Innovative Food Holdings, Inc. Reports Financial Results for First Quarter 2024

May 14, 2024

Key first quarter data points:

- *Revenue of $15.7 million, -5.7% vs. Q1 2023*
- *Specialty Foodservice revenue +1.4% vs. Q1 2023, accelerating from -13.6% trend in Q4*
- *Gross margin improved by 174 basis points to 24.4% vs. Q1 2023*
- *GAAP net income from continuing operations of $1.4 million, compared to a Q1 2023 loss of ($2.8 million)*
- *GAAP net income from continuing operations per fully diluted share of $0.028 vs. Q1 2023 of ($0.060)*
- *Adjusted net income from continuing operations of $155K, compared to Q1 2023 of ($509K) – an improvement of $665K, and the first profitable Q1 on an adjusted basis in five years*
- *Adjusted net income per fully diluted share of $0.003, compared to an adjusted net loss per fully diluted share in Q1 2023 of ($0.011)*
- *Adjusted EBITDA of $481K, compared to ($202K) in Q1 2023, an improvement of $683K*
- *Sale of Bonita Springs building netted the company $1.9 million in cash*

BONITA SPRINGS, Fla., May 14, 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 first quarter of 2024.

Bill Bennett, Chief Executive Officer of IVFH, remarked, “In Q1 2024, we delivered strong, accelerating results across all key metrics. While our overall revenue declined 5.7%, the declines were driven by our intentional ramp down of our direct-to-consumer e-commerce business. Importantly, our Specialty Foodservice revenue grew 1.4%, returning to growth for the first time since Q1 of last year, earlier than originally anticipated. We also continued to grow gross margins (GAAP) by 174 basis points, and reduced SG&A by more than $400K compared to last year. GAAP Net Income showed an improvement of $4.2 million vs. Q1 2023, benefiting from a gain from the sale of our Florida building this year, and lapping significant separation costs from Q1 2023. However, our strong operating performance led to a significant acceleration of more than $650K in both adjusted net income and adjusted EBITDA, reaching $155K and $481K respectively. With Q1 historically being a loss-driving quarter for the company over the last five years, this is a strong reversal of that trend. It is exciting that we have clearly started to show the underlying earnings power of the organization.”

Mr. Bennett added, “What’s most exciting is that now that we’ve demonstrated we have a profitable business model, we’re really just getting started on driving growth. As announced last month, we recently signed a contract with a new customer, Cheney Brothers. This is our first new customer in the drop ship business in over five years. We are also continuing to make progress in building relationships with other new large customers. We hope these new relationships will contribute to revenue growth in the back half of the year. We also continue to develop our sourcing efforts. Since we kicked off this initiative last fall, we have inserted more than 40 new vendors into our setup process, with approximately 500 new items in the pipeline, focused on fresh seafood, meat, and produce. Fresh items drive repeat and loyalty, and we are aggressively strengthening our offering in this arena.”

“During the past twelve months as my tenure as CEO has progressed, my 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 believe in our ability to adapt, innovate, and capitalize on opportunities that will hopefully drive long-term shareholder value,” concluded Mr. Bennett.

Financial Results
Revenues in the first quarter of 2024 decreased 5.7% to $15.7 million, impacted by a 41.7% decrease in eCommerce revenue as the Company continued to ramp down the direct-to-consumer side of the business. First quarter 2024 Specialty Foodservice revenue grew 1.4% as the Company returned to growth with key customers and began expanding its assortment.

The following table sets forth IVFH’s revenue by business category for the quarter ended March 31, 2024, and March 31, 2023 (unaudited):

	Year Ended				
	March 31, 2024	**% of Net Sales**	**March 31, 2023**	**% of Net Sales**	**% Change**
Specialty Foodservice	13,993,565	89.0%	13,804,785	82.8%	1.4%
E-Commerce	1,528,337	9.7%	2,621,405	15.7%	-41.7%
Logistics	208,211	1.3%	248,569	1.5%	-16.2%
Total IVFH	15,730,113	100%	16,674,759	100%	-5.7%

During the first quarter of 2024, the company drove an increase in its gross margin as a percentage of sales, rising to 24.4% from 22.6% in the same period the previous year. This upward trend can be attributed to two main strategic decisions: first, the company's ongoing efforts to manage prices in the specialty foodservice business; second, the decision to cease using a higher-cost shipping provider. These factors were instrumental in driving this positive change.

Selling, general, and administrative ("SG&A") expenses were $4.0 million, compared to $4.4 million last year. The $0.4 million decrease was primarily due to a decrease in legal and professional fees of $0.2 million, a decrease in advertising of $0.2 million, and a decrease in payroll and related costs of $0.1 million. These decreases were partially offset by an increase in real estate commissions of $0.1 million related to the sale of the Bonita Springs, FL facility. SG&A expenses as a percentage of sales decreased from 26.7% of sales during the three months ended March 31, 2023 to 25.5% of sales during the current quarter.

