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Organto Announces Record Third Quarter Financial Results

Largest Third Quarter Revenues and Gross Profit in Company's History

Vancouver, BC, Canada and Breda, the Netherlands, November 26, 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 three- and nine-month periods ended September 30, 2021. All amounts are expressed in Canadian dollars and in accordance with International Financial Reporting Standards (IFRS), except where specifically noted.

Highlights:

Third Quarter 2021 Operating Results:

- Record third quarter revenues of $4,298,282 versus revenues of $2,737,081 in the prior year, an increase of approximately 57% versus the same quarter in the prior year. Third quarter revenues represent the largest third quarter revenues in the history of Organto and the nineth consecutive quarter of record revenue growth versus the same quarter in the prior year. Growth in the quarter versus the prior year was driven by increased volumes of avocados, ginger, herbs and asparagus sold to a variety of customers throughout Europe. These record results were achieved despite global logistics challenges caused by container and transportation availability which impacted deliveries from a number of growing regions and an unfavorable foreign exchange impact year over year.
- Record third quarter gross profit of $529,018 or 12.3% of revenues versus $285,951 or 10.4% of revenues in the prior year, an increase of approximately 85%. The gross profit in the third quarter of 2021 represents the largest third quarter gross profit in the Company's history and largest gross profit as a percentage of revenues in the history of the Company. The increase of 190 basis points versus the previous year was driven by a higher mix of value-added private label and branded products, and was achieved despite global logistics challenges which have driven inflationary cost increases.
- Cash overhead costs for the quarter were 33.6% of revenues, 23.1% of revenues on an adjusted basis, versus 22.7% in the prior year, reflecting investments in infrastructure and resources required to support current and expected growth. Costs in the quarter include expenditures of $453,810 related to retail branded product development and on-line digital transformation activities, acquisition and corporate development costs, all of which are expected to generate positive future benefits.

Balance Sheet

- Third quarter balance sheet position improved versus the prior year.
  - Cash on hand of $1,610,978 versus $884,227 at September 30, 2020.
  - Working capital of $1,005,156 versus a working capital deficiency of $1,873,998 at September 30, 2020.
  - Non-current debt of $2,956,408 with no principal payments due in 2021.

- Convertible debenture and equity financings completed subsequent to the third quarter for gross proceeds of $14,027,950, adding considerable balance sheet strength and positioning the Company to pursue its aggressive growth strategy.

"Our third quarter 2021 results represent our nineth consecutive quarter of record revenues versus the same quarter in the prior year, the largest third quarter gross profit in our history and also the largest gross profit as a percentage of revenues in our history. We are extremely pleased that our gross profit as a percentage of revenues continued to grow, driven by a shift to higher value-added products, despite global logistics challenges which have impacted product movement and contributed to higher supply chain costs." commented Steve Bromley, Chair and Co-CEO of Organto. "We continue to invest responsibly in our platform as we expand our product portfolio and branded capabilities via both internal growth and acquisitions. As we look forward, we are encouraged by the initial response to the launch of our I AM Organic brand which has been well received combined with continued worldwide demand for healthy foods that are produced in a sustainable and transparent manner. Our recently completed acquisitions will add to our portfolio and our strong balance sheet positions us to drive continued growth."

Third Quarter 2021 Results

Revenues for the three months ended September 30, 2021 were $4,298,282 as compared to $2,737,081 during the same period in the prior year, an increase of 57% and the nineth consecutive quarter of record revenue growth versus the same period in the prior year. Sales of vegetable and fruit products, including fresh organic asparagus, avocado, ginger, fresh cut herbs and others were sold to a variety of customers throughout Europe. The third quarter is traditionally a seasonally low quarter in European markets due to a combination of increased local supply of fresh fruits and vegetables and the European vacation season, which both have an impact on retail product demand. While volumes of key products continued to grow, sales were impacted in the quarter by logistics challenges caused by the COVID-19 pandemic which impacted the timing and availability of containers required to deliver products to Europe and a reduced Euro/Canadian dollar exchange rate.

We realized a quarterly gross profit of $529,018 or approximately 12.3% of revenues in the third quarter of 2021 as compared to a gross profit of $285,951 and 10.4% during the same quarter of the prior year. Gross profit was favorably impacted by a shift in our product mix to a higher percentage of value-added private label and branded products, offset by seasonal market conditions and increased global supply chain costs driven by the global shortage of shipping containers available to transport our products caused by the COVID-19 pandemic.

