



Innovative Food Holdings, Inc. Reports Financial Results for First Quarter of 2021

May 25, 2021

*Direct-to-Consumer E-commerce Revenue Increased 73% Year-over-Year to a First Quarter Record
Strong Year-over-Year Subscription Growth of 103%*

Foodservice Trends Accelerating as Foodservice Revenue Up Quarter-Over-Quarter for the Third Consecutive Quarter

BONITA SPRINGS, Fla., May 25, 2021 (GLOBE NEWSWIRE) -- Innovative Food Holdings, Inc. (OTCQB: IVFH) ("IVFH" or the "Company"), a leading direct-to-consumer e-commerce platform with complete multi-channel, specialty food and grocery capabilities for both consumers and professional chefs today reported its financial results for the first quarter of 2021.

"We continue to experience strong e-commerce, direct-to-consumer growth as our digital assets, including igourmet.com and mouth.com provide unique, specialty foods, groceries and gifts to consumers across the country. As a result, e-commerce sales increased 73% for the first quarter led by strong subscription revenue growth of 103%, compared to the prior year period. In addition, we continue to focus on expanding our partnership opportunities with leading influencers and brands to create distinctive food experiences for our consumers. We are working to introduce new subscription-based products, increase the number of partnership opportunities, and leverage our leading e-commerce, direct-to-consumer platform throughout 2021," stated Sam Klepfish, CEO of Innovative Food Holdings.

"Continued improvements in our foodservice business are encouraging, and while foodservice revenue continues to be down year-over-year, we have experienced three quarters of sequential improvements as restaurants, hotels, airlines, and other foodservice customers reopen for business and communities reopen their local economies. Positive trends have continued, and assuming overall economic trends continue, we expect to see higher year-over-year and quarter-over-quarter foodservice revenue in the second quarter."

"Improving profitability is an important focus for IVFH's management team during 2021 and I am pleased with the progress we made during the first quarter. First quarter gross margin increased 370 basis points to 27.1% as a result of a more profitable mix of revenue and the contribution of higher margin e-commerce revenue. In addition, we are now focused on leveraging our fixed operating costs and increasing efficiencies, after investing heavily in our platform over the past two years to support our digital transformation and growth opportunities. I am excited with the direction we are headed, and I continue to believe our digitally enabled, plug-and-play platform supports meaningful opportunities to drive growth in 2021 and beyond," concluded Mr. Klepfish.

Financial Results

E-commerce revenue for the 2021 first quarter increased by 73%, driven by the Company's ability to increase conversion rates and sales. Deferred revenue, which includes e-commerce orders associated with the Company's subscription services, including both Mouth and igourmet, and representing a pipeline of future revenues, increased by over 216% to \$1.1 million at March 31, 2021, compared to \$0.4 million at March 31, 2020.

Revenues in the 2021 first quarter declined to \$12.2 million compared to \$13.3 million in the 2020 first quarter as specialty foodservice revenues declined 31% to \$6.8 million, as a result of the continued impact the COVID-19 pandemic had on the foodservice industry. This decline was partially offset by strong e-commerce revenue growth of 73% to \$5.0 million in the 2021 first quarter, compared to \$2.9 million in e-commerce revenues in the 2020 first quarter.

The following table sets forth IVFH's revenue by business category for the three months ended March 31, 2021, and March 31, 2020 (unaudited):

	Three Months Ended				
	March 31, 2021	% of Net Sales	March 31, 2020	% of Net Sales	% Change
Specialty Foodservice	\$ 6,828,000	56%	\$ 9,913,000	74%	-31%
E-Commerce	4,980,000	41%	2,878,000	22%	73%
National Brand Management	226,000	2%	251,000	2%	-10%
Logistics	\$ 147,000	1%	\$ 264,000	2%	-44%
Total IVFH	\$ 12,181,000	100%	\$ 13,306,000	100%	-8%

For the 2021 first quarter, selling and administrative (SG&A) expenses were \$4.9 million, compared to \$4.6 million for the same period last year. The year-over-year increase, which included costs associated with the COVID-19 pandemic, was primarily driven by higher payroll, marketing and advertising costs, and other operating expenses.

