

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **March 16, 2021**

HF FOODS GROUP INC
(Exact Name of Registrant as Specified in Charter)

Delaware
State or Other Jurisdiction of
Incorporation of Organization)

001-38013
(Commission
File Number)

81-2717873
(IRS Employer
Identification Number)

19319 Arenth Avenue
City of Industry, CA
(Address of Principal Executive Offices)

91748
(Zip Code)

Registrant's telephone number, including area code: **(626) 338-1090**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|----------------------------------|----------------|---|
| Common Stock, \$0.0001 par value | HFFG | Nasdaq Capital Market |

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01 Other Events

On March 16, 2021, HF Foods Group Inc. issued a press release announcing its 2020 financial results, a copy of which is attached as [Exhibit 99.1](#) to this Current Report on Form 8-K.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired
Not applicable

(b) Pro Forma Financial Information
Not applicable

(c) Shell Company Transactions
Not applicable

(d) Exhibits

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|--|
| 99.1 | Press Release Dated March 16, 2021 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HF FOODS GROUP INC.

Date: March 16, 2021

/s/ Xiao Mou Peter Zhang

Xiao Mou Peter Zhang

Chief Executive Officer



HF Foods Reports Fourth Quarter and Full Year 2020 Financial Results

CITY OF INDUSTRY, CA – March 16, 2021 – HF Foods Group Inc. (NASDAQ: HFFG), a leading food distributor to Asian restaurants across the Southeast, Pacific and Mountain West regions of the United States, reported fourth quarter and full year pro forma financial results for the year ended December 31, 2020.

The pro forma results reflect the combined results of HF Foods and B&R Global Holdings (“B&R”) as if their November 4, 2019 merger had occurred on the first day of the prior period presented.

Fourth Quarter 2020 Financial Summary (which includes the B&R transaction in Q4 2020 but not Q4 2019)

- Net revenue decreased to \$146.5 million, compared to \$162.9 million in 2019.
- Gross profit was \$25.5 million, or 17.4% of total revenue, compared to \$25.8 million, or 15.8% of total revenue in 2019.
- Net income attributable to the Company was \$1.6 million, or \$0.03 per diluted share, compared to \$1.3 million, or \$0.06 per diluted share in 2019.
- Adjusted EBITDA decreased to \$6.0 million, compared to \$7.0 million in 2019.

Pro Forma Fourth Quarter 2020 Financial Summary

- On a pro forma basis, net revenue decreased to \$146.5 million from \$206.0 million in 2019.
- On a pro forma basis, gross profit was \$25.5 million, or 17.4% of total revenue in 2020, compared to \$32.6 million, or 15.8% of total revenue in 2019.
- On a pro forma basis, net income attributable to the Company was \$1.6 million, or \$0.03 per diluted share, compared to \$0.1 million, or \$0.00 per diluted share in 2019.
- On a pro forma basis, adjusted EBITDA was \$6.0 million compared to \$6.6 million in 2019.

2020 Financial Summary (which includes the B&R transaction in 2020 but not 2019)

- Net revenue increased 46% to \$566.8 million, compared to \$388.2 million in 2019.
- Gross profit was \$100.3 million, or 17.7% of total revenue, compared to \$63.2 million, or 16.3% of total revenue in 2019.
- Net loss attributable to the Company was \$343.0 million, or \$(6.58) per diluted share, including a one-time goodwill impairment charge of \$338.2 million in the first quarter of 2020. This compares to \$5.4 million, or \$0.22 per diluted share, in 2019.
- Adjusted EBITDA increased 17% to \$19.7 million, compared to \$16.9 million in 2019.
- As of December 31, 2020, cash and cash equivalents totaled \$9.6 million compared to \$14.5 million at December 31, 2019.

Pro Forma Financial Summary - 2020 vs 2019

- On a pro forma basis, net revenue decreased to \$566.8 million from \$828.0 million.
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- On a pro forma basis, gross profit was \$100.3 million, or 17.7% of total revenue, compared to \$133.2 million, or 16.1% of total revenue in 2019.
- On a pro forma basis, net loss was \$343.0 million, or \$(6.58) per diluted share, compared to net income of \$5.7 million, or \$0.11 per diluted share.
- On a pro forma basis, adjusted EBITDA was \$19.7 million compared to \$32.9 million in 2019.

