

# HF Foods Group 1Q25 Earnings Call

**Madeleine Kettle, ICR**

Hello, everyone.

Welcome to HF Foods Group's first quarter 2025 earnings conference call. Joining me on today's call are Felix Lin, the Company's President and Chief Executive Officer, and Cindy Yao, the Company's Chief Financial Officer.

By now, everyone should have access to the earnings release for the period ending March 31, 2025 that went out Monday, May 12, at approximately 4:05 PM Eastern Time. The press release is accessible on the Company's website at [investors.hffoodsgroup.com](https://investors.hffoodsgroup.com).

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. We believe that 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, President and CEO**

Hello, everyone. Welcome to HF Foods first quarter earnings call. I will provide a business update, and Cindy will speak about our first quarter of 2025 financial results.

Following a strong finish to 2024, I am pleased to report that we have carried our momentum into the first quarter of 2025. Net revenue increased 0.9% year-over-year despite one fewer day of operations in the first quarter of 2025. Adjusted EBITDA increased 12.3% year-over-year to \$9.8 million. It is also worth noting, like many others in the foodservice space, we saw a relatively slow February, driven mainly by macro-uncertainty, which was then offset by a very strong March. So far, we have seen this momentum carry through into April, which gives us confidence in our 2025 performance.

Our results in the first quarter reflect continued disciplined execution against our strategic initiatives, even amid a dynamic and uncertain macro environment characterized by new tariffs, persistent inflationary pressures, and shifts in consumer spending behaviors. Delivering positive net revenue growth and significant Adjusted EBITDA growth under these conditions demonstrates the resilience of our business model and the strength of our operational focus.

### **Business Update**

The industry continues to face macro headwinds, particularly the uncertainty as the result of new tariff policies and related supply chain disruption. In response to the evolving tariff landscape, we have been actively diversifying our supplier base and exploring alternative sourcing strategies to ensure continuity and cost-effectiveness in our supply chain. We are encouraged by our performance in the first quarter and the solid foundation we've built. We remain extremely optimistic in our long-term plan, and we aim to continue the momentum we've built for the rest of the year.

### **Digital Transformation**

Our digital transformation initiative reached a major milestone on May 1st, when we successfully completed the implementation of a new ERP application across our entire

network. All of our locations are now operating on a single, modern ERP platform. This unified system will help us to achieve breakthrough levels of efficiency, visibility, and control across our operations, unlocking the full potential of our centralized purchasing capabilities and enabling more data-driven decision-making throughout the organization.

In parallel with the ERP rollout, we launched our new E-Commerce platform at our Utah, North Carolina and Florida DC's. This new platform, which is designed specifically for foodservice customers and distributors, will enable restaurant employees and owners to directly purchase HF Foods' authentic, high-quality specialty products using the same delivery infrastructure already serving their restaurants. This model leverages HF Foods' established global network of suppliers and robust distribution infrastructure to offer a cost-efficient, value-added channel in a seamless digital experience.

Taken together, these initiatives represent a strategic leap forward. We are confident they will serve as powerful catalysts for margin expansion, improved service levels for our customers, and long-term operational excellence.

### **Facility Upgrades**

Our strategic facility enhancement initiatives continue to advance across multiple regions. We are on track to complete renovations at our Charlotte distribution center by the end of Q2 2025. We continue to make steady progress on our Atlanta state-of-the-art facility project which we expect will create meaningful organic growth opportunities from a cross-selling perspective.

These infrastructure investments reflect our ongoing commitment to optimizing our distribution network and creating a stronger foundation for sustainable growth.

### **M&A**

HF Foods is the only scaled 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.

M&A remains a core pillar of our growth strategy. 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.

Now, over to you Cindy.

### **Cindy Yao, CFO**

Thanks Felix. I will now review our results for the first quarter ending March 31, 2025, versus the same period in 2024:

#### **First Quarter Results**

Net revenue for the first quarter increased 0.9% to \$298.4 million, from \$295.7 million in the prior year quarter. The increase was primarily attributable to volume increases and improved pricing in our Commodity, Meat and Poultry, and Seafood categories.

Gross profit increased by 1.1% to \$51.0 million for the quarter, compared to \$50.4 million in the same period in 2024. The increase was primarily attributable to an increase in margins in Commodities and Seafood during the quarter. Gross profit margin of 17.1% remained consistent with the same period in 2024.

Distribution, selling, and administrative (DS&A) expenses decreased by \$0.7 million to \$49.7 million for the first quarter, primarily due to the company's efforts in reducing professional fees. As mentioned last quarter, we have identified strategic cost optimization opportunities across key spending categories and realized some DS&A cost benefits during Q1. We also finalized our comprehensive plan to reduce cash DS&A expenses by 3-5% by the end of 2025, while preserving our core growth initiatives.

Operating income for the first quarter of 2025 was \$1.2 million, compared to operating loss of \$(0.1) million in the prior year quarter. The increase in income was driven by the

increase in net revenue and the decrease in distribution, selling, and administrative expenses.

Total interest expense decreased slightly to \$2.7 million for the first quarter of 2025 compared to \$2.8 million in the prior year quarter.

Net loss of \$1.5 million increased compared to net loss of \$0.6 million for the prior year quarter. The increase was primarily driven by an unfavorable change of approximately \$3.2 million in the fair value of interest rate swaps.

Adjusted EBITDA increased to \$9.8 million for the first quarter of 2025, compared to \$8.7 million in the prior year quarter, reflecting a 12.3% increase. This was mainly due to the decrease in DS&A expenses along with an increase in gross profit.

Thank you, and back over to you Felix.

### **Felix – Closing Remarks**

As we look ahead to 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 are 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 are methodically building the infrastructure, systems, and capabilities needed to fully capitalize on these strategic advantages.

As we move forward, we will 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.