The Company reported a net loss for the 2021 first quarter of \$(1.8 million), or \$(0.05) per share, compared to a net loss of \$(3.3 million), or \$(0.09) per share, in the prior year's first quarter. The net loss for the 2021 and 2020 first quarter periods included non-cash impairment charges of \$0.2 million, and \$1.7 million, respectively. Adjusted net income for the 2021 first quarter was a loss of \$(1.5 million), or \$(0.041) per share, compared to an adjusted net loss of \$(1.1 million), or \$(0.031) per share, for the same period last year.

Cash EBITDA, a non-GAAP metric (see tables below), for the 2021 first quarter was a loss of \$(1.3 million), compared to Cash EBITDA loss of \$(0.9 million) in the prior year first quarter.

About Innovative Food Holdings, Inc.

Innovative Food Holdings (Ticker: IVFH): has built a leading D2C e-commerce platform with complete multi-channel, specialty food and grocery capabilities for both consumers and professional chefs. Wholly owned D2C brands on the 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 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. Consolidated Balance Sheets (unaudited)

	March 31, 2021	December 31, 2020
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,086,086	\$ 5,060,015
Accounts receivable, net	1,844,332	2,380,305
Inventory	2,832,164	3,719,786
Other current assets	516,009	286,815
Total current assets	<u>8,278,591</u>	<u>11,446,921</u>
Property and equipment, net	8,454,849	8,550,401
Investments	286,725	496,575
Right of use assets, operating leases, net	241,622	246,737
Right of use assets, finance leases, net	743,591	776,439
Other amortizable intangible assets, net	97,510	100,380
Goodwill and other unamortizable intangible assets	1,532,822	1,532,822
Total assets	<u>\$ 19,635,710</u>	<u>\$ 23,150,275</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,530,973	\$ 5,098,523
Accrued interest, current portion	17,438	28,873
Deferred revenue	1,133,411	2,917,676
Line of Credit	2,000,000	2,000,000
Notes payable - current portion, net of discount	1,942,021	1,741,571
Lease liability - operating leases, current	86,284	87,375
Lease liability - finance leases, current	145,820	146,004
Contingent liability - current portion	187,000	187,000
Total current liabilities	<u>9,042,947</u>	<u>12,207,022</u>
Accrued interest, long term portion	17,099	-
Lease liability - operating leases, non-current	155,338	159,362
Lease liability - finance leases, non-current	603,253	638,137
Contingent liability - long-term	108,600	116,600
Note payable - long term portion, net	7,516,744	6,151,345
Total liabilities	<u>17,443,981</u>	<u>19,272,466</u>
Commitments & Contingencies	-	-
Stockholders' equity		
Common stock: \$0.0001 par value; 500,000,000 shares authorized; 38,495,314 and 38,209,060 shares issued, and 35,657,734 and 35,371,480 shares outstanding at March 31, 2021 and December 31, 2020, respectively	3,846	3,817
Additional paid-in capital	37,572,917	37,415,155
Treasury stock: 2,623,171 and 2,623,171 shares outstanding at March 31, 2021 and December 31, 2020, respectively.	(1,141,370)	(1,141,370)

Accumulated deficit	(34,243,664)	(32,399,793)
Total stockholders' equity	<u>2,191,729</u>	<u>3,877,809</u>
Total liabilities and stockholders' equity	<u>\$ 19,635,710</u>	<u>\$ 23,150,275</u>

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

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Revenue	\$ 12,180,899	\$ 13,305,920
Cost of goods sold	<u>8,878,914</u>	<u>10,192,864</u>
Gross margin	3,301,985	3,113,056
Selling, general and administrative expenses	4,850,828	4,612,761
Impairment of intangible assets	<u>-</u>	<u>1,698,952</u>
Total operating expenses	4,850,828	6,311,713
Operating loss	(1,548,843)	(3,198,657)
Other income (expense):		
Impairment of investment	(209,850)	-
Other leasing income	5,140	10,879
Interest expense, net	<u>(90,318)</u>	<u>(66,420)</u>
Total other (expense)	(295,028)	(55,541)
Net loss before taxes	(1,843,871)	(3,254,198)
Provision for income tax	-	-
Net loss	<u>\$ (1,843,871)</u>	<u>\$ (3,254,198)</u>
Net loss per share - basic	<u>\$ (0.05)</u>	<u>\$ (0.09)</u>
Net loss per share - diluted	<u>\$ (0.05)</u>	<u>\$ (0.09)</u>
Weighted average shares outstanding - basic	<u>35,872,143</u>	<u>34,626,275</u>
Weighted average shares outstanding - diluted	<u>35,872,143</u>	<u>34,626,275</u>