Management Commentary

“2020 was an extraordinary year for our company as, shortly after our business combination, the normal operations of our industry were undermined by the COVID-19 pandemic,” said Peter Zhang, CEO of HF Foods. “In March of 2020, our pro forma sales declined approximately 67% as our restaurant clients were forced to either convert to take-out only or close entirely. However, we quickly pivoted our strategy to focus on new revenue streams that were less impaired by the pandemic and reduced our operating costs. As a result, we were well positioned to support our clients once weekly volumes began to increase, and once they surpassed approximately 50% of pre-COVID-19 levels, we began generating positive operating cash flows on a weekly basis. Today, our business has stabilized at approximately 75% of pre-COVID-19 levels.

“While the timetable for fully returning to normalcy is unknown, HF Foods maintains unique competitive advantages as a market leader in a currently fragmented industry that services the Asian/Chinese restaurant sector. As we shift our attention towards returning to sustainable growth, we remain confident that our differentiators, including our extensive footprint, strong vendor and customer relationships, and value-added service offerings, will continue to allow us to better serve our customers in 2021 and beyond.”

Liquidity & Sales Volumes

As of December 31, 2020, HF Foods had \$9.6 million in cash and access to approximately \$81.7 million in additional funds through its \$100 million line of credit, subject to a borrowing base calculation. The strategic cost management actions undertaken in late March and April 2020 resulted in an overall increase of the available line of credit, ensured the Company could confidently navigate through an unconventional operating environment, and have positioned the company to expand operating margins as the impacts of COVID-19 on the food services industry diminish.

Since late April 2020, the Company has experienced a steady recovery of business volume as fear among consumers began to subside and pent-up demand for restaurant dining began to build. In the months of May and June 2020, weekly sales recovered to over 50% and 60% of pre-COVID-19 levels, respectively. Starting in September 2020, the Company began experience sales volumes equivalent to approximately 70% of pre-COVID-19 levels, and that trend has now stabilized at approximately 75% of pre-COVID-19 levels. With current sales volumes and its adjusted cost structure, the Company is generating positive operating cash flows on a weekly basis and does not have immediate liquidity concerns.

Pro Forma 2020 Results



On a pro forma basis, 2020 revenue decreased to \$566.8 million compared to \$828.0 million in 2019, due to a decline in sales to independent restaurants as many experienced forced closures or conversion to a take-out only model in response to the COVID-19 pandemic.

On a pro forma basis, gross profit was \$100.3 million (17.7% of total revenue) compared to \$133.2 million (16.1% of total revenue) in 2019. The improvement in gross margin was primarily attributable to the Company's strengthened purchasing power and the elimination of lower margin sales to buffet restaurants, many of which remain severely impacted by the outbreak of COVID-19.

On a pro forma basis, distribution, selling and administrative expenses in 2020 were \$106.1 million compared to \$118.6 million in 2019. The decrease was mainly attributed to a \$29.6 million reduction in overall distribution, selling and administrative costs, which were offset by a non-recurring \$6.2 million increase in legal expense and a substantial straight-line amortization of \$10.9 million on intangibles, including tradenames and customer relationships associated with the B&R merger transaction based on US Accounting GAAP rules.

As a result, pro forma net loss attributable to the Company for 2020 was \$343.0 million, or \$(6.58) per diluted share, compared to net income of \$5.7 million, or \$0.11 per diluted share, in 2019. During the first quarter of fiscal 2020, as a result of significant declines in its business due to the COVID-19 pandemic, HF Foods reassessed the fair value of the B&R reporting unit using the discounted cash flow method. Based on this analysis, the Company determined that \$338.2 million should be recorded as a goodwill impairment charge during the first quarter of fiscal 2020. Excluding the one-off goodwill impairment charge, pro forma net loss attributable to the Company for the fiscal year 2020 was \$4.8 million, or \$(0.09) per diluted share.

Adjusted EBITDA on a pro forma basis in 2020 was \$19.7 million compared to \$32.9 million in 2019. The lower adjusted EBITDA in 2020 was primarily due reduced revenue, as described above.

