

Organto Announces Record First Quarter 2022 Financial Results

Largest Quarterly Sales and Gross Profit in Company's History

Vancouver, BC, Canada and Breda, the Netherlands, May 30, 2022 – Organto Foods Inc. (TSX-V: OGO, OTCQB: OGOF, FSE: OGF) (“Organto” or “the Company”), an integrated provider of organic and value-added organic fruit and vegetable products today announced its financial results for the quarter ended March 31, 2022. All amounts are expressed in Canadian dollars and in accordance with International Financial Reporting Standards (IFRS).

Highlights:

First Quarter 2022 Operating Results

- Record first quarter sales of \$6,999,864 versus sales of \$4,773,062 in the prior year, an increase of approximately 46.7%. Allowing for the year over year impact of the decline of the Euro versus the Canadian dollar, sales increased approximately 57.7%.
 - Sales in the first quarter represent the largest quarterly sales in the history of Organto.
 - Represents eleventh consecutive quarter of record sales growth versus the same quarter in the prior year.
 - Sales exceed previously provided first quarter estimate of \$6.7 to \$6.9 million.
- Record first quarter gross profit of \$670,602 or 9.6% of sales versus \$457,815 or 9.6% of sales in the prior year.
 - Gross profit in the first quarter represents the largest quarterly gross profit in the history of Organto.
 - Gross profit as a percentage of sales increased 270 basis points versus Q-4 2021 as the Company implemented actions to offset significant supply chain, inflationary and macro-economic challenges. The Company continues to implement actions to address these challenges and expects these to continue to have a positive impact moving forward.
- Cash overhead costs for the quarter were 25.3% of sales, or 18.5% after adjusting for non-recurring and investment spending, versus 24.2% in the prior year. The increase in costs reflects investments in infrastructure and resources required to support growth initiatives and position the Company for continued growth. These costs include expenditures not related to day to day operations of \$456,626 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 March 31, 2022

- Balance sheet significantly improved versus the prior year, providing resources for the Company to continue to pursue its growth strategy.
 - Cash on hand of \$9,527,141 versus \$3,629,677 in the prior year.
 - Working capital of \$7,983,754 versus \$2,811,381 in the prior year.
 - Non-current debt of \$5,699,207 versus \$4,152,737 in the prior year.



“The first quarter of fiscal 2022 represents our eleventh consecutive quarter of record sales versus the same quarter in the prior year, and the largest quarterly 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 supply chain capabilities and costs.” 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. “We believe our asset light business model is well- suited and performing well given the current operating environment. We continue to invest responsibly in our platform as we add key operating personnel and expand our product portfolio and branded product capabilities. When combined with our strong balance sheet and continued demand for healthy foods that are produced in a sustainable and transparent manner, we believe Organto is well-positioned to capitalize on this demand and drive continued growth.”

Detailed Operating Results Commentary

Sales for the three months ended March 31, 2022 were \$6,999,864 as compared to \$4,773,062 during the same period in the prior year, an increase of approximately 46.7% and a quarterly sales record for the Company. It was also the eleventh 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 grow, sales were impacted in the quarter by i) 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; and ii) the impact of the Russia/Ukraine war which eliminated sales into the Russian market. Sales reported in Canadian dollars were also impacted by a lower Euro to Canadian dollar exchange rate year over year. Allowing for this impact, sales increased approximately 57.7% versus the same quarter of the prior year.

Gross profit of \$670,602 or approximately 9.6% of revenues in the first quarter of 2022 as compared to a gross profit of \$457,815 and 9.6% during the same quarter of the prior year and an increase of 2.7% versus Q-4 2021. Even with increased supply chain costs due in part to the effects of the COVID-19 pandemic, the Russia/Ukraine war and general upward inflationary trends, gross profit in the first quarter of 2022 was the highest in the Company’s history. Gross profit was favorably impacted by a shift in our product mix to a higher proportion of value-added private label and branded products.

