



## iFresh, Inc. Reports Second Quarter 2019 Financial Results

November 14, 2018

NEW YORK, Nov. 14, 2018 (GLOBE NEWSWIRE) -- iFresh, Inc. ("iFresh" or "the Company") (NASDAQ:IFMK), a leading Asian American grocery supermarket chain and online grocer, today announced its financial results for its second quarter ended September 30, 2018.

Mr. Long Deng, Chief Executive Officer and Chairman of iFresh, Inc., commented, "We are pleased to announce our results for the quarter ended September 30, 2018. During this quarter, we have been working diligently to continue building out three new store locations that have not yet opened. Our new stores will be located in Long Island, New York; North Miami, Florida; and Milford, Connecticut. We anticipate that completing these stores will allow us to increase our revenues, expand our geographic footprint, and enhance our purchasing power. We are also renovating our stores in Quincy and Boston, Massachusetts to improve our customers' shopping experience."

Mr. Deng continued, "We look forward to the coming quarters as we work with our partners to build on our improvements in mobile payment systems and other initiatives to bring the latest technology to the iFresh experience. We also anticipate building on our strong fresh seafood and produce offerings by beginning to offer new onsite fresh food preparation services in our supermarkets. We believe these improvements to our stores, along with the strategic sale or closure of underperforming stores, will both improve our financial results and enhance our customer experience."

### Second Quarter of Fiscal 2019 Financial Highlights

- Net sales decreased by 9.2% to \$30.28 million
- Gross profit decreased by 24.4% to \$5.08 million
- Net loss was \$4.17 million
- Adjusted EBITDA was a loss of \$3.18 million or (10.5%) of sales
- Basic and diluted net loss per share was \$0.28, compared to \$0.005 for the second quarter of fiscal 2018

### Second Quarter of Fiscal 2019 Operational Highlights

- UnionPay now accepted at iFresh Stores for mobile payments.
- Distribution Agreement with Hainan Chunguang Foodstuff Co., Ltd. ("Chunguang") to distribute Chunguang products in the eastern United States.
- Exclusive Distribution Agreement with Xiamen Yidong Intelligent Technology Co., Ltd ("Xiamen Yidong") to sell Xiamen Yidong's smart retail products in North America, South America, and Central America.

### Subsequent Events

- In October 2018, after the most recent reporting quarter, the Company entered into a securities purchase agreement with certain institutional investors pursuant to which the Company sold an aggregate of 1,275,000 shares of common stock in a registered direct offering and warrants to purchase up to approximately 1,170,000 shares of the Company's Common Stock in a concurrent private placement, for gross proceeds of approximately \$2.55 million.

### Second Quarter of Fiscal 2019 Financial Results

#### Net sales

Net sales for the three months ended September 30, 2018 decreased by \$3.06 million, or 9.2%, to \$30.28 million from \$33.34 million for the same period last year. The decrease in net sales was mainly due to the decrease in sales from both retail and wholesale segment.

	For the Three Months Ended September 30					
	2018			2017		
(\$ millions)	Revenue	Cost of Sales	Gross Margin	Revenue	Cost of Sales	Gross Margin
Retail segment	25.86	21.70	16.1%	26.75	21.62	19.2%
Wholesale segment	4.43	3.51	20.8%	6.59	5.00	24.1%
<b>Total</b>	<b>30.28</b>	<b>25.21</b>	<b>16.8%</b>	<b>33.34</b>	<b>26.62</b>	<b>20.2%</b>

Net sales from the retail segment decreased by \$0.89 million, or 3.4%, to \$25.86 million for the three months ended September 30, 2018 from \$26.75 million for the same period last year. The decrease resulted mainly from our Quincy and Boston, Massachusetts stores, which have been engaged in ongoing lease improvements and are also facing more competition in their local markets. The Company believes this decline in sales is temporary.

Net sales from the wholesale segment decreased by \$2.16 million, or 32.8%, to \$4.43 million for the three months ended September 30, 2018 from \$6.59 million for the same period last year. The decrease was attributable in part to decreases in sales to related parties, because our affiliate companies purchased an increased amount of fruits and vegetables from local farmers to supply more fresh goods to their customers.

