



Innovative Food Holdings, Inc. Reports Financial Results for Fourth Quarter and Fiscal Year 2023

March 21, 2024

Key Fiscal Year data points:

- *Revenue of \$72.2 million, -8.5% vs. 2022*
- *Gross margin improved by 205 basis points to 24.3%, while adjusted gross margin improved by 232 basis points*
- *GAAP net loss from continuing operations of (\$4.2 million) or (\$0.08) per fully diluted share, compared to a 2022 loss of (\$1.1 million) or (\$0.02) per fully diluted share*
- *Adjusted net income from continuing operations of \$1.1 million or \$0.02 per fully diluted share, compared to a 2022 adjusted net loss of (\$0.8 million) or (\$0.02) per fully diluted share*
- *Adjusted EBITDA of \$2.5 million, compared to \$0.3 million last year*
- *Working Capital improved from a deficit of (\$3.2 million) at the end of 2022 to a surplus of \$5.0 million at the end of 2023, representing an increase of approximately \$8.2 million*
- *The refinancing of company debt, USDA debt guarantee, and subsequent long-term maturity extensions and term improvements during the year massively improved the financial flexibility of the company*

BONITA SPRINGS, Fla., March 21, 2024 (GLOBE NEWSWIRE) -- Innovative Food Holdings, Inc. (OTCQB: IVFH) ("IVFH" or the "Company"), a national seller of gourmet specialty foods to professional chefs, today reported its financial results for the fourth quarter and fiscal year of 2023.

Bill Bennett, Chief Executive Officer of IVFH, remarked, "2023 marked an incredible turnaround for Innovative Food Holdings. Notwithstanding that we had an increase in consolidated net loss to \$4.2 million in 2023, compared to a net loss of \$1.1 million in 2022, we delivered strong adjusted EBITDA of \$2.5 million, showing more than \$2 million in year-over-year improvement. In the face of expected revenue declines, we still grew gross margins (GAAP) by more than 200 basis points in 2023 and reduced SG&A by approximately \$1 million compared to last year. Cost-cutting actions were taken at various times throughout the year, and we expect the go-forward reduction in baseline SG&A to be significantly more than the \$1 million improvement shown from 2022 to 2023. Excluding the effect of restructuring, severance, and one-time related outflows and expenses during the year, the company has become cash flow positive. It is exciting that we have clearly started to show the underlying earnings power potential of the organization."

Key 4th Quarter data points:

- *Revenue of \$20.1 million, -14.9% vs. 2022*
- *Gross margin declined by 65 basis points to 23.6%, while adjusted gross margin improved by 30 basis points*
- *GAAP net loss from continuing operations of (\$1.6 million) or (\$0.03) per fully diluted share, compared to a 2022 net income of \$1.1 million or \$0.02 per fully diluted share*
- *Adjusted net income from continuing operations of \$0.3 million or \$0.01 per fully diluted share, compared to a 2022 adjusted net income of \$1.1 million or \$0.02 per fully diluted share*
- *Adjusted EBITDA of \$0.6 million, compared to \$1.4 million last year; sixth consecutive quarter of positive adjusted EBITDA*

Mr. Bennett added, "During the fourth quarter, we continued to make progress stabilizing the company through critical decisions that set us up for success going forward. As expected, our revenue fell during the fourth quarter, driven by a 13.6% decline in Specialty Foodservice sales, as we continued to focus on overcoming the headwinds created by the previously disclosed change in the technology platform used by a key partner. So far in the first quarter of 2024, revenues in our Specialty Foodservice business are flat year-over-year. We recently signed a new contract with an existing large customer, and we have made exciting progress in relationships with four large new customers. We expect these new relationships to contribute to revenue in the back half of the year. We saw a 20.4% decline in our eCommerce business which was expected given our business restructuring initiatives. As we have previously disclosed, we began cutting back on assortment, marketing efforts, labor, and inventory during the quarter as part of the planned ramp-down of the business."

“Several one-time items impacted Q4 as well. Specialty Foodservice gross margins continued to grow versus last year, while e-commerce gross margins declined as we began writing down and clearing out inventory in preparation for the ramp-down of the business. These trends should normalize as we complete the ramp-down of the ecommerce business, and as foodservice returns to revenue growth. SG&A grew approximately \$0.2 million in Q4 2023, impacted by organizational restructuring expenses of \$0.2 million and bonus accruals of \$0.4 million as the team exceeded goals for 2023. These expenses offset improvements in ongoing focus areas like the savings we achieved in ecommerce wages of \$0.1 million, savings in licensing fees of \$0.1 million, and the savings in advertising of less than \$0.1 million. Overall, despite the fourth quarter resulting in a net loss of (\$1.6 million), we achieved a positive adjusted EBITDA of \$0.6 million, marking the sixth consecutive quarter of positive adjusted EBITDA,” Mr. Bennett continued.