About HF Foods Group Inc.

HF Foods Group Inc., headquartered in City of Industry, California, is a leading marketer and distributor of fresh produce, frozen and dry food, and non-food products to primarily Asian/Chinese restaurants and other foodservice customers throughout the Southeast, Pacific and Mountain West regions of the United States. With 14 distribution centers along the U.S. eastern and western seaboard, HF Foods aims to supply the increasing demand for Asian American restaurant cuisine. With an in-house proprietary ordering and inventory control network, more than 10,000 established customers in 21 states, and strong relations with growers and suppliers of food products in the US and China, HF Foods Group is able to offer fresh, high-quality specialty restaurant foods and supplies at economical prices to its large and growing base of customers. For more information, please visit hffoodsgroup.com.

Non-GAAP Financial Measures

Adjusted EBITDA: The Company believes that adjusted EBITDA is a useful performance measure and can be used to facilitate a comparison of the Company's operating performance on a consistent basis from period to period and to provide for a more complete understanding of factors and trends affecting the business than GAAP measures alone can provide. Management believes that adjusted EBITDA is less susceptible to variances in actual performance resulting from depreciation, amortization and other non-



cash charges and more reflective of other factors that directly affect our operating performance. Management believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing the Company's financial performance with that of other companies in the same industry, many of which present similar non-GAAP financial measures to investors. The Company presents adjusted EBITDA in order to provide supplemental information that the Company considers relevant for the readers of our consolidated financial statements included elsewhere in its reports filed with the SEC, including its current Quarterly Report on Form 10Q, and such information is not meant to replace or supersede U.S. GAAP measures.

The following table sets forth of the calculation of adjusted EBITDA and reconciliation to net income (loss), the closest U.S. GAAP measure:

| | For the three months ended December 31, | | Change | |
|--|---|-----------|-------------|---------|
| | 2020 | 2019 | Amount | % |
| Net income | 1,716,862 | 1,512,330 | 204,532 | 13.5% |
| Interest expenses | 805,452 | 454,237 | 351,215 | 77.3% |
| Income tax provision | (2,779,305) | 481,560 | (3,260,865) | -677.1% |
| Depreciation & Amortization | 4,298,442 | 4,580,785 | (282,343) | -6.2% |
| EBITDA | 4,041,451 | 7,028,912 | (2,987,461) | -42.5% |
| Goodwill and asset impairment charges | - | - | - | - |
| Change in fair value of interest rate swap contracts | (363,918) | - | (363,918) | 100.0% |
| COVID-19 bad debt reserve | (591,164) | - | (591,164) | 100.0% |
| Non-recurring expenses* | 2,907,870 | - | 2,907,870 | 100.0% |
| Adjusted EBITDA | 5,994,239 | 7,028,912 | (1,034,673) | -14.7% |
| Percentage of revenue | 4.1% | 4.3% | -0.2% | -5.2% |

| | For the year ended December 31, | | Change | |
|--|---------------------------------|------------|---------------|----------|
| | 2020 | 2019 | Amount | % |
| Net income | (342,680,799) | 5,895,286 | (348,576,085) | -5912.8% |
| Interest expenses | 3,922,191 | 1,661,454 | 2,260,737 | 136.1% |
| Income tax provision | (4,831,731) | 2,197,092 | (7,028,823) | -319.9% |
| Depreciation & Amortization | 17,483,346 | 6,754,508 | 10,728,838 | 158.8% |
| EBITDA | (326,106,993) | 16,508,340 | (342,615,333) | -2075.4% |
| Goodwill and asset impairment charges | 338,191,407 | - | 338,191,407 | 100.0% |
| Change in fair value of interest rate swap contracts | 920,358 | - | 920,358 | 100.0% |
| COVID-19 bad debt reserve | 544,672 | - | 544,672 | 100.0% |
| Non-recurring expenses* | 6,179,956 | 375,000 | 5,804,956 | 1548.0% |
| Adjusted EBITDA | 19,729,400 | 16,883,340 | 2,846,060 | 16.9% |
| Percentage of revenue | 3.5% | 4.3% | -0.9% | -20.0% |

