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Organto Announces Record Fiscal 2021 and Fourth Quarter Financial Results and Provides Q-1 2022 Sales Estimates

Year-End Balance Sheet Strongest in Company's History

Vancouver, BC, Canada and Breda, the Netherlands, May 2, 2022 – Organto Foods Inc. (TSX-V: OGO, OTCQB: OGOFF, FSE: OGF) ("Organto" or "the Company"), an integrated provider of organic and value-added organic fruit and vegetable products today announced financial results for the year and quarter ended December 31, 2021 and sales estimates for the quarter ended March 31, 2022. All amounts are expressed in Canadian dollars and in accordance with International Financial Reporting Standards (IFRS).

Highlights:

Fiscal 2021 Operating Results

- Record sales of $19,518,647 versus sales of $11,448,036 in the prior year, an increase of approximately 70.5%. Fiscal 2021 sales represent the largest annual sales in the history of Organto. Allowing for the year over year impact of the decline of the Euro versus the Canadian dollar, sales increased 77.1%.
- Record gross profit of $1,986,630 or 10.2% of sales versus $1,072,942 or 9.4% of sales in the prior year, an increase of approximately 85.2% on a dollar basis, and the largest annual gross profit in the history of Organto in terms of both total dollars and as a percentage of sales.
- Cash overhead costs for the year were 29.0% of sales, or 20.2% after adjusting for non-recurring items, versus 22.8% in the prior year. The increase in costs reflects investments in infrastructure and resources required to support growth initiatives. These costs include expenditures not related to day to day operations of $1,717,702 including retail branded product development and on-line digital transformation activities, acquisition activities and corporate development costs, all of which are expected to generate positive future benefits.

Fourth Quarter 2021 Operating Results

- Record fourth quarter sales of $5,075,141 versus sales of $4,937,180 in the prior year, an increase of approximately 2.8%. Sales in the fourth quarter represent the largest fourth quarter sales in the history of Organto. Allowing for the year over year impact of the decline of the Euro versus the Canadian dollar, sales increased 10.9%.
- Fourth quarter gross profit of $350,810 or 6.9% of sales versus $394,010 or 8.0% of sales in the prior year. Gross margins in the quarter were impacted by significant supply chain, inflationary and pandemic related challenges that were experienced. The Company continues to implement actions to address these challenges and expects these to have a positive impact moving forward.
- Cash overhead costs for the quarter were 32.5% of sales, or 21.9% after adjusting for non-recurring items, versus 17.9% in the prior year. The increase in costs reflects investments in infrastructure and resources required to support growth initiatives. These costs include expenditures not related to day to day operations of $538,228 including retail branded product development and on-line digital transformation activities, acquisition activities and corporate development costs, all of which are expected to generate positive future benefits.

Balance Sheet as at December 31, 2021

- Year-end balance sheet significantly improved versus the prior year and the strongest in Organto's history, providing resources for the Company to continue to pursue its growth strategy.
    - Cash on hand of $11,869,999 versus $4,133,730 in the prior year.
    - Working capital of $9,682,809 versus $2,580,088 in the prior year.
    - Non-current debt of $5,754,727 versus $3,858,581 in the prior year.

Q-1 2022 Estimates

- Estimated record quarterly sales of $6.7 to $6.9 million versus $4.8 million in the prior year, an increase of approximately 42% and an increase of approximately 52% when adjusted for year over year changes in foreign currency.
- Represents the largest quarterly sales in the history of Organto, surpassing the previous largest quarter by approximately 28%, and representing the 11th consecutive quarter of record sales growth versus the same quarter in the prior year.
- Sequential gross profit improvement expected as actions are implemented to address supply chain and inflationary challenges.