“It’s exciting to see the impacts of our plan beginning to take shape as we are seeing improvements in our capital structure, margins, expenses, and business outlook. As we look forward, improving near term profitability and returning to revenue growth continue to be top priorities. We also remain committed to maintaining our new, higher margin levels, and establishing a new lower baseline in SG&A expenses as we optimize our corporate structure.

“Over the past twelve 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 fiscal year 2023 decreased 8.5% to \$72.2 million, impacted by a 6.5% decrease in specialty foodservice revenue. Fiscal year 2023 ecommerce revenue decreased 19.7% as the Company continued to pull back on marketing spending, rationalization of unprofitable assortment, and prepared to ramp-down the e-commerce business during Q4 and Q1.

The following table sets forth IVFH’s revenue by business category for the year ended December 31, 2023, and December 31, 2022 (unaudited):

	Year Ended				
	December 31, 2023	% of Net Sales	December 31, 2022	% of Net Sales	% Change
Specialty Foodservice	\$ 59,845,130	82.9%	\$ 64,012,458	81.1%	-6.5%
E-Commerce	11,220,086	15.5%	13,964,684	17.7%	-19.7%
National Brand Management	-	-%	-	-%	-%
Logistics	1,153,780	1.6%	927,033	1.2%	24.5%
Total IVFH	\$ 72,218,996	100%	\$ 78,904,175	100%	-8.5%

For the 2023 fiscal year, gross margin as a percentage of sales was 24.3%, compared to 22.2% for the same period last year, primarily due to improved margin and mix management and lower shipping costs.

Selling, general, and administrative (SG&A) expenses were \$17.4 million, compared to \$18.3 million last year. The \$0.9 million decrease was primarily due to \$1.2 million advertising savings, \$0.6 million payroll savings, \$0.3 million office related expenses, offset by \$1.1 million executive and leadership incentive bonus.

The Company recorded GAAP net loss from continuing operations for the 2023 fiscal year of (\$4.2 million), or (\$0.08) per fully diluted share, compared to a loss of (\$1.1 million), or (\$0.02) per fully diluted share in the prior year.

Adjusted net income, a non-GAAP metric (see tables below), for the 2023 fiscal year was \$1.1 million, or \$0.02 per share, compared to a loss of (\$0.8 million), or (\$0.02) per share loss, in the prior year. Adjusted Net Income accounts for the impact of non-core expenses including addbacks for one-time organizational restructure expenses, gains or losses on sale of assets or subsidiaries, tradename impairments, amortization expense, expense on the extinguishment of debt, and stock related expenses in both 2023 and 2022.

Adjusted EBITDA a non-GAAP metric (see tables below), for the 2023 fiscal year was \$2.5 million compared to \$0.3 million, in the prior year.

Adjusted Free Cash Flow a non-GAAP metric (see tables below), for the 2023 fiscal year was \$1.6 million compared to negative (\$0.3 million), in the prior year.

Conference Call

IVFH will host an investor call on March 21, 2024 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 2023 year and fourth fiscal quarter results for the quarter ended December 31, 2023, followed by Q&A with investors.

Investors and other interested participants may attend the call on the web or by phone, though investors who intend to ask a question may wish to join digitally through Zoom, rather than on the phone, as the “raise hand” interface is easier to manage through Zoom. Details for the meeting are IVFH is inviting you to a scheduled Zoom meeting.

Join Zoom Meeting

<https://us02web.zoom.us/j/89223331611?pwd=UFNsTXBjUnFNMFkwExTUWpqbWxqZz09>

Meeting ID: 892 2333 1611

Passcode: 289972

One tap mobile

+16694449171,,89223331611# US

+16699006833,,89223331611# US (San Jose)

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 nationwide. We curate the assortment, experience, and tech enabled tools that help our professional and home chefs create unforgettable experiences for their guests. 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.