### *Gross profit and gross margin*

Total cost of sales decreased by \$1.41 million, or 5.3%, to \$25.21 million for the three months ended September 30, 2018 from \$26.62 million for the same period last year. Gross profit decreased by \$1.64 million, or 24.4%, to \$5.08 million for three months ended September 30, 2018 from \$6.72 million for the same period last year. Overall gross margin decreased by 3.4 percentage points to 16.8% for the three months ended September 30, 2018, compared to 20.2% for the same period last year.

For the retail segment, the total cost of sales decreased by \$0.03 million, or 0.2%, to \$19.69 million for the three months ended September 30, 2018 from \$19.72 million for the same period last year. This change was in line with the decrease in sales for the three months ended September 30, 2018. Occupancy costs consist of store-level expenses such as rental expenses, property taxes, and other store specific costs. Occupancy costs increased by \$0.12 million, or 6.2%, to \$2.01 million for the three months ended September 30, 2018 from \$1.89 million for the same period last year. The increase was mainly attributable to increased taxes and store specific costs and the rent for the iFresh E. Colonial, Inc. store. Gross margin decreased by 3.1 percentage points to 16.1% for the for the three months ended September 30, 2018 from 19.2% for the same period last year.

For the wholesale segment, the cost of sales decreased by \$1.49 million, or 29.9%, to \$3.51 million for the three months ended September 30, 2018 from \$5.00 million for the same period last year. The decrease in cost of sales was on par with the decrease in sales. Gross margin decreased by 3.3 percentage points to 20.8% for the three months ended September 30, 2018 from 24.1% for the same period last year.

### *Loss from operations*

Selling, general, and administrative increased by \$1.53 million, or 20.2%, to \$9.10 million for the three months ended September 30, 2018 from \$7.57 million for the same period last year. The increase in selling, general, and administrative expenses was mainly attributable to \$0.7 million of litigation loss we accrued in this quarter and \$0.7 million in stock-based compensation for stock issued to employees.

Loss from operations was \$4.03 million for the three months ended September 30, 2018, compared to \$0.85 million for the same period last year.

### *Net loss*

The Company incurred a net loss of \$4.17 million for the three months ended September 30, 2018, compared to \$0.07 million for the same period last year. Basic and diluted net loss per share was \$0.28 for the three months ended September 30, 2018, compared to \$0.005 for the same period last year.

### *EBITDA*

Adjusted EBITDA was a loss of \$3.18 million for the three months ended September 30, 2018, compared to EBITDA income of \$ 0.72 million for the same period last year.

### **Non-GAAP Financial Measures**

In addition to the Company's U.S. GAAP results, this press release includes a discussion of EBITDA, a non-GAAP financial measure. The Company's management defines Adjusted EBITDA as earnings before interest expense, income taxes, depreciation, and amortization expense, store opening costs, and non-recurring expenses. All of the omitted items are either (i) non-cash items or (ii) items that we do not consider in assessing the Company's ongoing operating performance. Because Adjusted EBITDA omits non-cash items, the Company's management believes that Adjusted EBITDA is less susceptible to variances in actual performance resulting from depreciation, amortization, and other non-cash charges and more reflective of other factors that affect its operating performance. iFresh's management believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing the company's financial measures with other specialty retailers, many of which present similar non-GAAP financial measures to investors.

	<b>For the Three Months Ended September 30</b>	
<i>(\$ millions)</i>	<b>2018</b>	<b>2017</b>
Net loss	(4.17)	(0.07)
Interest expenses	0.40	0.21
Income tax provision	-	0.03
Depreciation	0.48	0.43
Amortization	0.10	0.12
Adjusted EBITDA	(3.18)	0.72

### **Six Months Ended September 30, 2018 Financial Highlights**

- Net sales decreased by 6.8% to \$61.37 million
- Gross profit decreased by 15.5% to \$11.50 million
- Net loss was \$6.04 million
- Adjusted EBITDA was a loss of \$4.00 million or (6.5%) to sales
- Basic and diluted net loss per share was \$0.42, compared to \$0.03 for the six months ended September 30, 2017

### **Six Months Ended September 30, 2018 Financial Results**

#### *Net sales*

Net sales for the six months ended September 30, 2018 decreased by \$4.50 million, or 6.8%, to \$61.37 million from \$65.87 million for the same period last year. The decrease in net sales was mainly due to the decrease in sales from both retail and wholesale segments.