Selling, general and administration expenses were $558,968 or 13% of sales this quarter as compared to $163,250 or 6% of sales in the same quarter of the prior year. Included are non-recurring US listing application costs and costs associated with our acquisition program and prospectus of $54,227 and $146,815 related to the development of our retail branded and on-line product platforms.

Management fees in the current quarter were $236,040 and while higher than the $175,180 recorded in the same quarter of the prior year, they are in line with expectations. Beginning with the first quarter of 2021, remuneration began for a co-CEO who was not previously compensated for services provided.

Labour costs and benefits during the third quarter were $650,954, a significant increase versus the same quarter of the prior year but well within expectations given the increased volume of commercial activity and corporate development initiatives. Labour costs had decreased over the previous two plus years as staffing levels were scaled back while the business was repositioned. With commercial activities now growing rapidly, operating personnel have been added to support this growth, develop new products and revenue opportunities and support the organization for expected future growth. Included in third quarter labour costs and benefits are $207,553 of costs related to the development of our branded and on-line product platforms, $14,435 for severance paid to former employees and $30,780 for costs associated with our acquisition program.

As detailed above, during the third quarter we incurred costs of $354,368 related to the development of our retail branded product offering and on-line go-to-market capabilities and $99,442 of costs related to growing the organization including acquisition, listing and future financing related costs. While the benefits of these activities have yet to translate into bottom-line contribution, we believe these are prudent investments for the future of the Company.

We recognized $154,948 in stock-based compensation in the third quarter of 2021 which consists of $38,042 for restricted share units and $116,906 for stock options. Stock-based compensation in the third quarter of 2020 of $97,691 was for stock options only.

Net interest and accretion expense for the third quarter of 2021 was $176,980 as compared to $91,765 for the prior year. Interest in 2021 consists of interest on our bank loan, through July 31, 2021, and convertible debentures, plus accounts receivable factoring costs. Accretion in 2021 consists of accretion on the convertible debentures, bank loan (until July 31, 2021) and earn-out payments accrued in relation to the Fresh Organic Choice acquisition. The addition of the convertible debentures in December 2020 and January 2021, together with higher factoring costs resulting from increased commercial activity, led to the higher expense in 2021.

In the third quarter of 2021 we realized a non-cash loss of $715,384 from the settlement of our bank loan. The bank loan was guaranteed by a convertible debenture which could be issued in order to settle the principal amount borrowed. In July 2021, a convertible debenture with a face value of $963,150 was issued and immediately converted into 3,210,500 common shares to settle the bank loan. The market value of the common shares issued was $1,589,198 and the difference between the market value of the shares and the face value of the debenture, together with the balance of un-amortized loan issue costs of $89,336 was recorded as a loss on the settlement of the bank loan.

We realized a net loss of $1,948,165 during the third quarter, compared to a net loss of $509,967 during the same period in the prior year. Increased revenues and gross profit in the current year were offset by increases in all cost categories as we expanded our workforce and built out our internal infrastructure to accommodate the expected increase in our business. Third quarter 2021 results included $453,810 of costs not related to day-to-day operations including investments in retail and on-line platform development, acquisition related costs and costs incurred as part of our plans to list on the OTCQB exchange plus a non-cash loss of $715,384 on the settlement of our bank loan that was guaranteed by a convertible debenture which was exercised to settle the amount outstanding.

Year-to-Date 2021 Results

Revenues for the nine months ended September 30, 2021 were $14,443,506 as compared to $6,510,856 during the same period in the prior year, an increase of approximately 122%. Sales of vegetable and fruit products, including fresh organic asparagus, avocado, fresh cut herbs, ginger, mango and others, continued to grow and were sold to a variety of customers throughout Europe. While volumes of most products sold continued to grow as expected, sales in the second and third quarters were impacted by a combination of lower selling prices than expected for avocado, ginger and passion fruit and logistics challenges resulting from the COVID-19 pandemic which impacted the timing and availability of containers required to deliver supplies to Europe.

We realized a gross profit of $1,635,820 or approximately 11.3% of revenues in the nine months ended September 30, 2021 as compared to a gross profit of $678,932 or 10.4% of revenues during the same period of the prior year, driven in part by a higher mix of value-added private label and branded products. Even with the improved results, gross margins as a percentage of revenues were impacted by increased supply chain costs due in part to the effects of the COVID-19 pandemic.