"Our fourth quarter and fiscal 2021 results represent our tenth consecutive quarter of record sales versus the same quarter in the prior year, and the largest fourth quarter sales and annual sales and gross profit in our history. We are very pleased to have achieved these results despite the challenging macro-environment which had a significant impact on both supply chain capabilities and costs and consumer buying patterns. We believe our asset light business model has stood up well and are very proud of our team and their accomplishments in a challenging operating environment." commented Steve Bromley, Chair and Co-CEO of Organto and Rients van der Wal, Co-CEO of Organto and CEO of Organto Europe B.V. "And this performance has continued into the first quarter of 2022 where we expect to achieve record quarterly revenues, in fact the largest in the history 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. During the fourth quarter we launched our "I AM Organic" branded product line-up and we are very encouraged by the initial retailer response and growth we are experiencing. We also believe our acquisitions that were completed in 2021 are positive additions to our portfolio. We believe that when combined with our strong balance sheet and continued worldwide demand for healthy foods that are produced in a sustainable and transparent manner, Organto is well-positioned to capitalize on this demand and drive continued growth."

Detailed Operating Results Commentary

Fiscal 2021 Results

Sales for the year ended December 31, 2021 were $19,518,647 as compared to $11,448,036 in the prior year, an increase of 70.5% and the largest annual sales in the Company's history. Sales of vegetable and fruit products, including fresh organic asparagus, avocado, bananas, fresh cut herbs, ginger, mango and others, continued to develop and were sold to a variety of customers throughout Europe. While volumes of most products sold continued to grow as expected, sales were impacted by a combination of lower than expected selling prices for avocado and ginger, and challenges resulting from the COVID-19 pandemic which impacted the timing and availability of freight and containers required to deliver raw materials to Europe, combined with volatile market demand as various lockdown measures were implemented throughout Europe to control the spread of the virus. Sales reported in Canadian dollars were also impacted by a lower Euro to Canadian dollar exchange factor year over year. Allowing for this impact sales increased approximately 77% versus the prior year.

Gross profit of $1,986,630 or approximately 10.2% of sales was realized in the year ended December 31, 2021 as compared to a gross profit of $1,072,942 or 9.4% of sales during the prior year, with the increase driven in part by a greater 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 and general increases in inflation as the year progressed.

Selling, general and administration expenses were $2,278,294 or approximately 11.7% of sales in 2021 as compared to $838,212 or approximately 7.3% of sales in 2020. Included are non-recurring costs associated with the preparation and filing of a shelf prospectus of $152,485, $406,821 related to the development of the Company's retail branded and on-line product platforms, $24,068 in costs associated with the Company's listing on the OTCQB exchange in the US and $248,886 in costs related to its acquisition program.

Management fees in 2021 were $962,988 and while higher than the $636,165 incurred in the prior year, they were in line with expectations. Beginning with the first quarter of 2021, remuneration began for a Co-CEO who was not previously compensated in fees for services provided.

Labour costs and benefits in 2021 were $2,426,058, a significant increase versus the prior year, but well within expectations given the increased volume of commercial activity. With commercial activities growing rapidly, operating personnel have been added to support this growth, develop new product and sales opportunities and support the organization for expected future growth. Included in labour costs and benefits are $776,173 of costs related to the development of the Company's branded and on-line product platforms, $46,235 in severance payments to former employees and $63,104 for costs associated with its acquisition program.

As detailed above, during 2021 the Company recognized total costs of $1,717,772 not related to day to day operations, comprised of $1,182,994 related to the development of its retail branded product offering and on-line go-to-market capabilities and $534,778 of costs related to growing the organization including acquisition, listing, severance and financing related costs. While the benefits of these activities have yet to translate into bottom-line contribution, the Company believes these are prudent investments for the future.

Stock-based compensation of $1,320,909 in 2021 consists of $423,118 for restricted share units and $897,791 for stock options. Stock-based compensation in 2020 of $912,532 consisted of $400,032 for stock options and $512,500 for non-cash share bonuses issued to the Company's Co-CEOs.

Net interest and accretion expense in 2021 was $971,287 as compared to $424,371 in 2020. Interest in 2021 consists of interest on the Company's bank loan through July 31, 2021, interest on 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 acquisitions. The addition of the convertible debentures in December 2020, January 2021 and November 2021, together with higher factoring costs resulting from increased commercial activity, led to the higher expense in 2021.

