

10-Nov-2025

HF Foods Group, Inc. (HFFG)

Q3 2025 Earnings Call

CORPORATE PARTICIPANTS

Madeleine Kettle
Vice President, ICR

Felix Lin
Chief Executive Officer & President, HF Foods Group, Inc.

Paul E. McGarry
Interim Chief Financial Officer, HF Foods Group, Inc.

OTHER PARTICIPANTS

Bill Kirk
Analyst, ROTH Capital Partners LLC

Daniel Harriman
Analyst, Sidoti & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, ladies and gentlemen, and welcome to the HF Foods Group's Third Quarter 2025 Earnings Call. All participants will be in listen-only mode. The question-and-answer session will follow the formal presentation. [Operator Instructions] Please note that this event is being recorded.

I will now hand over to Madeleine Kettle of ICR. Please go ahead.

Madeleine Kettle
Vice President, ICR

Welcome to HF Foods Group's third quarter 2025 earnings conference call. Joining me today on today's call are Felix Lin, the company's President and Chief Executive Officer; and Paul McGarry, the company's Interim Chief Financial Officer.

Before we begin, let me remind everyone that today's discussion contains forward-looking statements, based on management's current beliefs and expectations about future events, which are subject to several known and unknown risks and uncertainties.

If you refer to HF Foods' earnings release as well as the company's most recent SEC filings, you will see a discussion of factors that could cause the company's actual results to differ materially from those expressed or implied by these forward-looking statements. The company undertakes no obligation to update or revise these forward-looking statements in the future.

In these remarks, the company will make several references to non-GAAP financial measures, including adjusted EBITDA and non-GAAP diluted earnings per share. We believe these measures provide investors with a useful perspective on the underlying growth trends of the business and have included in the earnings release a full reconciliation of non-GAAP financial measures to the most comparable GAAP measures.

Now, I will turn the call over to Felix.

Felix Lin

Chief Executive Officer & President, HF Foods Group, Inc.

Hello, everyone. Welcome to HF Foods' third quarter 2025 earnings call. I'll provide a business update and Paul will speak to our third quarter financial results. Then we'll open up the line for Q&A.

I am pleased to announce that we continue our momentum in the third quarter 2025. Net revenue increased 2.9% year-over-year to \$3.07 million, and gross profit increased 0.5% to \$50.4 million. Also, notably, adjusted EBITDA increased 41.5% year-over-year to \$11.7 million. Our results reflect our continued discipline, execution against our strategic initiatives, and showcase the resilience of our business model.

Despite ongoing macro challenges, including tariff pressures and shifts in consumer spending behaviors, our transformation initiatives are paving the way for continued growth and improvement throughout the business.

Our third quarter performance demonstrated the strength of our operational focus and strategic positioning. We have been actively diversifying our supplier base and exploring alternative sourcing strategies to ensure continuity and cost effectiveness in our supply chain. Our strategic inventory management and proactive pricing actions have allowed us to effectively navigate the changing environment, while delivering solid net revenue growth and significant adjusted EBITDA growth.

We are encouraged by our strong performance in the third quarter and a solid foundation we built. While we have seen some lower food traffic, consistent with broader industry trends, this was offset by strong volume in select markets and pricing actions we have taken.

Based on our current trend, we expect Q4 result to be similar to what we achieved in Q3. We remain extremely confident in our long-term growth strategy and are committed to our capital investment in growing our capacity as we continue building momentum for the rest of the year and into 2026.

Our digital transformation initiative continues to deliver on its promise. We reached a major milestone on May 1 with the successful deployment of a new modern ERP application across our entire network. All of our locations are now operating on a single unified ERP platform that will help us to achieve breakthrough levels of efficiency, visibility, and control across our operations, unlocking the full potential of our centralized purchasing capabilities over time. I'm pleased to report that ERP system is running smoothly as planned.

The next phase of this program is focused on rationalizing our sales force with our operations to unify on a single system, we now plan to restructure our sales operation, which will reduce costs over time and further strengthen our competitive positioning.

