITDA and Adjusted EBITDA per share 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 depreciation and amortization charges
- (3) Earnings before interest, taxes, depreciation, and amortization
- (4) Includes stock and options-based compensation and expenses



Source: Innovative Food Holdings