

Organto Announces Record First Quarter Financial Results

Largest First Quarter Revenues and Largest Gross Profit in History

Vancouver, BC, Canada and Breda, the Netherlands, May 27, 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 quarter ended March 31, 2021. All amounts are expressed in Canadian dollars and in accordance with International Financial Reporting Standards (IFRS), except where specifically noted.

Highlights:

First Quarter 2021 Operating Results:

- Record first quarter revenues of \$4,773,062 versus revenues of \$1,609,820 in the prior year, an increase of approximately 191% versus the same quarter in the prior year. First quarter revenues represent the largest first quarter revenues in the history of Organto, in-line with previously provided revenue guidance of \$4.7 to \$4.8 million.
- Record gross profit of \$457,815 or 9.6% of revenues versus \$160,477 or 9.9% of revenues in the prior year, an increase of approximately 185% 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 24.0 % of revenues versus 32.5% in the prior year. These costs include expenditures of approximately \$353,100 related to retail branded product development and on-line digital transformation activities and acquisition and organizational development costs, all of which are expected to generate positive future returns on investment. Excluding these investments, cash overhead costs reduced to 16.9% of revenues in the first quarter.

Balance Sheet

- First quarter balance sheet significantly stronger than the prior year, providing resources for the Company to pursue its aggressive growth strategy.
 - Cash on hand of \$3,629,677 versus \$74,894 in the prior year.
 - Working capital of \$2,811,381 versus a working capital deficiency of \$4,647,107 in the prior year.
 - Non-current debt of \$4,152,737 with no principal payments due in 2021.

“Our first quarter 2021 results represent our seventh consecutive quarter of record revenues versus the same quarter in the prior year, and the largest quarterly gross profit in our history. We are pleased with the progress we are making as we build out our business in rapidly growing healthy living and healthy eating categories. We continue to invest responsibly in our platform as we expand our product portfolio and branded capabilities to address market opportunities.” 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.”



First Quarter 2021 Results

Revenues for the three months ended March 31, 2021 were \$4,773,062 as compared to \$1,609,820 for the same period in the prior year, an increase of 191% and a quarterly revenue record for the Company as well as the seventh 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, mango and others, continued to grow and were sold to a variety of customers throughout Europe.

We realized a quarterly gross profit of \$457,815 or approximately 9.6% of revenues in the first quarter of 2021 as compared to a gross profit of \$160,477 during the same quarter of the prior year. The gross profit in the first quarter of 2021 was a quarterly record for the Company in dollar terms and an increase of 160 basis points versus the fourth quarter of 2020. First quarter gross margins as a percentage of revenues were 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. Gross profit was also negatively impacted in the amount of \$15,362 related to the write-up to market value of inventories included in the acquisition of Fresh Organic Choice BV which were subsequently sold during the quarter. Excluding this accounting adjustment gross profit would have been 9.9%.

Selling, general and administration expenses were \$363,905 or 7.6% of sales this quarter as compared to \$186,494 or 11.6% of sales in the same quarter of the prior year. Decreases in professional fees were offset by additional administrative costs incurred by Fresh Organic Choice, \$60,200 related to the development of our retail branded and on-line product platforms, \$23,800 in additional listing fees for shares to be issued on the conversion of our debentures and \$24,800 of costs related to the acquisition of Fresh Organic Choice.

Management fees in the current quarter were \$232,468 and while higher than the \$148,449 recorded in the same quarter of the prior year, they are in line with expectations as the business scales.

Labour costs and benefits during the first quarter were \$561,369, a significant increase versus the same quarter of the prior year but well within expectations given the increased volume of retail and branded commercial activity. Labour costs decreased in 2018 and 2019 as staffing levels were scaled back as the business was repositioned. As commercial activities have ramped up, operating personnel have been added to support this and future growth as well as develop new products and revenue opportunities. Included in first quarter labour costs and benefits are labour costs incurred by Fresh Organic Choice as well as approximately \$184,600 of costs related to the development of our branded and on-line product platforms, \$31,800 in severance payments to former employees and \$27,900 for costs associated with our acquisition program.

As detailed above, during the first quarter we recognized costs of \$244,800 related to the development of our retail branded product offering and on-line go-to-market capabilities and \$108,300 of costs related to growing the organization including acquisition, listing and organization 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 and will start to generate benefits later in 2021 and beyond.

We recognized \$296,697 in stock-based compensation in the first quarter of 2021 which consists of \$88,156 for restricted share units vested in the quarter and \$208,541 for stock options. Stock-based compensation in the first quarter of 2020 was \$63,764 and was for stock options only.



Net interest and accretion expense for the first quarter of 2021 was \$216,341 as compared to \$64,691 for the prior year. Interest in 2021 consists of interest on our bank loan and convertible debentures, plus accounts receivable factoring costs. Accretion in 2021 consists of accretion on the convertible debentures, bank loan 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 2020

We realized a net loss of \$1,247,764 during the first quarter, compared to a net loss of \$643,698 during the same period in the prior year. Increased revenues and gross profit in the current year were offset by increases in costs as we expanded our workforce and built out our internal infrastructure to accommodate continued growth in our business. First quarter 2021 results included \$353,100 of costs not related to day-to-day operations including investments in retail and on-line platform development, acquisition related costs and severance 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-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:

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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 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 first quarter balance sheet is stronger than the prior year 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.