Forward-Looking Statements

All statements in this news release other than statements of historical facts are forward-looking statements which contain our current expectations about our future results. We have attempted to identify any forward-looking statements by using words such as "anticipates," "believes," "could," "expects," "intends," "may," "should" and other similar expressions. Although we believe that the expectations reflected in all of our forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Such statements are not guarantees of future performance



or events and are subject to known and unknown risks and uncertainties that could cause the Company's actual results, events or financial positions to differ materially from those included within or implied by such forward-looking statements. Such factors include, but are not limited to, unfavorable macroeconomic conditions in the United States, competition in the food service distribution industry, particularly the entry of new competitors into the Chinese/Asian restaurant market niche, increases in fuel costs or commodity prices, disruption of relationships with vendors and increases in product prices, U.S. government tariffs on products imported into the United States, particularly from China, changes in consumer eating and dining out habits, disruption of relationships with or loss of customers, our ability to execute our acquisition strategy, availability of financing to execute our acquisition strategy, control of the Company by our Chief Executive Officer and principal stockholder, failure to retain our senior management and other key personnel, our ability to attract, train and retain employees, changes in and enforcement of immigration laws, failure to comply with various federal, state and local rules and regulations regarding food safety, sanitation, transportation, minimum wage, overtime and other health and safety laws, product recalls, voluntary recalls or withdrawals if any of the products we distribute are alleged to have caused illness, been mislabeled, misbranded or adulterated or to otherwise have violated applicable government regulations, failure to protect our intellectual property rights, any cyber security incident, other technology disruption, or delay in implementing our information technology systems, statements of assumption underlying any of the foregoing, the continuing impact of the Covid-19 pandemic, and other factors disclosed under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019 and other filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. Except as required by law, we undertake no obligation to disclose any revision to these forward-looking statements.

Investor Relations Contact:

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HF Foods Group Inc.
Consolidated Balance Sheets

| | December 31 2020 | December 31 2019 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash | \$ 9,580,853 | \$ 14,538,286 |
| Accounts receivable, net | 24,852,212 | 50,027,134 |
| Accounts receivable - related parties, net | 1,266,573 | 4,202,870 |
| Inventories, net | 58,535,040 | 77,531,854 |
| Advances to suppliers, net | - | - |
| Advances to suppliers - related parties, net | 196,803 | 745,135 |
| Loan Receivable - HF | - | - |
| Other current assets | 4,614,164 | 4,374,338 |
| TOTAL CURRENT ASSETS | 99,045,645 | 151,419,617 |
| Property and equipment, net | 136,869,085 | 37,538,147 |
| Security deposits-related parties | - | 591,380 |
| Operating lease right-of-use assets | 931,630 | 17,155,584 |
| Long-term investments | 2,377,164 | 2,296,276 |
| Intangible assets, net | 175,797,650 | 186,687,950 |
| Goodwill | 68,511,941 | 406,703,348 |
| Long-term notes receivable - related parties | - | - |
| Security deposits | - | - |
| Deferred tax assets | 57,478 | 78,993 |
| Other long-term assets | 694,490 | 372,499 |
| TOTAL ASSETS | \$ 484,285,083 | \$ 802,843,794 |
| CURRENT LIABILITIES: | | |
| Bank overdraft | \$ 14,839,747 | \$ 14,952,510 |
| Lines of credit | 18,279,062 | 41,268,554 |
| Accounts payable | 28,391,136 | 39,689,911 |
| Accounts payable - related parties | 1,783,861 | 4,521,356 |
| Advance from customers | - | - |
| Advances from customers - related parties | - | - |
| Current portion of long-term debt, net | 5,641,259 | 2,726,981 |
| Current portion of obligations under finance leases | 286,903 | 280,243 |
| Current portion of obligations under operating leases | 308,148 | 4,322,503 |
| Other payables | - | - |
| Other payables - related party | - | - |
| Income tax payable | - | - |
| Intercompany Payable - B&R | - | - |
| Accrued expenses and other liabilities | 6,178,144 | 2,610,538 |
| Obligation under interest rate swap contracts | 993,516 | 73,158 |
| TOTAL CURRENT LIABILITIES | 76,701,776 | 110,445,754 |
| Long-term debt, net | 88,008,803 | 18,535,016 |
| Long-term debt, net of current portion - related parties | 7,000,000 | - |
| Obligations under finance leases, non-current | 766,885 | 1,053,166 |
| Obligations under operating leases, non-current | 623,482 | 12,833,081 |
| Deferred tax liabilities | 46,382,704 | 52,320,045 |
| TOTAL LIABILITIES | 219,483,650 | 195,187,062 |
| SHAREHOLDERS' EQUITY: | | |
| Preferred Stock, \$0.0001 par value, 1,000,000 shares authorized, no shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively | - | - |
| Common Stock, \$0.0001 par value, 100,000,000 shares authorized, 53,050,211 shares issued, and 52,145,096 shares outstanding as of December 31, 2019 and December 31, 2020 | 5,191.00 | 5,305 |
| Treasury Stock, at cost, 905,115 shares as of December 31, 2020 and December 31, 2019, respectively | - | (12,038,030) |
| Additional paid-in capital | 587,579,093 | 599,617,009 |
| Retained earnings | (327,150,398) | 15,823,661 |
| Total shareholders' equity attributable to HF Foods Group, Inc. | 260,433,886 | 603,407,945 |
| Noncontrolling interest | 4,367,547 | 4,248,787 |
| TOTAL SHAREHOLDERS' EQUITY | 264,801,433 | 607,656,732 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 484,285,083 | \$ 802,843,794 |