Selling, general and administration expenses were $1,509,388 or approximately 10% of revenues for the first nine months of 2021 as compared to $538,566 or approximately 8% of revenues in the same period of the prior year. Included are non-recurring costs associated with the preparation and filing of our shelf prospectus of $152,485 as well as $274,175 related to the development of our retail branded and on-line product platforms, $24,068 in costs associated with our listing on the OTCQB exchange in the US and $71,845 in costs related to our acquisition program.

Management fees in the first nine months of 2021 were $703,585 and while higher than the $482,070 recorded in the same period of the prior year, they are in line with expectations. Beginning with the first quarter of 2021, remuneration began for a co-CEO who was not previously compensated for services provided.

Labour costs and benefits during the first nine months of 2021 were $1,803,121, a significant increase versus the same period of the prior year but well within expectations given the increased volume of commercial activity. Labour costs decreased over the last two plus years as staffing levels were scaled back as the business was repositioned. With commercial activities now growing rapidly, operating personnel have been added to support this growth, develop new products and revenue opportunities and support the organization for expected future growth. Included in labour costs and benefits are labour costs incurred by Fresh Organic Choice which are new for us in 2021 as well as $566,251 of costs related to the development of our branded and on-line product platforms, $46,235 in severance payments to former employees and $44,900 for costs associated with our acquisition program.

As detailed above, during the first nine months of 2021 we recognized costs of $840,425 related to the development of our retail branded product offering and on-line go-to-market capabilities and $339,122 of costs related to growing the organization including acquisition, listing, severance and future financing related costs. While the benefits of these activities have yet to translate into bottom-line contribution, we believe these are prudent investments for the future of the Company.

We recognized $760,426 in stock-based compensation in the first nine months of 2021 which consists of $285,414 for restricted share units and $475,012 for stock options. Stock-based compensation in the first nine months of 2020 was for stock options only.

Net interest and accretion expense for the first nine months of 2021 was $620,833 as compared to $233,129 for the same period of the prior year. Interest in 2021 consists of interest on our bank loan, through July 31, 2021, and convertible debentures, plus accounts receivable factoring costs. Accretion in 2021 consists of accretion on the convertible debentures, bank loan (to July 31, 2021) and earn-out payments accrued in relation to the Fresh Organic Choice acquisition. The addition of the convertible debentures in December 2020 and January 2021, together with higher factoring costs resulting from increased commercial activity, led to the higher expense in 2021.

For the nine months ended September 20, 2021 we realized a non-cash loss of $715,384 from the settlement of our bank loan. The bank loan was guaranteed by a convertible debenture which could be issued in order to settle the principal amount borrowed. In July 2021, a convertible debenture with a face value of $963,150 was issued and immediately converted into 3,210,500 common shares to settle the bank loan. The market value of the common shares issued was $1,589,198 and the difference between the market value of the shares and the face value of the debenture, together with the balance of un-amortized loan issue costs of $89,336 was recorded as a loss on the settlement of the bank loan. The loss on the settlement of the bank loan was offset by a gain of $18,505 on the settlement of certain accounts payable. In the nine months ended September 30, 2020 we realized a gain of $4,735 from the settlement of certain accounts payable.

We realized a net loss of $4,351,687 during the nine months ended September 30, 2021, compared to a net loss of $1,509,389 during the same period in the prior year. Increased revenues and gross profit in the current year were offset by increases in all cost categories as we expanded our workforce and built out our internal infrastructure to accommodate the expected increase in our business. Results for the nine months ended September 30, 2021 included $1,179,547 of costs not related to day-to-day operations including investments in retail and on-line platform development, acquisition related costs, severance costs and costs incurred to prepare and file our shelf prospectus, plus a non-cash loss of $715,384 on the settlement of our bank loan that was guaranteed by a convertible debenture which was exercised to settle the amount outstanding.

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.

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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 demand for fresh organic fruits and vegetables produced in a transparent and sustainable manner continues to grow; Organto's belief that investments in its retail branded platform, digital transformation activities plus acquisition and organizational costs will generate future returns on investment; Organto's belief that the third quarter balance sheet in hand with recent financings provides resources for the Company to pursue its aggressive growth strategy; Organto's belief that recently completed acquisitions will add to the Company's portfolio; 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.