



HF Foods Reports Second Quarter 2022 Financial Results

August 10, 2022

LAS VEGAS, Aug. 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 second quarter unaudited financial results for the quarter ended June 30, 2022.

The Company is unable to file its unaudited financial results on Form 10-Q due to unresolved comments contained in a Securities & Exchange Commission (“SEC”) comment letter relating to the Company’s merger with B&R Global which was consummated on November 4, 2019. The Company intends to file the Form 10-Q as promptly as possible. Accordingly, the Company’s financial results are not yet available. This press release contains certain unaudited financial information relating to second quarter financial results for the quarter ended June 30, 2022, and such information could potentially change depending on the outcome of the SEC comment letter.

Second Quarter 2022 Financial Summary

- Net revenue increased 55% to \$299.6 million compared to \$193.5 million in 2021.
- Gross profit was \$52.0 million, or 17.4% of total revenue compared to \$35.1 million, or 18.2% of total revenue in 2021.

Management Commentary

“HF Foods delivered solid second quarter results with 55% year-over-year increase in revenues, as overall business at restaurants has significantly recovered to pre-pandemic levels,” said Peter Zhang, CEO of HF Foods. “Our recent acquisitions of Great Wall Group and Sealand Food take our extensive distribution network to 46 states, covering well over 90% of the continental United States.”

“I am happy with the significant progress we have made with our leadership team this quarter, with appointments of our new COO, Felix Lin, and, most recently, our CFO, Carlos Rodriguez. Both Felix and Carlos bring valuable experience to the Company and I am excited to have them on my team. Looking ahead, we will continue to strengthen our leadership team and deliver long-term shareholder value through organic growth and acquisitions.”

Second Quarter 2022 Results

Net revenue was \$299.6 million for the second quarter of 2022 compared to \$193.5 million in the second quarter of 2021, an increase of \$106.1 million, or 54.8%. This increase was primarily attributable to the strong recovery of restaurant demand from the COVID-19 pandemic as well as 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 \$65.8 million and organic growth contributed the remaining \$40.3 million.

Gross profit was \$52.0 million for the second quarter of 2022 compared to \$35.1 million in the second quarter of 2021, an increase of \$16.9 million, or 48%. The increase was mainly due to net revenue growth and recent acquisitions, which contributed \$9.0 million of gross profit for the second quarter of 2022. Overall gross profit margin decreased from 18.2% for the second quarter of 2021 to 17.4% for the second quarter of 2022, mainly due to the expected lower gross profit margin on Seafood sales from recent acquisitions. This was partially offset by increased gross profit margin due to organic growth.

First Half 2022 Results

Net revenue was \$577.9 million for the first half of 2022 compared to \$352.9 million in the first half of 2021, an increase of \$225.0 million, or 63.7%. This increase was primarily due to the easing of COVID-19-related restrictions in 2022 that resulted in more dine-in business for our customers and an increase in overall foot traffic to restaurants as well as the additional revenue generated due to recent acquisitions and overall product cost inflation. Organic growth contributed \$111.3 million and recent acquisitions, which shifted our product mix to higher Seafood sales compared to the same period in 2021, contributed the remaining \$113.7 million.

Gross profit was \$102.8 million for the first half of 2022 compared to \$64.6 million in the first half of 2021, an increase of \$38.2 million, or 59.2%. The increase was mainly due to strong revenue growth and recent acquisitions, which contributed \$14.7 million of gross profit for the first half of 2022. Overall gross margin slightly decreased from 18.3% to 17.8%, mainly due to lower gross profit margin from recent acquisitions due to the expected lower margin on our increased Seafood sales, partially offset by increased gross margin due to organic growth.

Liquidity

As of June 30, 2022, we had cash of approximately \$18.8 million and access to approximately \$40.0 million in additional funds through our \$100.0 million line of credit, subject to a borrowing base calculation.

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, the outcome of the SEC comment letter, 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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