Organto Foods Inc.
1090 Hamilton Street
Vancouver, B.C. V6B 2R9
Canada

Phone: +1 604 634-0970
Fax: +1 604 634-0971
Toll Free: 1 888 818-1364
www.organto.com

Organto Announces Record Fiscal 2020 and Fourth Quarter Financial Results

Largest Annual and Quarterly Revenues and Gross Profit in History
Year-End Balance Sheet Strongest in Company's History

Vancouver, BC, Canada and Breda, the Netherlands, April 29, 2021 – Organto Foods Inc. (TSX-V: OGO, OTC: OGOFF, FSE: OGF) ("Organto" or "the Company"), an integrated provider of organic and value-added organic fruits and vegetables today announced financial results for the year and quarter ended December 31, 2020. All amounts are expressed in Canadian dollars and in accordance with International Financial Reporting Standards (IFRS), except where specifically noted.

Highlights:

Fiscal 2020 Operating Results:

- Record revenues of $11,448,036 versus revenues in the prior year of $3,712,167, an increase of approximately 208%. Fiscal 2020 revenues represent the largest annual revenues in the history of Organto, in-line with revenue guidance provided.
- Record gross profit of $1,072,942 or 9.4% of revenues versus $220,421 or 5.9% of revenues in the prior year, an increase of approximately 386% and the largest annual gross profit in the history of Organto.
- Cash overhead costs for the year reduced to 22.8% of revenues versus 53.0% in the prior year. These costs include approximately $311,100 related to retail branded product development and on-line digital transformation activities and acquisition related costs, all of which are not expected to generate returns until fiscal 2021 and beyond. Excluding these investments, cash overhead costs reduced to 20.0% of revenues in fiscal 2020.

Fourth Quarter Operating Results:

- Record revenues of $4,937,180 versus revenues in the prior year of $1,583,616, an increase of approximately 212% versus the same quarter in the prior year. Fourth quarter revenues represent the largest quarterly revenues in the history of Organto, in-line with revenue guidance previously provided.
- Record gross profit of $394,010 or 8.0% of revenues versus $69,627 or 4.4% of revenues in the prior year, an increase of approximately 465% versus the same quarter in the prior year, and the largest quarterly gross profit in the history of Organto.
- Cash overhead costs for the quarter reduced to 17.9% of revenues versus 35.0% in the prior year. These costs include approximately $217,500 related to retail branded product development and on-line digital transformation activities and acquisition related costs, all of which are not expected to generate returns until fiscal 2021 and beyond. Excluding these investments, cash overhead costs reduced to 13.9% of revenues in the fourth quarter.

Balance Sheet

- Year-end balance sheet the strongest in the history of Organto, providing resources for the Company to pursue its aggressive growth strategy.
    - Cash on hand of $4,133,730 versus $56,565 in the prior year.

- Working capital of $2,580,088 versus a working capital deficiency of $4,027,352 in the prior year.
- Non-current debt of $3,858,581 with no principal payments due in 2021.

“Our fourth quarter and fiscal 2020 results represent our sixth consecutive quarter of record revenues versus the same quarter in the prior year and the largest quarterly and annual revenues and gross profit in our history. With this accomplishment as a backdrop, we believe it is fair to say fiscal 2020 was a transformational year for Organto and established our Company as an exciting and fast-growing business in rapidly expanding healthy living and healthy eating categories.” commented Steve Bromley, Chair and Co-CEO of Organto. “We believe we are well positioned for exciting future growth given the continued strong demand for fresh organic fruits and vegetables which is being driven by increased consumer interest in healthy foods that are produced in a sustainable and transparent manner.”

Fiscal 2020 Results

Revenues for the year ended December 31, 2020 were $11,448,036 as compared to $3,712,167 for the prior year, an increase of more than 200%. The increase in revenues was driven by a combination of new customers, new product introductions and increased supply of core product offerings.

We realized gross profit of $1,072,942 or approximately 9.4% of revenues as compared to $220,421 or approximately 5.9% of revenues in the prior year. This is indicative of the solid progress we have made as our asset light operating model has been expanded in hand with the addition of new customers, new sources of supply and new product offerings, as well as a rationalized cost base.

Selling, general and administration expenses of $838,212 for the year were lower than the $866,349 for prior year. Reduced professional fees in the year were offset by an increase in administration and office costs to support business growth. Fiscal 2020 costs also include approximately $129,500 related to the development of our retail branded and on-line product platforms and acquisition related costs.

Management fees for the year were $636,165 versus $592,627 realized in the same period in the prior year, an increase of 7.3% versus 2019 and in-line with expectation.

Labour costs and benefits for the year were $1,137,100 versus $506,858 for the same period in the prior year, but within expectations given the increased volume of commercial activity and platform development within the organization. While higher than the previous year, labour costs have decreased over the last number of years as staffing levels were scaled back as the business was repositioned. Labour costs and benefits in 2020 have increased 7.5% versus fiscal 2017 when costs were $1,057,850, while at the same time annual revenues have increased over 1,800% from $592,354 to $11,448,036. Included in labour costs and benefits are approximately $181,600 of costs related to the development of our branded and on-line product platforms which are expected to start to generate a return commencing in 2021 and beyond.

Non-cash stock-based compensation costs were $912,532 versus $275,047 in the prior year. This increase was primarily due to non-cash share bonuses of $512,500 issued to certain executives which were accrued in 2020 and the shares will be issued in 2021, plus the impact of stock options issued during the year.

We realized a net loss of $7,054,745 for the year ended December 31, 2020 which included several one-time charges and non-cash items. Excluding these one-time charges and non-cash costs, the Company would have realized a net loss of $2,512,416. Net income in the prior year of $10,411 was due to a one-time gain of $2,557,509 we realized on the sale of our Colombian subsidiary. Excluding this gain, the Company would have realized a net loss of $2,547,098.

