



Innovative Food Holdings, Inc. Reports Financial Results for First Quarter 2020

July 7, 2020

*First Quarter Revenue Increased 3.5% to \$13.3 Million
e-commerce Revenue Up 31.6% to \$2.9 Million
Recorded a Non-Cash Impairment of \$1.7 million
Active and Unique e-commerce Users Increased Over 70% Compared to the Prior Year Period
Unique Multi-Channel Infrastructure Benefitting from Rapidly Evolving Market Opportunities*

BONITA SPRINGS, Fla., July 07, 2020 (GLOBE NEWSWIRE) -- Innovative Food Holdings, Inc. (OTCQB: IVFH), ("IVFH" or "the Company") an interconnected data driven platform of specialty food companies that provides chefs and consumers direct access to the highest quality unique specialty food products as well as gift boxes and other curated products across the U.S., today reported its financial results for the first quarter ended March 31, 2020.

"We experienced strong e-commerce growth in the 2020 first quarter, which accelerated during the second quarter, as our e-commerce assets have been uniquely positioned to benefit from disruptive trends underway in our markets. Our in-house chefs and curation teams are working with our procurement, logistics, and marketing departments to create new products including high-quality specialty grocery products, themed specialty food kits, curated gifts, and monthly subscriptions. We are also investing in our platform to further increase customer engagement and conversion rates. During the third quarter, we expect to move into our new Pennsylvania distribution center, launch the new igourmet website featuring a modern user interface supported by Shopify, and further expand our digital marketing efforts," stated Sam Klepfish, CEO of Innovative Food Holdings.

"As restaurants start re-opening, foodservice revenue has experienced sequential monthly improvements in May and June; however, foodservice revenues have experienced unprecedented declines starting in the second half of March 2020 and the impacts of the COVID-19 pandemic continue to affect foodservice customers. Related to these declines, we recorded a non-cash \$1.7 million impairment charge during the first quarter. In addition, we experienced reduced profitability in the first quarter, which included higher expenses related to the COVID-19 crisis and a less profitable mix of foodservice business due to the COVID-19 crisis, as well as continued investments in our rapidly growing e-commerce platform. Despite these near-term impacts to profitability, we saw a \$0.6 million year-over-year improvement in operating cash flow during the first quarter."

"We believe our unique multi-channel infrastructure provides us with significant resources to successfully operate in the current market environment. As a result, we have seen growing interest from companies looking to leverage our e-commerce and foodservice assets. We have recently formed new relationships with large national retailers that are seeking to leverage our unique product lines and fulfillment capabilities in order to expand their specialty food offerings, which in turn has the potential to further expand our distribution channels and customer access. The COVID-19 crisis has significantly accelerated changes in consumer behavior already underway and, IVFH, like other e-commerce retailers, is seeing a paradigm shift towards digital channels. As a result, we are highly encouraged by our growing digital and direct-to-consumer presence, including our e-commerce monthly subscription offerings, our new omnichannel sales channels, and our new online products including recently developed meal kits, as well as the planned launch of igourmet's new website and the move to our new state-of-the-art Pennsylvania distribution center," concluded Mr. Klepfish.

IVFH's revenue increased to \$13.3 million during the three months ended March 31, 2020, compared to \$12.9 million for the three months ended March 31, 2019. The primary drivers of the 3.5% increase in first quarter revenue was due to over 30% year-over-year growth in the Company's e-commerce business as well as the contribution from new logistics revenue.

Deferred revenue associated with the Company's e-commerce subscription services, which includes both Mouth and igourmet, was \$0.4 million at March 31, 2020, compared to \$0.3 million at March 31, 2019. The nearly 30% year-over-year increase in deferred revenue was driven by increased demand for the Company's monthly food subscription offerings as well as an increase in gift cards sales.

For the 2020 first quarter, igourmet and Mouth had over 40,000 active unique customers, an increase of over 70% from the same period last year.

The following table sets forth IVFH's revenue by business category for the three months ended March 31, 2020 and March 31, 2019 (unaudited).