HF Foods Group Inc.
Consolidated Statements of Operations

| | For the three months ended December 31, | | For the years ended December 31, | |
|--|---|--------------------|----------------------------------|--------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Net revenue - third parties | 144,033,182 | 157,289,348 | 553,408,528 | 368,809,865 |
| Net revenue - related parties | 2,515,519 | 5,654,828 | 13,422,547 | 19,352,416 |
| TOTAL NET REVENUE | 146,548,701 | 162,944,176 | 566,831,075 | 388,162,281 |
| Cost of revenue - third parties | 118,559,094 | 131,736,765 | 453,706,426 | 306,370,972 |
| Cost of revenue - related parties | 2,448,711 | 5,410,045 | 12,833,066 | 18,582,786 |
| TOTAL COST OF REVENUE | 121,007,805 | 137,146,810 | 466,539,492 | 324,953,758 |
| GROSS PROFIT | 25,540,896 | 25,797,366 | 100,291,583 | 63,208,523 |
| DISTRIBUTION, SELLING AND ADMINISTRATIVE EXPENSES | 26,576,814 | 23,502,159 | 106,126,392 | 54,931,157 |
| INCOME (LOSS) FROM OPERATIONS | (1,035,918) | 2,295,207 | (5,834,809) | 8,277,366 |
| Other Income (Expenses) | | | | |
| Interest income | 133 | 133 | 529 | 418,530 |
| Interest expenses | (805,452) | (454,237) | (3,922,191) | (1,661,454) |
| Goodwill impairment loss | - | - | (338,191,407) | - |
| Other income | 414,874 | 152,787 | 1,355,706 | 1,057,936 |
| Change in fair value of interest rate swap contract | 363,918 | - | (920,358) | - |
| Total Other Income (Expenses), net | (26,527) | (301,317) | (341,677,721) | (184,988) |
| INCOME (LOSS) BEFORE INCOME TAX PROVISION | (1,062,445) | 1,993,890 | (347,512,530) | 8,092,378 |
| PROVISION (BENEFIT) FOR INCOME TAXES | (2,779,305) | 481,560 | (4,831,731) | 2,197,092 |
| NET INCOME (LOSS) | 1,716,860 | 1,512,330 | (342,680,799) | 5,895,286 |
| Less: net income attributable to noncontrolling interest | 124,272 | 165,926 | 293,260.00 | 505,609 |
| NET INCOME (LOSS) ATTRIBUTABLE TO HF FOODS GROUP INC. | 1,592,588 | 1,346,404 | (342,974,059) | 5,389,677 |
| Earnings (loss) per common share - basic and diluted | 0.03 | 0.06 | (6.58) | 0.22 |
| Weighted average shares - basic and diluted | 51,946,149 | 22,258,557 | 52,095,585 | 27,113,288 |