Other losses of $139,159 in 2021 includes a provision of $188,874 for the settlement of a potential legal claim offset by a gain of $34,000 related to the sale of the Company's right of refusal (ROFR) to distribute Xebra Brands Ltd. products in Europe, $8,715 in net proceeds from an insurance claim as well as a financing fee of $7,000. Other loss in 2020 of $48,243 was comprised of proceeds of $31,279 from the settlement of insurance claims and sale of an unused subsidiary in Europe, offset by the write-offs of certain prepaid expenses and advances to suppliers and property, plant and equipment of $79,522.

In the fourth quarter of 2021 the Company sold a portion of investment securities owned and realized a loss on the sale of investment securities of $141,164.

At each quarter end the Company revalues investment securities that are owned. For 2021 these revaluations resulted in a net unrealized gain on investment securities of $587,209. As the investment securities were not publicly traded at December 31, 2020, the fair value of the investment securities owned was estimated using a combination of the price of the most recent funding involving financing from external investors and expected proceeds which resulted in a loss of $1,096,807.

The Company realized a net loss on the settlement of debt in 2021 of $572,903. This loss included a non-cash loss of $715,384 from the settlement of the Company's 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 gains of $142,480 on the settlement of certain accounts payable. In 2020 the Company realized a net loss on the settlement of debt of $2,933,022. This loss included a loss of $3,116,500 that was realized on the settlement of the Company's bank loan which was offset by gains of $183,478 from the settlement of certain accounts payable.

The Company realized a net loss of $6,340,664 during the year ended December 31, 2021, compared to a net loss of $7,054,745 in the prior year. Increased sales and gross profit in the current year were offset by increases in costs as the Company invested in the business by expanding its workforce and building out internal infrastructure to accommodate expected growth in the business. Results for the year ended December 31, 2021 included $1,717,772 of costs not specific 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.

Fourth Quarter 2021 Results

Sales for the three months ended December 31, 2021 were $5,075,141 as compared to $4,937,180 during the same period in the prior year, an increase of 2.8% and the tenth consecutive quarter of record sales growth versus the same period in the prior year. Sales of vegetable and fruit products, including fresh organic asparagus, avocado, bananas, ginger, fresh cut herbs and others were sold to a variety of customers throughout Europe. While volumes of most products sold continued to develop, sales were impacted in the quarter by logistics challenges resulting from the COVID-19 pandemic which impacted the timing and availability of freight and containers required to deliver raw materials to Europe, combined with volatile market demand as various lock down measures were implemented throughout Europe to mitigate the spread of the virus. Sales reported in Canadian dollars were also impacted by a lower Euro to Canadian dollar exchange factor year over year. Allowing for this impact sales increased approximately 10.9%

Gross profit of $350,810 or approximately 6.9% of sales was realized in the fourth quarter of 2021 as compared to a gross profit of $394,010 or 8.0% of sales during the same quarter of the prior year. While gross profit was favorably impacted by a shift in product mix to a greater percentage of value-added private label and branded products, this was offset by seasonal market conditions for organic ginger and avocado, combined with increased supply chain costs due in part to the effects of the COVID-19 pandemic, general upward inflationary trends and inefficiencies related to the initial launch of our I AM Organic branded product offerings which are expected to be mitigated as volumes grow to scale.

Selling, general and administration expenses were $768,906 or 15.2% of sales in the fourth quarter as compared to $299,646 or 6.1% of sales in the same quarter of the prior year. Included are costs associated with the Company's acquisition program of $177,040 and $132,651 related to the development of its retail branded and on-line product platforms.

Management fees in the current quarter were $259,403 and while higher than the $154,095 recorded in the same quarter of the prior year, they were in line with expectations. Beginning with the first quarter of 2021, remuneration began for a Co-CEO who was not previously compensated in fees for services provided.

Labour costs and benefits during the fourth quarter were $622,937, a significant increase versus the same quarter of the prior year, but well within expectations given the increased volume of commercial activity and acquisitions completed during the year. With commercial activities growing rapidly, operating personnel have been added to support this growth, develop new products and sales opportunities and support the organization for expected future growth. Also included are $209,923 of costs related to the development of the Company's branded and on-line product platforms and $18,614 for costs associated with the Company's acquisition program.