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

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020
Cash flows from operating activities:		
Net loss	\$ (1,843,871)	\$ (3,254,198)
Adjustments to reconcile net loss to net cash used in operating activities:		

Impairment of intangible assets	-	1,698,952
Impairment of investment	209,850	-
Depreciation and amortization	135,854	324,565
Amortization of right-of-use asset	22,929	49,949
Amortization of prepaid loan fees	3,088	3,123
Stock based compensation	157,791	66,041
Provision for doubtful accounts	2,721	223,335
Changes in operating assets and liabilities:		
Accounts receivable, net	533,252	1,226,457
Inventory and other current assets	658,428	(650,741)
Accounts payable and accrued liabilities	(1,561,858)	(177,379)
Deferred revenue	(1,784,265)	(141,320)
Contingent liabilities	(8,000)	(12,000)
Operating lease liability	(22,929)	(49,949)
Net cash used in operating activities	<u>(3,497,010)</u>	<u>(693,165)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(4,612)	(285,599)
Net cash used in investing activities	<u>(4,612)</u>	<u>(285,599)</u>
Cash flows from financing activities:		
Proceeds from note payable	-	150,786
Proceeds from line of credit	-	2,000,000
Proceeds from Paycheck Protection Program (PPP) Loan	1,669,929	-
Principal payments on debt	(107,168)	(57,775)
Principal payments financing leases	(35,068)	(8,754)
Net cash provided by financing activities	<u>1,527,693</u>	<u>2,084,257</u>
(Decrease) increase in cash and cash equivalents	(1,973,929)	1,105,493
Cash and cash equivalents at beginning of period	<u>5,060,015</u>	<u>3,966,050</u>
Cash and cash equivalents at end of period	<u>\$ 3,086,086</u>	<u>\$ 5,071,543</u>

Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest	<u>\$ 83,275</u>	<u>\$ 59,373</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>

Non-cash investing and financing activities:

Increase in right of use assets & liabilities	<u>\$ 17,814</u>	<u>\$ 214,930</u>
Investment in food related company	<u>\$ -</u>	<u>\$ 15,000</u>
Capital lease for purchase of fixed assets	<u>\$ -</u>	<u>\$ 152,548</u>

	Three Months Ended (unaudited)	
	March 31, 2021	March 31, 2020
Adjusted Net Income and EPS⁽⁴⁾		
Revenue	\$ 12,180,899	\$ 13,305,920
Net Income	(1,843,871)	(3,254,198)
Amortization of intangible assets ⁽¹⁾	2,870	210,032
One-time charges	209,850	1,917,891

Stock related expenses ⁽²⁾	157,791	66,041
Adjusted Net Income	\$ (1,473,360)	\$ (1,060,234)
Weighted Avg. Shares Outstanding Diluted ⁽³⁾	35,872,143	34,626,275
Adjusted Fully Diluted EPS	\$ (0.041)	\$ (0.031)

	Three Months Ended (unaudited)	
	March 31, 2021	March 31, 2020
Cash EBITDA⁽⁴⁾		
Net Income	\$ (1,843,871)	\$ (3,254,198)
Interest expense, taxes & Other Income	85,178	55,541
Depreciation & amortization	135,854	324,565
One-time charges	209,850	1,917,891
Stock related expenses ⁽²⁾	157,791	66,041
Cash EBITDA	\$ (1,255,198)	\$ (890,160)

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

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

(3) Full Year GAAP weighted fully diluted share count

(4) Non-GAAP measures (not to be relied upon in substitution for GAAP measures)

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