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Innovative Food Holdings, Inc. Consolidated Balance Sheets

	December 31, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,327,016	\$ 4,779,694
Accounts receivable, net	4,307,726	4,794,570
Inventory, net	2,973,134	3,053,852
Other current assets	287,528	234,973
Assets held for sale	649,884	-
Current assets - discontinued operations	95,861	348,988
Total current assets	13,641,149	13,212,077
Property and equipment, net	7,000,015	7,921,561
Right of use assets, operating leases, net	28,519	152,425
Right of use assets, finance leases, net	436,403	570,323
Other amortizable intangible assets, net	-	30,994
Tradenames and other unamortizable intangible assets	217,000	1,532,822
Non-current assets, discontinued operations	-	-
Total assets	\$ 21,323,086	\$ 23,420,202
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,252,951	6,832,201
Accrued separation costs, related parties, current portion	463,911	-
Accrued interest	95,942	18,104
Deferred revenue	1,312,837	1,556,231
Line of Credit	-	2,014,333
Stock appreciation rights liability	255,020	-
Notes payable - current portion	121,041	5,711,800
Lease liability - operating leases, current	17,131	64,987
Lease liability - finance leases, current	115,738	191,977
Current liabilities - discontinued operations	6,422	22,976
Total current liabilities	8,640,993	16,412,609
Note payable, net of discount	8,855,000	-
Accrued separation costs, related parties, non-current	791,025	-
Lease liability - operating leases, non-current	11,388	87,438
Lease liability - finance leases, non-current	219,266	333,092
Total liabilities	18,517,672	16,833,139
Commitments & Contingencies (see note 18)		
Stockholders' equity		
Common stock: \$0.0001 par value; 500,000,000 shares authorized; 52,538,100 and 49,427,297 shares issued, and 49,714,929 and 46,589,717 shares outstanding at December 31, 2023 and December 31, 2022, respectively	5,251	4,938
Additional paid-in capital	42,762,811	42,189,471

Common stock to be issued, 0 and 1,499,940 shares at December 31, 2023 and December 31, 2022, respectively	-	150
Treasury stock: 2,623,171 shares outstanding at December 31, 2023 and December 31, 2022	(1,141,370)	(1,141,370)
Accumulated deficit	(38,821,278)	(34,466,126)
Total stockholders' equity	<u>2,805,414</u>	<u>6,587,063</u>
Total liabilities and stockholders' equity	<u>\$ 21,323,086</u>	<u>\$ 23,420,202</u>

Innovative Food Holdings, Inc.
Consolidated Statements of Operations

	<u>For the Year Ended December 31, 2023</u>	<u>For the Year Ended December 31, 2022</u>
Revenue	\$ 72,218,996	\$ 78,904,175
Cost of goods sold	<u>54,693,359</u>	<u>61,377,384</u>
Gross margin	17,525,637	17,526,791
Selling, general and administrative expenses	17,389,351	18,332,503
Separation costs - executive officers	2,074,063	-
Impairment of intangible assets	<u>1,315,822</u>	-
Total operating expenses	20,779,236	18,332,503
Operating loss	(3,254,194)	(805,712)
Other income (expense):		
Interest expense, net	(876,452)	(587,285)
Loss on sale of subsidiaries	(45,022)	-
Other income	14,925	294,000
Gain on sale of assets	9,360	-
Other leasing income	7,600	11,226
Gain on contingent liability	-	295,600
Impairment of investment	-	(286,725)
Loss on extinguishment of debt	<u>-</u>	<u>(40,556)</u>
Total other expense	(889,589)	(313,740)
Net loss before taxes	(4,143,188)	(1,119,452)
Income tax expense	15,834	-
Net loss from continuing operations	\$ (4,159,022)	\$ (1,119,452)
Net loss from discontinued operations	\$ (196,130)	\$ (230,550)
Consolidated net loss	<u>\$ (4,355,152)</u>	<u>\$ (1,350,002)</u>
Net loss per share from continuing operations – basic	<u>\$ (0.08)</u>	<u>\$ (0.02)</u>
Net loss per share from continuing operations – diluted	<u>\$ (0.08)</u>	<u>\$ (0.02)</u>
Net loss per share from discontinued operations – basic	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Net loss per share from discontinued operations – diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average shares outstanding – basic	<u>49,076,880</u>	<u>47,129,511</u>
Weighted average shares outstanding – diluted	<u>49,076,880</u>	<u>47,129,511</u>