We expect the initiative to kick off in the second half of Q4 2025 and run through the first part of Q1 2026, providing efficiencies in our sales operations. We're consolidating two sales operations into one, which we believe provides us better control over the overall sales process and provides improved customer service. This represents the final key piece to our business integration transformation.

Our strategic facility enhancement initiatives continue to advance across multiple regions, positioning us for sustained growth. Renovation at our Charlotte distribution center are largely complete with the final permits

imminent. Our state-of-the-art Atlanta facility project, which we expect will create meaningful organic growth opportunities through expanded cross-selling capabilities is on track for completion later this year.

The cold storage capacity expansion in Atlanta is expected to double our capacity in the region and enable us to significantly increase frozen seafood sales to our existing customer base along the Eastern Seaboard, meaningfully expanding our Southeast presence.

In the quarter, we announced the acquisition of our Chicago warehouse. This strategic acquisition advances HF's ongoing transformation plan to improve operational efficiency, reduce facility cost, and strengthen organic growth through cross-selling opportunities.

Acquiring the facility enable us to exit the lease agreement early, improve operating expenses, and invest in facility to grow additional capacity and drive consolidation opportunities. These exciting infrastructure investments reflect our ongoing commitment to optimizing our distribution network and creating a stronger foundation for sustainable growth.

M&A remains a core pillar of our growth strategy. HF Foods is the only scale food service provider in the Asian specialty market in the United States, and we believe we are the strategic acquirer of choice within our space. We are focused on expanding our geographic footprint in high potential markets, capturing operational synergies, broadening our customer base, and enhancing our product and service capabilities.

We remain disciplined but optimistic about M&A opportunities in 2025 and beyond. We're actively evaluating opportunities, and we believe our proven ability to successfully navigate the tariff landscape positions us uniquely to identify and execute attractive tuck-in acquisitions that will benefit from our operational expertise and scale.

Before I turn the call over, I'd like to welcome Paul McGarry, who is joining us on the first earnings call as Interim CFO of HF Foods. Paul has been a key member of our finance team as our Vice President, Corporate Controller, and brings extensive finance experience and deep knowledge of HF Foods business operations. We're grateful for his seamless leadership during this executive transition.

Now, over to you, Paul.

Paul E. McGarry

Interim Chief Financial Officer, HF Foods Group, Inc.

Thanks, Felix. I will now review our results for the third quarter ended September 30, 2025 versus the same period in 2024. Net revenue for the third quarter increased 2.9% to \$307 million, from \$298.4 million in the prior-year quarter. The increase was primarily attributable to volume increases and improved pricing in our meat, poultry and seafood categories.

Gross profit increased by 0.5% to \$50.4 million for the quarter, compared to \$50.2 million in the prior-year quarter. The increase was primarily attributable to an increase in volume and improved pricing during the quarter. Gross profit margin remained relatively consistent at 16.4%, compared to 16.8% in the same period in 2024, due to an increased proportion of sales from lower margin products, particularly seafood.

Distribution, selling and administrative, or DS&A expenses, decreased by \$0.4 million to \$49.3 million for the third quarter. DS&A expenses as a percentage of net revenue decreased to 16.1% from 16.6% in the prior-year period, primarily due to increased net revenue and lower personnel, professional insurance costs, partially offset by increased rental, occupancy and other expenses.

Income from operations for the third quarter 2025 increased to \$1.1 million, compared to \$0.5 million in the prior-year quarter. The improvement was driven by the increase in net revenue, gross profit, and decrease in DS&A costs.

Adjusted EBITDA increased 41.5% to \$11.7 million for the third quarter 2025, compared to \$8.3 million in the prior-year quarter. Total interest expense increased slightly to \$ 2.9 million for the third quarter 2025, compared to \$2.6 million in the prior-year quarter.

Net loss was \$0.9 million for the third quarter 2025, compared to a loss of \$3.8 million in the third quarter 2024. The improvement was primarily driven by an increase in net revenue, gross margin, and managing certain DS&A costs. Adjusted net income increased to \$4.3 million, compared to \$2.2 million in the prior-year period.

Loss per share improved to a loss of \$0.02 compared to a loss of \$0.07 in the prior-year period. Adjusted earnings per share increased to \$0.08 compared to \$0.04 in the prior-year period.