	Three Months Ended				
	March 31, 2020	% of Net Sales	March 31, 2019	% of Net Sales	% Change
Specialty Foodservice	\$ 9,913,000	74.5%	\$ 10,206,000	79.4%	-2.9%
E-commerce	2,878,000	21.6%	2,187,000	17.0%	31.6%
National Brand Management	251,000	1.9%	466,000	3.6%	-46.2%
Logistics	\$ 264,000	2.0%	\$ -	-	-
Total IVFH	\$ 13,306,000	100%	\$ 12,859,000	100%	3.5%

For the 2020 first quarter, selling and administrative ("SG&A") expenses were \$4.6 million, compared to \$3.8 million for the same period last year. The \$0.8 million, or approximately 21.7% increase, which included costs associated with COVID-19, was primarily due to a one-time increase in uncollectible debt allowance of \$0.2 million, a \$0.1 million increase in digital marketing expenses, \$0.2 million of higher payroll and related costs, increases in professional and legal fees of \$0.1 million, and increases in computer and information technology costs of \$0.1 million.

For the 2020 first quarter, the Company reported a net loss of \$(3.3 million), or \$(0.09) per share, compared to net income of \$0.2 million, or \$0.01 per diluted share in the prior year's first quarter. Adjusted net income for the 2020 first quarter was a loss of \$(1.1 million), or \$(0.031) per share, compared to net income of \$0.5 million, or \$0.015 per diluted share for the same period last year.

Cash EBITDA for the 2020 first quarter was a loss of \$(0.9 million), compared to positive EBITDA of \$0.6 million in the prior year quarter.

About Innovative Food Holdings, Inc.

Innovative Food Holdings, Inc. is an interconnected data driven platform of small, specialty food companies serving business and consumer customers. The platform offers efficient, cost effective, and transparent sourcing of over 7,000 specialty food products including proprietary branded products. Sales channels on the platform include specialty foodservice channels and data driven DTC e-commerce channels including leading specialty food direct-to-consumer e-commerce websites www.igourmet.com and www.mouth.com as well as a strong specialty food omnichannel offering via www.amazon.com, www.ebay.com and www.walmart.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" or "expect." Additional factors that could also cause actual results to differ materially relate to the global COVID-19 crisis. 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 (unaudited)

	March 31, 2020 (unaudited)	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,071,543	\$ 3,966,050
Accounts receivable, net	1,860,038	3,309,830
Inventory	2,941,435	2,350,622
Other current assets	318,617	273,689
Total current assets	10,191,633	9,900,191
Property and equipment, net	6,830,425	6,645,389
Investments	450,225	435,225
Right to use assets, operating leases, net	358,714	193,733
Right to use assets, finance leases, net	313,209	174,631
Other amortizable intangible assets, net	84,000	1,342,741
Goodwill and other unamortizable intangible assets	1,532,822	2,183,065
Total assets	<u>\$ 19,761,028</u>	<u>\$ 20,874,975</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,828,998	\$ 4,009,956
Accrued interest	20,552	16,973
Deferred revenue	358,456	499,776
Line of Credit	2,000,000	-
Notes payable - current portion, net	751,505	727,766
Lease liability - operating leases, current	134,459	133,296
Lease liability - finance leases, current	47,261	29,832
Contingent liability - current portion	187,000	187,000
Total current liabilities	7,328,231	5,604,599
Lease liability - operating leases, non-current	224,255	60,437
Lease liability - finance leases, non-current	281,270	154,905
Contingent liability - long-term	144,600	156,600
Note payable - long term portion, net	3,953,432	3,881,037
Total liabilities	11,931,788	9,857,578
Commitments & Contingencies (see note 16)	-	-

Stockholders' equity

Common stock: \$0.0001 par value; 500,000,000 shares authorized; 37,279,320 and 37,210,859 shares issued, and 34,441,740 and 34,373,279 shares outstanding at March 31, 2020 and December 31, 2019, respectively	3,724	3,718
Additional paid-in capital	36,955,853	36,889,818
Treasury stock: 2,623,171 shares outstanding at March 31, 2020 and December 31, 2019	(1,141,370)	(1,141,370)
Accumulated deficit	(27,988,967)	(24,734,769)
Total stockholders' equity	<u>7,829,240</u>	<u>11,017,397</u>
 Total liabilities and stockholders' equity	 <u>\$ 19,761,028</u>	 <u>\$ 20,874,975</u>