(\$ millions)	For the Six Months Ended September 30 2018			2017		
	Revenue	Cost of Sales	Gross Margin	Revenue	Cost of Sales	Gross Margin
Retail segment	51.76	42.53	17.8%	53.11	42.46	20.1%
Wholesale segment	9.62	7.34	23.7%	12.76	9.80	23.2%
<b>Total</b>	<b>61.37</b>	<b>49.87</b>	<b>18.7%</b>	<b>65.87</b>	<b>52.26</b>	<b>20.7%</b>

Net sales from the retail segment decreased by \$1.36 million, or 2.6%, to \$51.76 million for the six months ended September 30, 2018 from \$53.11 million for the same period last year. The decrease resulted mainly from our Quincy and Boston, Massachusetts stores, which have been engaged in ongoing lease improvement and are also facing more competition in their local markets. The Company believes the decline in sales is temporary.

Net sales from the wholesale segment decreased by \$3.14 million, or 24.6%, to \$9.62 million for the six months ended September 30, 2018 from \$12.76 million for the same period last year. The decrease was attributable in part to decreases in sales to related parties. This summer, the Company's affiliate companies purchased fruit and vegetables from local farmers to supply more fresh goods to their customers.

#### Gross profit and gross margin

The total cost of sales decreased by \$2.39 million, or 4.6%, to \$49.87 million for the six months ended September 30, 2018 from \$52.26 million for the same period last year. Gross profit decreased by \$2.11 million, or 15.5%, to \$11.50 million for the six months ended September 30, 2018 from \$13.61 million for the same period last year. Overall gross margin decreased by 2.0 percentage points to 18.7% for the six months ended September 30, 2018, compared to 20.7% for the same period last year.

For the retail segment, total cost of sales consists of cost of sales and occupancy costs. Cost of sales increased by \$0.06 million, or 0.2%, to \$38.69 million for the six months ended September 30, 2018 from \$38.62 million for the same period last year. The increase was due to a change in the Company's purchasing policy for stores outside New York. In the summer, to provide customers with fresh fruit and vegetables, the Company's retail stores increased purchases from local farms instead of purchasing directly from the Company's wholesale subsidiaries, which increased its cost of sales. Occupancy costs consist of store-level expenses such as rental expenses, property taxes, and other store specific costs. Occupancy costs increased by \$4,882, or 0.1%, to \$3.84 million for the six months ended September 30, 2018 from \$3.84 million for the same period last year. This change is due to normal business fluctuations. Gross margin decreased by 2.3 percentage points to 17.8% for the for the six months ended September 30, 2018 from 20.1% for the same period last year.

For the wholesale segment, the cost of sales decreased by \$2.46 million, or 25.1%, to \$7.34 million for the six months ended September 30, 2018 from \$9.80 million for the same period last year. The decrease in cost of sales was consistent with the significant decrease of sales from the wholesale segment in 2017. Gross margin increased by 0.5 percentage points to 23.7% for the for the six months ended September 30, 2018 from 23.2% for the same period last year.

#### Loss from operations

Selling, general, and administrative expenses increased by \$2.08 million, or 13.8%, to \$17.18 million for the six months ended September 30, 2018 from \$15.10 million for the same period last year. The increase in selling, general, and administrative expenses was mainly attributable to the accrual of legal expenses of \$1.3 million as well as \$0.7 million of stock compensation issued to employees for compensation.

Loss from operations was \$5.68 million for the six months ended September 30, 2018, compared to \$1.49 million for the same period last year.

#### Net loss

Net loss was \$6.04 million for the six months ended September 30, 2018, compared to \$0.38 for the same period last year. Basic and diluted net loss per share was \$0.42 for the six months ended September 30, 2018, compared to \$0.03 for the same period last year.

#### EBITDA

Adjusted EBITDA was a loss of \$4.00 million for the six months ended September 30, 2018, compared to EBITDA income of \$ 0.72 million for the same period last year.