Selling, general and administration expenses were \$671,894 or 9.6% of sales this quarter as compared to \$363,905 or 7.6% of sales in the same quarter of the prior year. Included in 2022 are costs associated with our acquisition program of \$69,402 and \$160,770 related to the development of our retail branded and on-line product platforms and acquisition related costs.

Management fees in the current quarter were \$270,646 and while higher than the \$232,468 recorded in the same quarter of the prior year, they are in line with expectations.

Labour costs and benefits during the first quarter were \$809,225, 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 prior 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. Included in 2022 first quarter labour costs and benefits



are labour costs incurred by Beeorganic which are new in 2022. Also included are \$215,009 of costs related to the development of our branded and on-line product platforms and \$11,445 for costs associated with the Company's acquisition program.

As detailed above, during the first quarter of 2022 the Company incurred costs of \$375,779 related to the development of its retail branded product offering and on-line go-to-market capabilities and \$80,847 of costs associated with its acquisition program. While the benefits of these activities have yet to translate into significant bottom-line contributions, the Company believes these are prudent investments for the future.

Stock-based compensation in the first quarter of 2022 consists of \$13,307 for restricted share units and \$202,031 for stock options. Stock-based compensation for the first quarter of 2021 totaled \$296,697 and consisted of \$88,156 for restricted share units and \$208,541 for stock options.

Net interest and accretion expense for the first quarter of 2022 was \$589,248 as compared to \$216,341 for the prior year. Interest in 2022 consists of interest on convertible debentures and accounts receivable factoring costs. Accretion in 2022 consists of accretion on the convertible debentures and earn-out payments accrued in relation to the Fresh Organic Choice and Beeorganic acquisitions. The additional convertible debentures issued in November 2021, together with higher factoring costs resulting from increased commercial activity, led to the higher expense in 2022.

At the end of each quarter the Company revalues its investment securities. At March 31, 2022 the Company revalued the shares of Xebra Brands that it owns and recorded an unrealized loss of \$419,597 for the first quarter of 2022. The valuation acknowledges that a portion of the Xebra Brands shares owned are subject to trading restrictions which expire between September 2022 and September 2023. The carrying value of the Xebra shares of \$632,018 at March 31, 2022 represents a discount to their market value of \$721,881 to reflect these trading restrictions. No gain or loss was recorded in the first quarter of 2021.

In the first quarter of 2022 one of the Company's European subsidiaries established a hedging facility with a European financial services company in order to hedge its exposure to fluctuations in the US dollar vs Euro exchange rate. The facility is for forward currency exchange contracts which at March 31, 2022 allowed the Company to purchase US dollars for less than by acquiring them on the spot market, and a derivative asset has been recognized. The carrying value of the derivative asset represents the difference between the cost to acquire US dollars on the spot market and through the forward currency exchange contracts and \$10,910 has been recorded as an unrealized gain on derivative assets.

During the three months ended March 31, 2022 the Company's European subsidiary purchased US dollars utilizing its forward currency exchange contracts. The difference between the cost to acquire them through the forward currency exchange contracts and the spot market at the time of purchase has been recorded as a realized gain on derivative assets of \$11,572.

Foreign exchange gains and losses may arise from transactions incurred in currencies other than the functional currency of the Company and its subsidiaries. The Company reported a foreign exchange loss of \$11,848 this quarter as compared to a loss of \$41,799 during the same quarter last year.

The Company reported a net loss of \$2,294,712 during the first quarter of 2022, compared to a net loss of \$1,247,764 during the same period in the prior year. Increased sales and gross profit in the current year



were offset by increases in costs as we invested in our business, expanded our workforce and built out our internal infrastructure to accommodate growth in our business. First quarter 2022 results include \$456,626 of costs not related to day-to-day operations including investments in retail and on-line platform development and costs incurred as we evaluated acquisition opportunities as well as an unrealized loss on investment securities of \$419,597.

Interested parties may access the Company's March 31, 2022 financial statements and other 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 is well-suited and performing well given the current operating environment; 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 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.