As detailed above, during the fourth quarter the Company recognized total costs of $538,228 not related to day-to-day operations, including costs of $342,574 related to the development of its retail branded product offering and on-line go-to-market capabilities and $195,654 of costs associated with its acquisition program. While the benefits of these activities have yet to translate into significant bottom-line contribution, the Company believes these are prudent investments.

Stock-based compensation of $560,483 was realized in the fourth quarter of 2021, consisting of $137,704 for restricted share units and $422,779 for stock options. Stock-based compensation in 2020 of $685,386 consisted of $173,336 for stock options and $512,500 for non-cash share bonuses issued to the Company's Co-CEOs.

Net interest and accretion expense for the fourth quarter of 2021 was $350,454 as compared to $191,242 for the prior year. Interest in 2021 consists of interest on convertible debentures and accounts receivable factoring costs. Accretion in 2021 consists of accretion on the convertible debentures and earn-out payments accrued in relation to acquisitions. The addition of the convertible debentures in December 2020, January 2021 and November 2021, together with higher factoring costs resulting from increased commercial activity, led to the higher expense in 2021.

Other (loss for the fourth quarter of 2021 of $206,699 consists primarily of a loss resulting from the provision of $188,874 for the settlement of a potential legal claim. Other (loss in the fourth quarter of 2020 of $28,611 consisted of income from the partial settlement of certain insurance claims, offset by losses from the write off of certain prepaid expenses and advances and the revaluation of the net receivable remaining from the sale of the Company's processing plant in Guatemala in 2019

In the fourth quarter of 2021 the Company recorded a gain on settlement of debt of $142,481 related to the settlement of certain accounts payable. In the fourth quarter of 2020 the Company realized a non-cash loss on settlement of debt of $2,937,757. The Company's bank loan was guaranteed by a convertible debenture which could be issued in order to settle the principal amount borrowed. In October 2020, a convertible debenture with a face value of $677,500 was issued and immediately converted into 13,550,000 common shares to settle US$500,000 of the bank loan. In November 2020, a convertible debenture with a face value of $677,500 was issued and immediately converted into 13,550,000 common shares to settle the remaining US$500,000 of the bank loan. The market value of the 27,100,000 common shares issued was $4,471,500 and the difference of $3,116,500 between the market value of the shares and the face value of the debentures was recorded as a loss on the settlement of the bank loan. The loss from settling the bank loan was offset by $178,743 in gains from settling certain accounts payable.

In the fourth quarter of 2021 the Company sold a portion of the investment securities it owns and realized a loss on the sale of investment securities of $141,164.

At December 31, 2021 the Company revalued the remaining investment securities that it owns and recorded an unrealized gain on investment securities of $493,798 for the fourth quarter of 2021. The revaluation done at December 31, 2020 resulted in an unrealized loss of $1,096,807 in the fourth quarter of 2020.

The Company realized a net loss of $1,988,977 during the fourth quarter of 2021, compared to a net loss of $5,545,356 during the same period in the prior year. Increased sales and gross profit in the current year were offset by increases in costs as the Company invested in its business by expanding its workforce and building out internal infrastructure to accommodate expected growth in business. Fourth quarter 2021 results include $538,228 of costs not related to day-to-day operations including investments in retail and on-line platform development and acquisition related costs.

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-Chief Executive Officer

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 sustainable and transparent manner continues to grow; Organto's belief that its asset light business model has stood up well to recent macro-environmental challenges; Organto's belief that its launch of the I AM Organic brand in 2021 has gone well and the brand is experiencing growth; Organto's belief that the acquisitions completed in 2021 are positive additions to the Company's portfolio; Organto's belief that as a result of its strong balance sheet combined with strong consumer demand, its business is well positioned to capitalize and drive continued growth; Organto's belief that first quarter 2022 revenues will be in the range of CDN $6.7 to $6.9 million, representing eleven consecutive quarters of record revenue growth versus the same quarter in the prior year and largest quarterly revenues in the history of Organto with sequential improvement in gross profit; Organto's belief that it continues to implement actions to address margin challenges and expects these to have a positive impact moving forward; 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.