#### Non-GAAP Financial Measures

The Company's Adjusted EBITDA for the six months ended September 30, 2018 is summarized in the following chart:

(\$ millions)	For the Six Months Ended September 30	
	2018	2017
Net loss	(6.04)	(0.38)
Interest expenses	0.64	0.38
Income tax provision	0.31	(0.26)
Depreciation	0.94	0.83
Amortization	0.14	0.16
Adjusted EBITDA	(4.00)	0.72

#### Financial Condition

As of September 30, 2018, the Company had cash and cash equivalents of \$0.93 million, compared to \$0.64 million as of March 31, 2018. Net cash used in operating activities was \$5.86 million for the six months ended September 30, 2018, compared to \$3.32 million for the same period last year. Net cash provided by investing activities was \$0.37 million for the six months ended September 30, 2018, compared to net cash used in investing activities of \$0.88 million for the same period last year. Net cash provided by financing activities was \$5.78 million for the six months ended September

30, 2018, compared to \$2.68 million for the same period last year.

In October 2018, after the most recent reporting quarter, the Company entered into a securities purchase agreement with certain institutional investors pursuant to which the Company sold an aggregate of 1,275,000 shares of common stock in a registered direct offering and warrants to purchase up to approximately 1,170,000 shares of the Company's Common Stock in a concurrent private placement, for gross proceeds of approximately \$2.55 million.

#### About iFresh, Inc.

iFresh Inc. ([IFMK](#)), headquartered in Long Island City, New York, is a leading Asian American grocery supermarket chain and online grocer. With nine retail supermarkets along the U.S. eastern seaboard (with additional stores in Glen Cove, Miami, and Connecticut opening soon), and two in-house wholesale businesses strategically located in cities with a highly concentrated Asian population, iFresh aims to satisfy the increasing demands of Asian Americans (whose purchasing power has been growing rapidly) for fresh and culturally unique produce, seafood, and other groceries that are not found in mainstream supermarkets. With an in-house proprietary delivery network, online sales channel, and strong relations with farms that produce Chinese specialty vegetables and fruits, iFresh is able to offer fresh, high-quality specialty produce at competitive prices to a growing base of customers. For more information, please visit: <http://www.ifreshmarket.com/>.

#### Forward-Looking Statements

*This announcement contains forward-looking statements. Forward-looking statements provide our current expectations or forecasts of future events. Forward-looking statements include statements about our expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Words or phrases such as "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "will" or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. Examples of forward-looking statements in this announcement include, but are not limited to, statements regarding our disclosure concerning the Company's operations, cash flows, financial position and dividend policy.*

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### IFRESH INC AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	September 30, 2018	March 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 931,722	\$ 640,915
Accounts receivable, net	4,662,114	4,903,340
Inventories, net	10,919,032	10,905,484
Prepaid expenses and other current assets	2,218,595	1,925,893
Total current assets	18,731,463	18,375,632
Advances and receivables - related parties	6,719,740	10,019,688
Property and equipment, net	20,377,786	17,818,805
Intangible assets, net	1,100,003	1,166,669
Security deposits	1,233,601	1,247,106
Deferred income taxes	-	313,832
Total assets	\$ 48,162,593	\$ 48,941,732
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 13,545,161	15,561,956
Deferred revenue	587,173	326,459
Borrowings against lines of credit, current, net	22,040,298	17,044,486
Notes payable, current	113,423	135,203
Capital lease obligations, current	150,717	55,634

Accrued expenses	1,941,790	873,949
Taxes payable	-	1,606,504
Other payables, current	1,385,815	1,172,360
Total current liabilities	39,764,377	36,776,551
Notes payable, non-current	181,998	231,095
Capital lease obligations, non-current	475,354	70,724
Deferred rent	6,490,175	6,319,386
Other payables, non-current	82,200	78,500
Total liabilities	46,994,104	43,476,256
Commitments and contingencies		
Shareholders' equity		
Preferred shares, \$0.0001 par value, 1,000,000 shares authorized; none issued	-	-
Common stock, \$0.0001 par value; 100,000,000 shares authorized; 14,849,497 and 14,220,548 shares issued and outstanding as of September 30, 2018 and March 31, 2018, respectively	1,485	1,422
Additional paid-in capital	11,173,127	9,428,093
Accumulated deficit	(10,006,123 )	(3,964,039 )
Total shareholders' equity	1,168,489	5,465,476
Total liabilities and shareholders' equity	\$ 48,162,593	48,941,732