The net loss in 2020 included $311,100 of costs which were not directly attributable to current operations but were incurred to develop additional revenue sources in the future as well as a number of non-cash charges including:

i) a non-cash charge of $3,116,500 resulting from the settlement of our bank loan through the issuance of common shares. The loan was settled with shares as per the conversion feature in the loan, and by eliminating this loan and reducing our debt levels we were able to finance an additional US$750,000 in late 2020 using a similar conversion feature. This non-cash charge was offset by an increase in share capital.

ii) a non-cash charge of $1,096,807 from the revaluation of investment securities to estimated market value, and

iii) non-cash share bonuses of $512,500 issued to certain executives in recognition of their service as they transitioned the Company from an asset heavy, single revenue stream company with minimal revenues in 2017, to the current asset light, multi revenue stream company with over $11 million in revenue. The value of these shares was accrued in 2020 as an expense and the shares will be issued in 2021.

Fourth Quarter Results

Revenues for the three months ended December 31, 2020 were $4,937,180 as compared to $1,583,616 in the same period in the prior year, an increase of over 210%, representing a quarterly revenue record and sixth consecutive quarter of record revenue growth versus the same period in the prior year. Sales of vegetable and fruit products, including fresh organic avocado, ginger, asparagus, mango and others, continued to grow and were sold to a variety of customers throughout Europe.

We realized quarterly gross profit of $394,010 or approximately 8.0% of revenues in the fourth quarter of 2020 as compared to a gross profit of $69,627 or 4.4% of revenues during the same quarter in the prior year. The gross profit dollars for the fourth quarter of 2020 represent a quarterly record for the Company. Fourth quarter gross profit as a percentage of revenues was impacted by reduced margins on organic avocado in the first half of the quarter due to seasonal market conditions combined with increased supply chain costs, due in part to the effects of the COVID-19 pandemic.

Selling, general and administration expenses were $299,646 for the fourth quarter as compared to $263,341 in the same quarter of the prior year. Decreases in professional fees, amortization and bad debt expense versus the same quarter of 2019 were offset by incremental costs of approximately $95,400 related to the development of our retail branded and on-line product platforms and acquisition related costs.

Management fees in the current quarter were $154,095 as compared to $128,744 in the same quarter of the prior year, an increase of 19.7%, in-line with expectations.

Labour costs and benefits during the fourth quarter were $432,440 versus $161,580 in the prior year, but well within expectations given the increased volume of commercial activity. Labour costs decreased over the last two years as staffing levels were scaled back as our business was repositioned. With commercial activities now significantly ramping up, operating personnel have been added to support this growth as well as develop new products and revenue opportunities. Included in fourth quarter labour costs and benefits are approximately $122,100 of costs related to the development of our branded and on-line product platforms which are expected to start to generate a return commencing in 2021 and beyond.

Non-cash stock-based compensation costs were $685,836 versus $64,157 in the prior year. This increase was primarily due to non-cash share bonuses of $512,500 issued to certain executives which were accrued in 2020 and the shares will be issued in 2021, plus the impact of stock options issued during the year.

We realized a net loss of $5,545,356 during the fourth quarter which included several one-time charges and non-cash items as previously detailed. Excluding these one-time charges and non-cash costs, the Company would have realized a net loss in the fourth quarter of $998,292. Net income in the prior year of $480,703 was due primarily to a gain realized on the sale of our Colombian subsidiary. Excluding this gain, the Company would have realized a net loss of $944,223.

Interested parties may access the Company's filings at www.SEDAR.com or at the Company's website at www.organto.com under the Investors tab.

ON BEHALF OF THE BOARD,

Steve Bromley
Chair and Co-CEO

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

For more information contact:

Investor Relations
info@organto.com

ABOUT ORGANTO

Organto is an integrated provider of branded, private label and distributed organic and non-GMO fruit and vegetable products using a strategic asset-light business model to serve a growing socially responsible and health-conscious consumer around the globe. Organto's business model is rooted in its commitment to sustainable business practices focused on environmental responsibility and a commitment to the communities where it operates, its people and its shareholders.

FORWARD LOOKING STATEMENTS

This news release may include certain forward-looking information and statements, as defined by law including without limitation Canadian securities laws and the “safe harbor” provisions of the US Private Securities Litigation Reform Act of 1995 (“forward-looking statements”). In particular, and without limitation, this news release contains forward-looking statements respecting Organto’s business model and markets; Organto’s belief that based on progress in the business and expected future results, 2020 was a transformational year for the business and it is well positioned and an exciting sustainable growth story; Organto’s belief that demand for fresh organic fruits and vegetables continues to grow; Organto’s belief that investments in its retail branded platform, digital transformation activities plus the acquisition of Fresh Organic Choice will generate future returns; Organto’s belief that the 2020 year-end balance sheet is the strongest in the Company’s history providing resources for the Company to pursue its aggressive growth strategy; management’s beliefs, assumptions and expectations; and general business and economic conditions. Forward-looking statements are based on a number of assumptions that may prove to be incorrect, including without limitation assumptions about the following: the ability and time frame within which Organto’s business model will be implemented and product supply will be increased; cost increases; dependence on suppliers, partners and contractual counter-parties; changes in the business or prospects of Organto; unforeseen circumstances; risks associated with the organic produce business generally, including inclement weather, unfavorable growing conditions, low crop yields, variations in crop quality, spoilage, import and export laws and similar risks; transportation costs and risks; general business and economic conditions; and ongoing relations with distributors, customers, employees, suppliers, consultants, contractors and partners. The foregoing list is not exhaustive and Organto undertakes no obligation to update any of the foregoing except as required by law.