The Company recorded GAAP net income from continuing operations for the 2024 first quarter of $1.4 million, compared to a loss of ($2.8 million) in the prior year.

Adjusted Net Income, a non-GAAP metric (see tables below), for the 2024 first quarter was $155K, or $0.003 per fully diluted share, compared to a loss of ($509K), or ($0.011) per fully diluted share, 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 2024 and 2023.

Adjusted EBITDA, a non-GAAP metric (see tables below), for the 2024 first quarter was $481K compared to ($202K) in the prior year.

Adjusted Free Cash Flow, a non-GAAP metric (see tables below), for the 2024 first quarter was $264K compared to a decrease of ($382K), in the prior year.

Conference Call

The Company's management will be holding an investor call on May 14, 2024 at 4:30 pm Eastern Time to discuss the Company's first fiscal quarter results for the quarter ended March 31, 2024. At the end of the meeting, the Company will host a question-and-answer session with investors. All interested participants may attend the call on the web or by phone. The Company encourages those who wish to ask questions to join the call virtually through Zoom, rather than on the phone, as Zoom's "raise hand" feature makes it easier for management to identify questioners. Details for the meeting are as follows:

Join Zoom Meeting
https://us02web.zoom.us/j/87350377816?pwd=Y0FzMmk2Y0p5ZzdFaVNoVEVab1grZz09

Meeting ID: 873 5037 7816
Passcode: 218396
One tap mobile: +16694449171,,87350377816# US

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

	March 31, 2024	December 31, 2023
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,272,243	$ 5,327,016
Accounts receivable, net	4,109,274	4,307,726
Inventory	2,840,682	2,973,134
Other current assets	348,926	287,528
Assets held for sale	5,941,933	649,884
Current assets - discontinued operations	20,649	95,861
Total current assets	17,533,707	13,641,149
Property and equipment, net	974,143	7,000,015

Right of use assets, operating leases, net	24,344	28,519
Right of use assets, finance leases, net	411,488	436,403
Tradenames and other unamortizable intangible assets	217,000	217,000
Total assets	$ 19,160,682	$ 21,323,086
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,111,671	6,252,951
Accrued separation costs, related parties, current portion	418,635	463,911
Accrued interest	93,829	95,942
Deferred revenue	1,227,936	1,312,837
Stock appreciation rights liability	373,918	255,020
Notes payable - current portion	100,237	121,041
Lease liability - operating leases, current	17,422	17,131
Lease liability - finance leases, current	136,096	115,738
Current liabilities - discontinued operations	2,522	6,422
Total current liabilities	5,482,266	8,640,993
Note payable, net of discount	8,501,474	8,855,000
Accrued separation costs, related parties, non-current	707,692	791,025
Lease liability - operating leases, non-current	6,922	11,388
Lease liability - finance leases, non-current	148,931	219,266
Total liabilities	14,847,285	18,517,672
Commitments & Contingencies (see note 18)		
Stockholders' equity		
Common stock: $0.0001 par value; 500,000,000 shares authorized; 52,516,974 and 52,538,100 shares issued, and 49,693,803 and 49,714,929 shares outstanding at March 31, 2024 and December 31, 2023, respectively	5,249	5,251
Additional paid-in capital	42,844,922	42,762,811
Treasury stock: 2,623,171 shares outstanding at March 31, 2024 and December 31, 2023	(1,141,370)	(1,141,370)
Accumulated deficit	(37,395,404)	(38,821,278)
Total stockholders' equity	4,313,397	2,805,414
Total liabilities and stockholders' equity	$ 19,160,682	$ 21,323,086

Innovative Food Holdings, Inc.
Consolidated Statements of Operations

	For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
	(unaudited)	(unaudited)
Revenue	15,730,113	16,674,759
Cost of goods sold	11,895,799	12,900,609
Gross margin	3,834,314	3,774,150
Selling, general and administrative expenses	4,013,427	4,444,394
Separation costs - executive officers	-	1,945,650
Total operating expenses	4,013,427	6,390,044
Operating (loss)	(179,113)	(2,615,894)
Other income (expense):		
Interest expense, net	(215,450)	(172,721)
Gain on sale of assets	1,807,516	-
Gain on sale of subsidiary	21,126	-
Other leasing income	1,900	1,900
Total other income (expense)	1,615,092	(170,821)
Net income (loss) before taxes	1,435,979	(2,786,715)
Income tax expense	-	-

Net income (loss) from continuing operations	$ 1,435,979	$ (2,786,715)
Net (loss) from discontinued operations	$ (10,105)	$ (42,051)
Consolidated net income (loss)	$ 1,425,874	$ (2,828,766)
Net income (loss) per share from continuing operations - basic	$ 0.029	$ (0.06)
Net income (loss) per share from continuing operations - diluted	$ 0.028	$ (0.06)
Net income (loss) per share from discontinued operations - basic	$ (0.00)	$ (0.00)
Net income (loss) per share from discontinued operations - diluted	$ (0.00)	$ (0.00)
Weighted average shares outstanding – basic	49,707,036	48,462,234
Weighted average shares outstanding – diluted	50,603,891	48,462,234