Innovative Food Holdings, Inc.
Consolidated Statements of Cash Flows

	For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Cash flows from operating activities:		
Net loss	\$ (4,355,152)	\$ (1,350,002)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Gain on contingent liabilities	-	(295,600)
Gain on disposition of asset	(9,360)	-
Loss on sale of subsidiaries	45,022	-
Impairment of investment	-	286,725
Impairment of intangible assets	1,315,822	-
Depreciation and amortization	557,268	562,072
Allowance for slow moving and obsolete inventory	189,582	-
Amortization of right of use asset	51,756	66,740
Amortization of prepaid loan fees	3,297	115,760
Stock based compensation	405,503	576,964
Value of stock appreciation rights	255,020	-
Loss on extinguishment of debt	-	40,556
Provision (recoveries) for doubtful accounts	73,330	(1,915)
Changes in assets and liabilities:		
Accounts receivable, net	479,247	(1,710,716)
Inventory and other current assets, net	(135,593)	80,807
Accounts payable and accrued liabilities	(439,336)	1,169,514
Accrued separation costs - related parties	1,422,937	-
Deferred revenue	(243,149)	(73,251)
Operating lease liability	(51,756)	(66,740)
Net cash used in operating activities	<u>(435,562)</u>	<u>(599,086)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(122,403)	(114,966)
Cash received from sale of subsidiaries	75,000	-
Cash received from disposition of asset	11,071	-
Net cash used in investing activities	<u>(36,332)</u>	<u>(114,966)</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	(187,611)	(172,422)
Principal payments financing leases	(88,813)	(176,494)
Principal payments on line of credit	(2,014,333)	-
Cost of debt financing	-	(110,305)
Net cash (used in) financing activities	<u>994,831</u>	<u>(509,221)</u>
Increase in cash and cash equivalents	522,937	(1,223,273)
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	<u>\$ 5,327,016</u>	<u>\$ 4,779,694</u>
Cash and cash equivalents at end of period - discontinued operations	<u>\$ 95,319</u>	<u>\$ 119,704</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	<u>\$ 802,076</u>	<u>\$ 461,563</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>
Non-cash investing and financing activities:		
(Decrease) Increase in right of use assets & liabilities	<u>\$ -</u>	<u>\$ (13,216)</u>
Finance lease for fixed assets	<u>\$ -</u>	<u>\$ 42,500</u>
Debt to Fifth Third Bank paid directly by Maple Mark Bank	<u>\$ -</u>	<u>\$ 7,686,481</u>
Par value of shares issued, previously accrued	<u>\$ 87</u>	<u>\$ -</u>
Issuance of common stock for severance agreement previously accrued	<u>\$ 168,000</u>	<u>\$ -</u>

Innovative Food Holdings, Inc.
Reconciliation of GAAP to Non-GAAP Measures
Adjusted EBITDA Calculations
(unaudited, except share and per share amounts)

	<u>Q4 2023</u>	<u>Q4 2022</u>	<u>2023 Full Year</u>	<u>2022 Full Year</u>
Net Income (Loss) From Continuing Operations (GAAP)	\$ (1,578,511)	\$ 1,132,236	\$ (4,159,022)	\$ (1,119,452)
Depreciation & Amortization (1)	\$ 128,220	\$ 138,229	\$ 557,268	\$ 562,072
Interest expense - net	\$ 230,110	\$ 206,810	\$ 876,452	\$ 586,153
Income tax provision	\$ -	\$ -	\$ 15,834	\$ -
EBITDA (Non-GAAP) (2)	\$ (1,220,181)	\$ 1,477,275	\$ (2,709,468)	\$ 28,773
<i>Adjustments:</i>				
Separation Costs	\$ 203,272	\$ -	\$ 2,174,007	\$ -
Impairment of Tradenames - igourmet & Mouth	\$ 1,315,822	\$ -	\$ 1,315,822	\$ -
Unaccrued 2022 Leadership Bonus' Expensed & Paid in 2023	\$ -	\$ (125,923)	\$ 125,923	\$ (125,923)
Other Restructuring Costs	\$ 233,611	\$ -	\$ 846,943	\$ -
Stock Compensation Expense (3)	\$ 57,591	\$ 56,746	\$ 660,523	\$ 576,964
Legal Fees - JIT Lawsuit	\$ 14,576	\$ 7,854	\$ 91,052	\$ 99,788
Loss on Sale of Subsidiaries	\$ 45,022	\$ -	\$ 45,022	\$ -
Gain on Interest Rate Swap	\$ -	\$ -	\$ -	\$ (294,000)
Impairment of Investment	\$ -	\$ 286,725	\$ -	\$ 286,725
Loss on Extinguishment of Debt	\$ -	\$ -	\$ -	\$ 40,556
Gain on sale of assets	\$ (9,361)	\$ -	\$ (9,360)	\$ -
Gain on Contingent Liability	\$ -	\$ (295,600)	\$ -	\$ (295,600)
Adjusted EBITDA (Non-GAAP) (4)	\$ 640,352	\$ 1,407,077	\$ 2,540,464	\$ 317,283
<i>Adjustments:</i>				
Depreciation	\$ (128,220)	\$ (127,898)	\$ (526,274)	\$ (520,848)
Interest expense - net	\$ (230,110)	\$ (206,810)	\$ (876,452)	\$ (586,153)
Income tax provision	\$ -	\$ -	\$ (15,834)	\$ -
Adjusted Net Income (Non-GAAP) (5)	\$ 282,022	\$ 1,072,369	\$ 1,121,904	\$ (789,718)
Adjusted Diluted EPS (Non-GAAP)	\$ 0.006	\$ 0.023	\$ 0.023	\$ (0.017)
Weighted-average diluted shares outstanding (Non-GAAP)	49,076,880	47,129,511	49,076,880	47,129,511

