

Organto Announces Record Third Quarter Results and Record Fourth Quarter Revenue Guidance

Largest Quarterly Revenues and Gross Profit in History

96% of Convertible Debt Voluntarily Converted

Vancouver, BC, Canada and Breda, the Netherlands, November 19, 2020 – 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 third quarter ended September 30, 2020, revenue guidance for the fourth quarter ending December 31, 2020 plus the conversion of 96% of convertible debentures outstanding following quarter end. All amounts are expressed in Canadian dollars and in accordance with International Financial Reporting Standards (IFRS), except where specifically noted.

Highlights:

Third Quarter Results:

- Third quarter revenues of \$2,737,081, an increase of approximately 41% versus the same quarter in the prior year. Third quarter revenues represent the largest quarterly revenues realized in the history of Organto.
- Year-to-date revenues of \$6,510,856, an increase of approximately 206% versus the same period in the prior year. Revenues for the first nine months of fiscal 2020 already exceed the record revenues realized in all of fiscal 2019.
- Gross profit of \$285,951 or 10.5% of revenues, an increase of approximately 65% versus the same quarter in the prior year, and the largest quarterly gross profit in the history of Organto.
- YTD gross profit of \$678,932 or 10.4% of revenues, an increase of approximately 350% versus gross profit of \$150,974 for the same period of the prior year.
- Cash overhead costs in the third quarter reduced to 22.7% of revenues versus 29.8% in the second quarter of 2020 and 24.1% in the prior year. These costs include approximately \$93,600 related to retail branded product development and on-line digital transformation activities which are not expected to generate returns until fiscal 2021. Excluding the investment in retail and on-line initiatives, cash overhead costs reduced to 19.4% of revenues in the third quarter.
- Cash on hand of \$884,227 and working capital deficiency \$1,873,998 versus a deficiency of \$4,647,107 at the end of the first quarter of 2020.

Fourth Quarter Guidance:

- Fourth quarter revenue guidance of \$4.4 million to \$4.6 million, which will represent the largest quarter in the history of Organto, and an approximate 185% increase versus Q-4 2019.
- Annualized revenue exit run rate of \$23 million to \$25 million and achieving cash flow breakeven.

Convertible Debenture Exercise:

- Subsequent to quarter end, 96% of convertible debentures with a face value of \$1,995,300 voluntarily converted to equity, strengthening the Company’s balance sheet. Approximately 88% of debentures converted were held by insiders and related parties.



“Our third quarter results represent our fifth consecutive quarter of record revenues and the largest revenue and gross profit quarter in our history. With this accomplishment as a backdrop, combined with the momentum we feel we have going forward as demonstrated by our revenue guidance for Q-4, we believe it is fair to say that we are no longer a repositioning story, but instead an exciting and fast-growing sustainability story. We are pleased with our progress and outlook for the future given the continued strong demand for fresh organic fruits and vegetables, being driven by increased consumer interest in healthy foods that are produced in a sustainable and transparent manner.” commented Steve Bromley, Chair and Co-CEO of Organto.

Third Quarter Results

Revenues for the third were a record \$2,737,801, an increase of approximately 41% versus the same quarter in the prior year and were the largest quarterly revenues in the Company’s history, driven by sales of organic avocado, asparagus, ginger and a range of soft fruits.

Gross profit was \$285,931 or 10.5% of revenues, also a record and the largest quarterly gross profit in the Company’s history, versus gross profit of \$173,660 in the prior year.

Selling, general and administrative expenses in the quarter were \$163,250 versus \$193,888 in the prior year, a decrease of 15.8%, due to primarily to streamlined administration processes and reduced professional fees, offset by incremental costs as the business scales. Management fees in the quarter were \$175,180 versus \$125,810 in the prior year, while salaries and benefits in the quarter were \$285,025 versus \$146,887 in the prior year. The increase in salaries and benefits was as expected, driven by incremental commercial and administrative resources required to both support growth realized to date and position the business for continued future growth, plus \$93,600 of costs related to expenditures in retail branded product development and on-line digital transformation activities which are not expected to generate returns until fiscal 2021. Non-cash stock-based compensation was \$97,691 in the quarter versus \$55,895 in the prior year.

Loss from continuing operations and net loss in the third quarter was \$509,967 or \$0.00 per common share versus a loss of \$438,378 or \$0.00 per common share in the prior year, with the increase driven by higher non-cash stock based compensation and financing costs, increased interest expense and the Company’s investment in retail product development and on-line digital transformation, offset in part by increased revenues and margins.

At September 30, 2020, Organto’s balance sheet reflected total assets of \$4,486,711 including cash of \$884,277. Total liabilities includes short-term loans payable of \$703,923 and convertible debentures of \$2,015,600.

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.

Fourth Quarter 2020 Revenue Guidance

For the fourth quarter ended December 31, 2020 Organto expects to realize record fourth quarter revenues of approximately 4.4 to \$4.6 million¹, representing the largest quarterly revenues in the history of the Company, and an increase of approximately 185% versus the same quarter in the prior year. These results will represent the sixth consecutive quarter of record quarterly revenues for the Company. Revenues in late



November and early December are expected to be the largest revenues in the history of Organto, reflecting an annualized revenue run-rate of approximately \$23 to \$25 million and achieving cash-flow breakeven.

Fourth quarter revenues are being driven by sales of organic avocado, asparagus, ginger, lime and other soft fruits. The Company continues to expand product offerings and increase distribution channels to a diverse customer base of traditional retailers, specialty organic retailers, on-line retailers, service providers and distributors throughout Europe. Gross profit is also expected to be a quarterly record for the Company and a significant increase versus the prior year.

Based on these estimates, revenues for fiscal 2020 are expected to be in the range of \$10.9 to \$11.1 million, an increase of approximately 195% versus the previous record revenues of fiscal 2019.

Voluntary Exercise of Convertible Debentures

Organto also announced that 96% of convertible debentures with a face value of \$1,995,300 were voluntarily converted to equity subsequent to quarter end, resulting in the issuance of 39.9 million shares as per the terms of the convertible debentures issued in May and June 2020. Approximately 88% of the converted debentures were held by insiders and related parties. The conversion strengthens the Company's balance sheet and further positions the business for continued growth.

ON BEHALF OF THE BOARD,

Steve Bromley
Chair and Interim Chief Executive Officer

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¹ Forecast is based on shipping a variety of organic and conventional products including avocados, asparagus, ginger, lime and other fruit and vegetable products with an average sales price ranging from CDN\$4-\$11/kilo of sold product. We anticipate sourcing products from numerous suppliers and regions including Europe, North and South America and Africa.



ABOUT ORGANTO

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. Organto is an integrated provider of private label and bulk distributed organic and non-GMO fruit and vegetable products using an asset-light business model to serve a growing socially responsible and health conscious consumer around the globe.

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 the business 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 their cost-effective and flexible business model has proven its value; Organto's belief that it will realize Q-4 revenues of \$4.4 to \$4.6 million and will be able to ramp-up to an annualized revenue run rate of \$23-25 million and cash-flow breakeven by the end of 2020; 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.

