



HF Foods Reports Third Quarter 2022 Financial Results

November 10, 2022

Net Revenue up 40% to \$300.7 million

LAS VEGAS, Nov. 10, 2022 (GLOBE NEWSWIRE) — HF Foods Group Inc. (NASDAQ: HFFG), a leading food distributor to Asian restaurants across the United States (“HF Foods”, “HF Group” or the “Company”), reported third quarter unaudited financial results for the quarter ended September 30, 2022.

The Company is unable to file its unaudited financial results on Form 10-Q due to its ongoing review of complex technical and accounting issues relating to the independent investigation by the Special Investigation Committee of the Company’s Board of Directors, regarding a previously disclosed SEC subpoena and investigation. As previously reported, the Company’s Form 10-K for the year ended December 31, 2021, Form 10-Q for the quarter ended March 31, 2022, and Form 10-Q for the quarter ended June 30, 2022 had been delayed as a result of an ongoing review of accounting issues relating to the Company’s business combination with B&R Global Holdings, Inc. on November 4, 2019 (the “B&R Merger”) in response to an SEC comment letter. After the Company engaged in correspondence and discussions with the Staff of the SEC (the “SEC Staff”) regarding the accounting issues surrounding the B&R Merger, on September 12, 2022 the SEC Staff informed the Company by written notice that the SEC Staff had completed their review of the Company’s past periodic reports. The Company and its external consultant, under the oversight of the Audit Committee of the Company’s Board of Directors, are working to file the outstanding periodic reports on Forms 10-K and 10-Q, and will file its Form 10-Q for the Quarter ended September 30, 2022 as promptly as possible after outstanding periodic reports for such prior periods have been filed. Accordingly, the Company’s financial results are not yet available. This press release contains certain unaudited financial information relating to financial results for the third quarter ended September 30, 2022, and such information could potentially change depending on the outcome of the Company’s ongoing accounting review.

Third Quarter 2022 Financial Summary

- Net revenue increased 40% to \$300.7 million compared to \$215.5 million in 2021.
- Gross profit was \$52.1 million, or 17.3% of total revenue compared to \$41.9 million, or 19.4% of total revenue in 2021.

Management Commentary

“HF Foods delivered another strong top line result in the third quarter of 2022,” said Peter Zhang, CEO of HF Foods. “Revenue increased by 40% year-over-year, driven by both acquisition and organic growth, with customer demand at restaurants fully recovered to pre-pandemic levels. We were largely able to price through inflationary pressures and are well positioned for continued, profitable growth.”

“I am very pleased with the progress made to strengthen our leadership team, with a number of valuable additions made in the quarter. The team has also made significant progress in discussions with the SEC, NASDAQ and our independent auditors and I am hopeful that we will be able to reach agreement to resolve all outstanding items. Looking ahead, we will continue to strengthen our leadership team and deliver long-term shareholder value through organic growth and acquisitions.”

Third Quarter 2022 Results

Net revenue was \$300.7 million for the third quarter of 2022 compared to \$215.5 million in the third quarter of 2021, an increase of \$85.2 million, or 40%. This increase was primarily attributable to the additional revenue generated due to recent acquisitions and overall product cost inflation. Recent acquisitions, which shifted our product mix to higher seafood sales compared to the same period in 2021, contributed \$70.7 million and organic growth contributed the remaining \$14.5 million.

Gross profit was \$52.1 million for the third quarter of 2022 compared to \$41.9 million in the third quarter of 2021, an increase of \$10.2 million, or 24%. The increase was mainly due to net revenue growth and recent acquisitions, which contributed \$11.1 million of gross profit for the third quarter of 2022. Overall gross profit margin decreased from 19.4% for the third quarter of 2021 to 17.3% for the third quarter of 2022, mainly due to the expected lower gross profit margin on seafood sales from recent acquisitions.

About HF Foods Group Inc.

HF Foods Group Inc., headquartered in Las Vegas, Nevada, is a leading marketer and distributor of fresh produce, frozen and dry food, and non-food products to primarily Asian/Chinese restaurants and other foodservice customers throughout the United States. With 18 distribution centers strategically located throughout the nation, HF Foods aims to supply the increasing demand for Asian American restaurant cuisine. With an in-house proprietary ordering and inventory control network, more than 15,000 established customers in 46 states, and strong relations with growers and suppliers of food products in the US, South America and China, HF Foods Group is able to offer fresh, high-quality specialty restaurant foods and supplies at economical prices to its large and growing base of customers. For more information, please visit www.wordpress-839355-3377400.cloudwaysapps.com.

Forward-Looking Statements

All statements in this news release other than statements of historical facts are forward-looking statements which contain our current expectations about our future results. We have attempted to identify any forward-looking statements by using words such as “anticipates,” “believes,” “could,” “continue,” “estimates,” “expects,” “intends,” “may,” “should” and other similar expressions. Although we believe that the expectations reflected in all of our forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Such statements are not guarantees of future performance or events and are subject to known and unknown risks and uncertainties that could cause HF Group’s actual results, events or financial positions to differ materially from those included within or implied by such forward-looking statements. Such factors include, but are

not limited to, the effects of the COVID-19 pandemic or other pandemics, low margins in the foodservice distribution industry and periods of significant or prolonged inflation, qualified labor shortages, unfavorable macroeconomic conditions in the United States, competition in the food service distribution industry, particularly the entry of new competitors into the Chinese/Asian restaurant market niche, increases in fuel costs or commodity prices, disruption of relationships with vendors and increases in product prices, U.S. government tariffs on products imported into the United States, particularly from China, changes in consumer eating and dining out habits, related party transactions and possible conflicts of interests, related parties and variable interest entities consolidation, disruption of relationships with or loss of customers, our ability to execute our acquisition strategy, availability of financing to execute our acquisition strategy, failure to retain our senior management and other key personnel, our ability to attract, train and retain employees, changes in and enforcement of immigration laws, failure to comply with various federal, state and local rules and regulations regarding food safety, sanitation, transportation, minimum wage, overtime and other health and safety laws, product recalls, voluntary recalls or withdrawals if any of the products we distribute are alleged to have caused illness, been mislabeled, misbranded or adulterated or to otherwise have violated applicable government regulations, severe weather, natural disasters and adverse climate change, unfavorable geopolitical conditions, failure to protect our intellectual property rights, any cyber security incident, other technology disruption, or delay in implementing our information technology systems, statements of assumption underlying any of the foregoing, and other factors disclosed under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020 and other filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. Except as required by law, we undertake no obligation to disclose any revision to these forward-looking statements.

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