In summary, our third quarter results demonstrate the effectiveness of our strategic transformation initiatives and operational discipline in driving meaningful progress across our business. While we continue to navigate macro headwinds, including tariff pressures and shifting consumer patterns, our proactive approach to pricing, inventory management, and operational efficiency has enabled us to deliver growth and build momentum for the future.

These strong results reinforce our confidence in the strategic foundation we've established and position us well as we continue to execute on our growth strategy.

I'll now hand it back over to Felix for closing remarks.

Felix Lin

Chief Executive Officer & President, HF Foods Group, Inc.

Thanks, Paul. As we look ahead to the balance of 2025 and beyond, I want to emphasize our commitment to executing the comprehensive transformation initiatives that are reshaping HF Foods. 2025 is a year of strategic investment for HF, and the investments we're making in our facilities, digital infrastructure, and operations will establish a strong foundation for our next phase of growth.

While short-term uncertainties persist, we remain focused on our long-term strategic objectives. Our investments in digital transformation and infrastructure are strategically designed to drive organic growth through cross-selling opportunities, while positioning us to complement this expansion with targeted M&A initiatives.

Our key competitive advantages stem from the growing demand for authentic Asian cuisine and our unmatched position as a leading nationwide Asian specialty distributor. We're methodically building the infrastructure, systems and capabilities needed to fully capitalize on these strategic advantages.

As we move forward, we'll continue to identify and implement additional efficiency measures, while maintaining our commitment to service excellence and sustainable growth.

Thank you for your continued support as we execute our strategic transformation. We look forward to sharing our progress with you on our next call.

I'll now hand it over to the operator for live Q&A.

Operator: Thank you, sir. Ladies and gentlemen, we will now be conducting the question-and-answer session. [Operator Instructions] Our first question comes from Bill Kirk of ROTH Capital Partners. Please go ahead.

Bill Kirk

Analyst, ROTH Capital Partners LLC

Q

Hi. Hey, everybody. Good afternoon. Felix, you talked about capacity increases for 2026 – between the active projects you laid out a couple, and I guess, the possibility of M&A. How much do you think capacity increases in 2026?

Felix Lin

Chief Executive Officer & President, HF Foods Group, Inc.

A

Hey, Bill. Yeah, that's a good question. I mean, capacity-wise, right now, if we think about what we've been communicating, it's limited to the Southeast. So specifically, for Atlanta, we talk about cold storage. It's effectively going to double our capacity in the Atlanta market. So, we're moving from a 100,000-square-foot warehouse to roughly about 190,000-square-foot warehouse in that market.

Bill Kirk

Analyst, ROTH Capital Partners LLC

Q

Okay. And thinking about restructuring of the sales force, I know you kind of said it goes from 2 to 1. How much cost savings do you think you can generate through that initiative? And maybe, more importantly, how do you balance extracting those efficiencies while not losing the uniqueness that your sales force provides?

Felix Lin

Chief Executive Officer & President, HF Foods Group, Inc.

A

Yeah. I think part of the moat that we've been communicating is the fact that, again, we understand our customers, especially in the way they do business, the language and the product rationalization itself. So all of that, again, will remain the same. This is really more of an efficiency play. So over time, we'll have better control over pricing strategy, promotion with our broader program here in the future.

So again, this is one of those things that we've been prepping here for the better part of 2025. So really, we're just getting towards the end of execution itself while, at the end of the day, again, there might be some level of disruption, but it's going to be expected and planned based on everything that we've been working on internally. But I do expect going through the end of 2025, and certainly, midpoint through the Q1 2026, everything should get normalized here for us.

Bill Kirk

Analyst, ROTH Capital Partners LLC

Q

Okay. And if I can sneak one more in. Were there any standouts, or like a differential in the monthly cadence in the quarter? And then, when you're looking at the quarter-to-date period, where does that shape up versus kind of how you guided 4Q? And have you seen any impact from – potential impact from government shutdown?

Felix Lin

Chief Executive Officer & President, HF Foods Group, Inc.