Innovative Food Holdings, Inc.
Consolidated Statements of Cash Flows

	For the Three Months Ended March 31, 2024 (unaudited)	For the Three Months Ended March 31, 2023 (unaudited)
Cash flows from operating activities:		
Net income (loss)	$ 1,425,874	$ (2,828,766)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Gain on disposition of asset	(1,807,516)	-
Gain on sale of subsidiary	(21,126)	-
Depreciation and amortization	110,260	145,387
Amortization of right of use asset	4,175	16,314
Amortization of discount on notes payable	1,283	-
Stock based compensation	103,235	178,048
Loss on value of stock appreciation rights	118,898	-
Provision for doubtful accounts	22,882	4,666
Changes in assets and liabilities:		
Accounts receivable, net	175,436	135,020
Inventory and other current assets, net	71,054	(51,038)
Accounts payable and accrued liabilities	(3,144,335)	(2,056,459)
Accrued separation costs - related parties	(128,610)	1,600,795
Deferred revenue	(84,548)	(319,365)
Operating lease liability	(4,175)	(16,314)
Net cash used in operating activities	(3,157,213)	(3,191,712)
Cash flows from investing activities:		
Acquisition of property and equipment	(1,406)	(7,995)
Cash received from disposition of asset, net of loan payoff	2,101,185	-
Net cash from (used in) investing activities	2,099,779	(7,995)
Cash flows from financing activities:		
Principal payments on debt	(22,708)	(2,757)
Principal payments financing leases	(49,977)	(46,807)
Net cash (used in) financing activities	(72,685)	(49,564)
Decrease in cash and cash equivalents	(1,130,119)	(3,249,271)
Cash and cash equivalents at beginning of period	5,422,335	4,899,398
Cash and cash equivalents at end of period - continuing operations	$ 4,272,243	$ 1,435,561

Cash and cash equivalents at end of period - discontinued operations	$ 19,973	$ 214,566
Cash and cash equivalents at end of period	$ 4,292,216	$ 1,650,127
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 228,970	$ 174,410
Taxes	$ -	$ -
Non-cash investing and financing activities:		
None.		
Reclassify fixed assets as held for sale	$ 5,941,933	$ -
Principal and accrued interest paid from escrow to Maple Mark Bank	$ 353,815	$ -

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

	Q1 2024	Q1 2023
Net Income (Loss) From Continuing Operations (GAAP)	**$ 1,435,979**	**$ (2,786,713)**
Depreciation & Amortization (1)	$ 110,260	$ 145,387
Interest expense – net	$ 215,450	$ 172,721
EBITDA (Non-GAAP) (2)	**$ 1,761,689**	**$ (2,468,605)**
Adjustments:		
Separation Costs	$ 68,791	$ 1,952,060
Unaccrued 2022 Leadership Bonus Expensed & Paid in 2023	$ -	$ 25,000
Other Restructuring Costs	$ 48,200	$ 87,725
Stock Compensation Expense (3)	$ 222,133	$ 178,033
Legal Fees - JIT Lawsuit	$ 24,515	$ 24,192
Gain on Sale of Subsidiaries	$ (21,126)	$ -
Other Legal	$ 37,159	$ -
Commission on Sale of Asset	$ 147,300	$ -
Gain on sale of assets	$ (1,807,516)	$ -
Adjusted EBITDA (Non-GAAP) (4)	**$ 481,147**	**$ (201,594)**
Adjustments:		
Depreciation	$ (110,260)	$ (135,055)
Interest expense - net	$ (215,450)	$ (172,721)
Adjusted Net Income (Non-GAAP) (5)	**$ 155,435**	**$ (509,370)**
Adjusted Diluted EPS (Non-GAAP)	**$ 0.003**	**$ (0.011)**
Weighted-average diluted shares outstanding (6)	**49,707,036**	**48,462,234**

	Q1 2024	Q1 2023
Revenue (GAAP)	**$ 15,730,113**	**$ 16,674,759**
Gross profit (GAAP)	**$ 3,834,314**	**$ 3,774,150**
Adjusted Gross profit margin % (Non-GAAP)	**24.38%**	**22.63%**

	Q1 2024	Q1 2023
Adjusted EBITDA (Non-GAAP) (4)	**$ 481,147**	**$ (201,594)**
Interest Expense -net	$ (215,450)	$ (172,721)
Maintenance Capital Expenditures (8)	$ (1,406)	$ (7,995)
Adjusted Free Cash Flow (Non-GAAP) (9)	**$ 264,291**	**$ (382,310)**

(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 2024 and 2023

(6) GAAP weighted average shares outstanding.

(7) Adjusted Free Cash Flow is defined as Adjusted EBITDA minus interest expense, minus income tax expense, minus 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 is utilized as a source of maintaining our business and for growth. 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.

(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.