	<u>Q4 2023</u>	<u>Q4 2022</u>	<u>2023 Full Year</u>	<u>2022 Full Year</u>
Revenue (GAAP)	\$ 20,064,657	\$ 23,575,331	\$ 72,218,996	\$ 78,904,175
Gross profit (GAAP)	\$ 4,725,369	\$ 5,704,727	\$ 17,525,637	\$ 17,526,791
Inventory Reserve	\$ 189,582	\$ -	\$ 189,582	\$ -
Adjusted Gross profit (Non-GAAP) (6)	\$ 4,914,951	\$ 5,704,727	\$ 17,715,219	\$ 17,526,791
Adjusted Gross profit margin % (Non-GAAP)	24.50%	24.20%	24.53%	22.21%

	<u>Q4 2023</u>	<u>Q4 2022</u>	<u>2023 Full Year</u>	<u>2022 Full Year</u>
Adjusted EBITDA (Non-GAAP) (4)	\$ 640,352	\$ 1,407,077	\$ 2,540,464	\$ 317,283
Interest Expense -net	\$ (233,097)	\$ (207,186)	\$ (802,076)	\$ (461,563)
Income Tax Expense - net	\$ -	\$ -	\$ (15,834)	\$ -
Capital Expenditures	\$ (63,454)	\$ (7,921)	\$ (122,403)	\$ (114,966)
Adjusted Free Cash Flow (Non-GAAP) (7)	\$ 343,801	\$ 1,191,970	\$ 1,600,151	\$ (259,246)

(1) Includes non-cash depreciation and amortization charges.

(2) Earnings before interest, taxes, depreciation, and amortization

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

(4) Adjusted EBITDA is 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.

(5) Adjusted Net Income accounts for the impact of non-core expenses including addback for one-time organizational restructure expenses, gains or losses on sale of assets or subsidiaries, tradename impairments, amortization expense, expense on the extinguishment of debt, and stock related expenses in both 2023 and 2022.

(6) Weighted-average diluted shares outstanding (non-GAAP) is based on prior 12-month average from December 31, 2023

(7) Adjusted Gross profit is Gross profit adjusted to remove the impact of inventory reserve adjustments or non-recurring inventory related gains or losses.

(8) Maintenance Capital Expenditures is a component of "Acquisition of property and equipment (GAAP)" on the consolidated statement of cash flows. It represents management's assumptions of capital spending to maintain the company's current level of operations. It does not include expenditures on acquisitions (less cash acquired), nor does it include other capital expenditures made to fund growth of the current business.

(9) Adjusted Free Cash Flow is defined as Adjusted EBITDA less interest expense, income tax expense, and maintenance capital expenditures. The company believes adjusted free cash flow is useful to investors in understanding how existing cash flow from operations before working capital changes and non-recurring items after maintenance capital expenditures (which we believe the best proxy for over time is Adjusted EBITDA less interest expense, income tax expense, and maintenance capital expenditures) is utilized as a source of growing our business. Adjusted Free Cash

Flow is not a measure of cash available for discretionary expenditures since the company has certain non-discretionary obligations that were not deducted from the measure.