A

Yeah. I mean, Q3 has largely kind of followed the trend that we saw in Q2, right. There's still the impact from tariff in terms of inventory, pricing, and certainly, foot traffic. Beginning of Q3, we saw it continuing to be a little bit

softer. But we found that nicely toward the end of Q3. And as we kind of get into Q4 as well, selected markets, I think there are going to be a little bit impact from government shutdown.

For example, Virginia, where we have a nice frozen seafood business based out of Richmond, Virginia, certainly that they – market they service have a large kind of government employee population. So the shutdowns have impacted volume and foot traffic in that selected market. But overall, going through the entirety of 2025, I think the team has done a really good job. Other markets will pick up volume.

One specific market, for example, in Salt Lake City where – not just in 2025, but over the last couple of years, we've been very effective in rationalizing our product and our business mix to kind of get rid of some of the lower margin business and free up some capacity to drive better business performance. So that's probably one of the biggest reasons why we're still able to deliver year-over-year growth for the quarter.

Bill Kirk

Analyst, ROTH Capital Partners LLC

Thank you, Felix, and good luck.



Felix Lin

Chief Executive Officer & President, HF Foods Group, Inc.

Thank you.



Operator: Our next question comes from Daniel Harriman of the Sidoti & Company. Please go ahead.

Daniel Harriman

Analyst, Sidoti & Co. LLC

Hey, guys. Good afternoon and congratulations on the continued progress. Felix, I've got two quick questions, one of which kind of follows up on the previous questions. But with 2025 being a year of investment, looking out to 2026 and 2027, how should we think about maintenance CapEx on a sustained basis year-over-year?

And then, secondly, again, referencing 2025 as a year of investment, can you just talk a little bit more about the timing of the ramp-up and how we should think about organic growth moving forward? Is it going to be – are we going to see some of that in 2026, or given the external pressures, your assumption that we may be needing to look out a little bit further? Thanks so much, guys.



Felix Lin

Chief Executive Officer & President, HF Foods Group, Inc.

Hi, Daniel. Yeah, so addressing your first question regarding CapEx, I think, on an annual basis, our typical maintenance CapEx budget [indiscernible] (00:18:40) between \$10 million to \$15 million a year. So, on a go forward basis, that's largely going to be around again driving efficiency improvements, cutting costs out within our DC operations.

In 2026, I think, CapEx might be a little bit higher just given the fact that we announced the strategic acquisition of our Chicago warehouse. And certainly, as we make more progress, trying to drive additional capacity in the Midwest market, there might be newer facility acquisition on the horizon. So for the foreseeable future, I think it's going to be more than the \$10 million or \$15 million that we have previously communicated in terms of a normal maintenance.



Getting back to the organic growth, I think, previously, we talked about it's likely going to take about three to four years in terms of ramping up once the capacity is ready. So I do believe that 2026 is going to be the first year. There will be some incremental volume gains, specifically with respect to frozen seafood in the Atlanta and Southeast market. And it's going to take, again, probably a couple of years for us to get there and fully utilize the entire new capacity that's going to come along here at the end of the year.

But I think the larger cross-selling organic growth opportunity, it's always going to be perhaps in the Midwest market. So certainly, the investment is going to go in as we plan to in 2026, which will pay dividends [indiscernible] (00:20:13) potentially 2027 and beyond.

Daniel Harriman

Analyst, Sidoti & Co. LLC

Q

Great. That's super helpful. Best of luck in the coming quarter.

Felix Lin

Chief Executive Officer & President, HF Foods Group, Inc.

A

Thank you.

Operator: [Operator Instructions] With no further questions in the question queue, we have reached the end of the Q&A session. I will now hand back to Felix Lin for closing remarks.

Felix Lin

Chief Executive Officer & President, HF Foods Group, Inc.

So again, I'd like to thank everyone for joining the call today. We're pleased with the transformational progress we've made to-date and the results we have achieved this quarter. We remain extremely confident in our long-term outlook and invite all of you to continue following the HF story. Thank you. And we look forward to updating you on our next earnings call.

Operator: Thank you. Ladies and gentlemen, that concludes this event. Thank you for attending. And you may now disconnect your lines.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2025 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.