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

	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Revenue	\$ 13,305,920	\$ 12,859,215
Cost of goods sold	<u>10,192,864</u>	<u>8,881,380</u>
Gross margin	3,113,056	3,977,835
 Selling, general and administrative expenses	 4,612,761	 3,788,997
Impairment of goodwill and intangible assets	<u>1,698,952</u>	<u>-</u>
Total operating expenses	6,311,713	3,788,997
 Operating (loss) income	 (3,198,657)	 188,838
Other income (expense):		
Other leasing income	10,879	-
Interest expense, net	<u>(66,420)</u>	<u>(25,478)</u>
Total other income (expense)	(55,541)	(25,478)
 Net (loss) income before taxes	 (3,254,198)	 163,360
 Income tax expense	 <u>-</u>	 <u>-</u>
Net (loss) income	<u>\$ (3,254,198)</u>	<u>\$ 163,360</u>
 Net (loss) income per share - basic	 <u>\$ (0.09)</u>	 <u>\$ 0.005</u>
 Net (loss) income per share - diluted	 <u>\$ (0.09)</u>	 <u>\$ 0.005</u>
 Weighted average shares outstanding - basic	 <u>34,626,275</u>	 <u>33,947,817</u>
 Weighted average shares outstanding - diluted	 <u>34,626,275</u>	 <u>33,947,817</u>

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

	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Cash flows from operating activities:		
Net (loss) income	\$ (3,254,198)	\$ 163,360
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Impairment of goodwill and intangible assets	1,698,952	-
Depreciation and amortization	324,565	305,205
Amortization of right-of-use asset	49,949	42,619
Amortization of prepaid loan fees	3,123	-
Stock based compensation	66,041	100,144
Provision for doubtful accounts	223,335	(830)
Changes in assets and liabilities:		
Accounts receivable, net	1,226,457	(223,433)
Inventory and other current assets, net	(650,741)	156,123
Accounts payable and accrued liabilities	(177,379)	(1,508,855)
Deferred revenue	(141,320)	(281,920)
Contingent liabilities	(12,000)	(25,307)
Operating lease liability	(49,949)	(42,619)
Net cash used in operating activities	<u>(693,165)</u>	<u>(1,315,513)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(285,599)	(2,705)
Net cash used in investing activities	<u>(285,599)</u>	<u>(2,705)</u>
Cash flows from financing activities:		
Proceeds from note payable	150,786	-
Proceeds from line of credit	2,000,000	-
Principal payments on debt	(57,775)	(294,734)
Principal payments financing leases	(8,754)	(6,066)
Net cash provided by (used in) financing activities	<u>2,084,257</u>	<u>(300,800)</u>
Increase (Decrease) in cash and cash equivalents	1,105,493	(1,619,018)
Cash and cash equivalents at beginning of period	<u>3,966,050</u>	<u>4,759,817</u>
Cash and cash equivalents at end of period	<u><u>\$ 5,071,543</u></u>	<u><u>\$ 3,140,799</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	<u><u>\$ 59,373</u></u>	<u><u>\$ 27,693</u></u>
Taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Non-cash investing and financing activities:		
Issuance of 131,136 shares of common stock previously accrued	<u><u>\$ -</u></u>	<u><u>\$ 93,666</u></u>
Right to use assets and liabilities - operating, upon adoption of ASU 2016-02	<u><u>\$ -</u></u>	<u><u>\$ 388,581</u></u>

Increase in right of use assets & liabilities	\$ 214,930	\$ -
Investment in food related company	\$ 15,000	\$ 15,500
Capital lease for purchase of fixed assets	\$ 152,548	\$ -

	Three Months Ended (unaudited)	
	March 31, 2020	March 31, 2019
Adjusted Net Income and EPS ⁽⁴⁾		
Revenue	\$ 13,305,920	\$ 12,859,215
Net Income	(3,254,198)	163,360
Amortization of intangible assets ⁽¹⁾	210,032	229,130
One-time charges	1,917,891	-
Stock related expenses ⁽²⁾	66,041	100,144
Adjusted Net Income	\$ (1,060,234)	\$ 492,634
Weighted Avg. Shares Outstanding Diluted ⁽³⁾	34,626,275	33,947,817
Adjusted Fully Diluted EPS	\$ (0.031)	\$ 0.015

	Three Months Ended (unaudited)	
	March 31, 2020	March 31, 2019
Cash EBITDA ⁽⁴⁾		
Net Income	\$ (3,254,198)	\$ 163,360
Interest expense, taxes & Other Income	55,541	25,478
Depreciation & amortization	324,565	305,205
One-time charges	1,917,891	-
Stock related expenses ⁽²⁾	66,041	100,144
Cash EBITDA	\$ (890,160)	\$ 594,187

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. 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.

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