**iFRESH INC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	For the three months ended		For the six months ended	
	September 30	September 30	September 30	September 30
	2018	2017	2018	2017
Net sales	\$ 29,421,093	\$ 30,764,800	\$ 59,092,916	\$ 60,892,655
Net sales-related parties	863,710	2,575,092	2,280,028	4,975,763
Total net sales	30,284,803	33,339,892	61,372,944	65,868,418
Cost of sales	22,451,875	22,765,456	44,054,792	44,468,196
Cost of sales-related parties	744,809	1,960,566	1,973,213	3,952,496
Retail occupancy costs	2,010,412	1,893,762	3,841,486	3,836,604
Gross profit	5,077,707	6,720,108	11,503,453	13,611,122
Selling, general and administrative expenses	9,103,577	7,570,836	17,179,018	15,101,905
Loss from operations	(4,025,870 )	(850,728 )	(5,675,565 )	(1,490,783 )
Interest expense, net	(399,123 )	(208,967 )	(644,826 )	(376,637 )
Other income	259,571	1,017,510	592,140	1,219,415
Loss before income taxes	(4,165,422 )	(42,185 )	(5,728,251 )	(648,005 )
Income tax provision (benefit)	-	27,336	313,833	(263,574 )
Net Loss	\$ (4,165,422 )	\$ (69,521 )	\$ (6,042,084 )	\$ (384,431 )
Net income (loss) per share:				
Basic	\$ (0.28 )	\$ (0.005 )	\$ (0.42 )	\$ (0.03 )
Diluted	\$ (0.28 )	\$ (0.005 )	\$ (0.42 )	\$ (0.03 )
Weighted average shares outstanding:				
Basic	14,709,437	14,166,922	14,543,995	14,298,678
Diluted	14,709,437	14,166,922	14,543,995	14,298,678

**iFRESH INC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	For the six months ended	
	September 30	September 30
	2018	2017
<b>Cash flows from operating activities</b>		
Net loss	\$(6,042,084)	\$(384,431)

Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation expense	943,485	832,667
Amortization expense	135,103	157,916
Share-based compensation	744,413	136,409
Bad debt provision	233,448	-
Deferred income taxes (benefit)	313,832	(263,574)
Changes in operating assets and liabilities:		
Accounts receivable	7,778	(1,073,869)
Inventories	(13,548)	(1,525,798)
Prepaid expenses and other current assets	(292,702)	(380,241)
Security deposits	13,505	(99,015)
Accounts payable	(2,016,792)	3,312,226
Deferred revenue	260,714	(5,267)
Accrued expenses	1,067,841	72,601
Taxes payable	(1,606,504)	(262,292)
Deferred rent	170,789	469,550
Other liabilities	217,215	(4,306,609)
Net cash used in operating activities	(5,863,507)	(3,319,727)
<b>Cash flows from investing activities</b>		
Cash advanced to (received from) related parties	(1,490,431)	1,138,460
Cash received from repayment of related party receivables	4,790,380	-
Acquisition of property and equipment	(2,927,698)	(2,021,758)
Net cash provided by (used in) investing activities	372,251	(883,298)
<b>Cash flows from financing activities</b>		
Borrowings against Term loan	3,950,000	1,050,000
Borrowings against lines of credit	1,750,000	2,500,000
Repayments on term loan	(772,625)	-
Repayments on lines of credit borrowings	-	(652,199)
Repayments on notes payable	(70,877)	(187,401)
Payments on capital lease obligations	(75,056)	(33,070)
Cash received from issuance of stock	1,000,621	-
Net cash provided by financing activities	5,782,063	2,677,330
<b>Net increase (decrease) in cash and cash equivalents</b>	290,807	(1,525,695)
Cash and cash equivalents at beginning of the period	640,915	2,550,819
Cash and cash equivalents at the end of the period	\$931,722	\$1,025,124
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$620,248	\$327,900
Cash paid for income taxes	\$1,606,504	-
<b>Supplemental disclosure of non-cash investing and financing activities</b>		
Capital expenditures funded by capital lease obligations and notes payable	\$772,675	\$217,193



Source: iFresh Inc.