

# HF Foods Group Inc. NasdaqCM:HFFG

## FQ2 2025 Earnings Call Transcripts

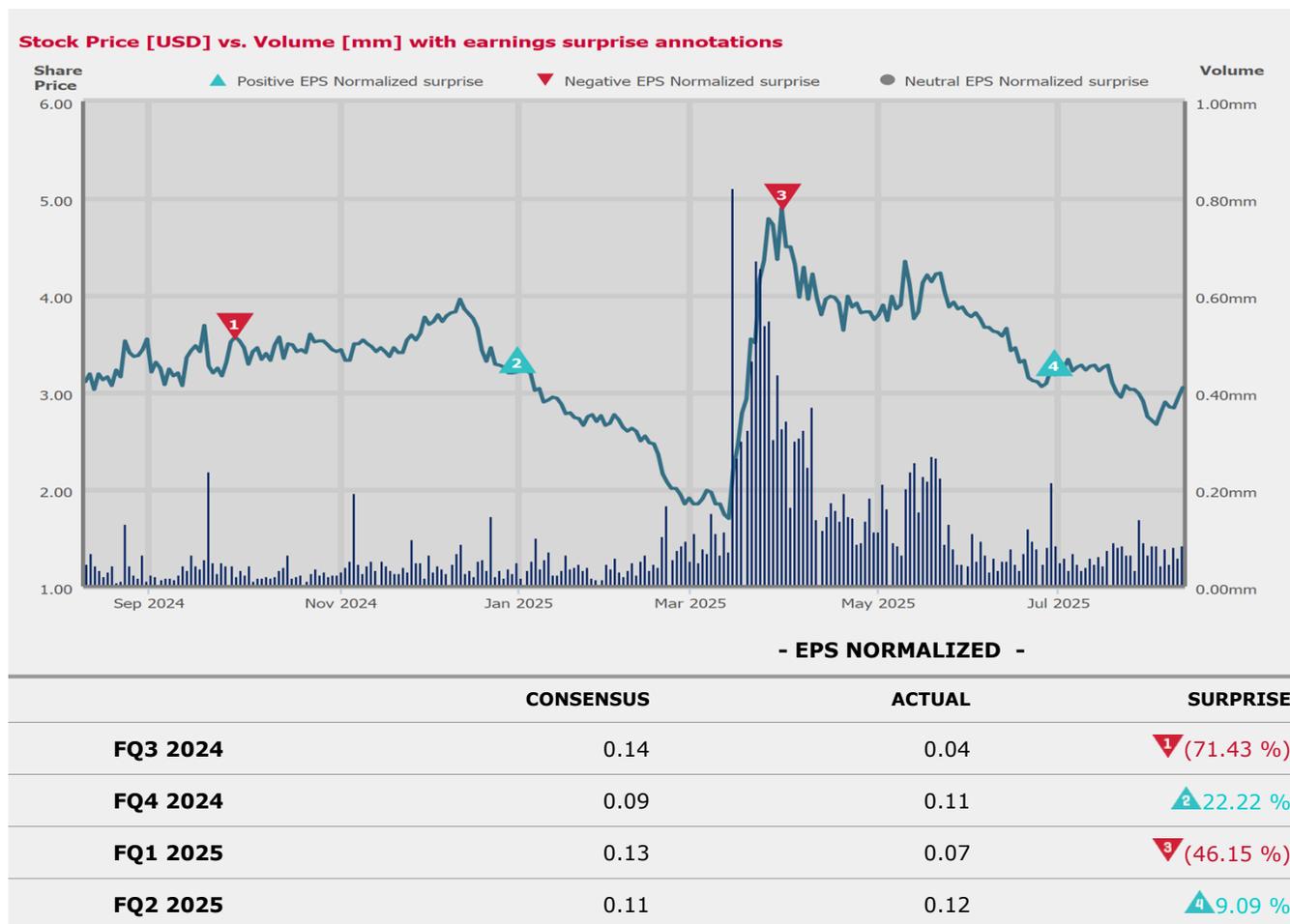
Monday, August 11, 2025 8:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2025-			-FQ3 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.11	0.12	▲9.09	0.13	0.45	0.70
Revenue (mm)	310.68	314.85	▲1.34	306.24	1228.37	1283.29

Currency: USD

Consensus as of Aug-10-2025 3:49 PM GMT



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# Call Participants

## EXECUTIVES

**Cindy Yao**

*Chief Financial Officer*

**Xi Lin**

*CEO, President & Director*

## ANALYSTS

**Daniel Scott Harriman**

*Sidoti & Company, LLC*

**Todd Morrison Brooks**

*The Benchmark Company, LLC,  
Research Division*

**William Joseph Kirk**

*ROTH Capital Partners, LLC,  
Research Division*

## ATTENDEES

**Jon DeDomenico**

# Presentation

## Operator

Ladies and gentlemen, greetings, and welcome to the HF Foods Group Second Quarter 2025 Earnings Call. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Jon DeDomenico, Vice President, Investor Relations.

## Jon DeDomenico

Hello, everyone. Welcome to HF Foods Group's Second 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.

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 as 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.

## Xi Lin

*CEO, President & Director*

Hello, everyone. Welcome to HF Foods' Second Quarter 2025 Earnings Call. I'll provide a business update, and Cindy will speak to our second quarter financial results. Then we will open up the line for Q&A.

I am pleased to announce that we continue our momentum in the second quarter of 2025 and are reporting the highest net revenue and gross profit ever recorded at HF. Net revenue increased 4.1% year-over-year to \$314.9 million and gross profit increased 5.1% to \$55.1 million. Also notably, adjusted EBITDA increased 31.1% year-over-year to \$13.8 million.

Our results reflect our continued disciplined execution against our strategic initiatives, even amid a dynamic and uncertain macro environment characterized by tariffs, persistent inflationary pressures and shifts in consumer spending behaviors. These results are a testament to the resilience of our business model and the strength of our operational focus.

Our results have been impressive despite the current business environment, including the implications of tariffs and the impact of immigration concerns creating continued economic headwinds. 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. Our strategic inventory management and proactive price increases allowed us to effectively navigate the changing environment, delivering solid net revenue growth and significant adjusted EBITDA growth. We're encouraged by our strong performance in the second quarter and the solid foundation we've built.

Consistent with what the broader industry has been experiencing, we have seen lower exit velocity and foot traffic towards the end of Q2 and continue into the beginning of Q3 as consumers pull back from spending amid economic uncertainty. There will also be natural seasonality pullback associated with Q3 as compared to Q2. That said, we remain extremely confident in our long-term growth strategy. Hence, we

are committed to our capital investment and growing our capacity. We aim to continue the momentum we built for the rest of the year.

As discussed on our last call, our digital transformation initiative reached a major milestone on May 1, with 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 am pleased to report that the ERP system has been running as planned and without issue. The next phase of this program is focused on rationalizing our sales force. With our operations unified on a single system, we now plan to restructure our sales operation, which will reduce costs over time and further strengthen our competitive positioning.

Our strategic facility enhancement initiatives continue to advance across multiple regions. We're nearing completion of renovations at our Charlotte distribution center and continue to make steady progress on our Atlanta state-of-the-art facility project, which we expect will create meaningful organic growth opportunities through expanded cross-selling capabilities.

The cold-storage capacity expansion in Atlanta will double our capacity in the region and enable us to significantly increase frozen seafood sales to our existing customer base along the eastern seaboard, significantly expanding our southeast presence. 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 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. 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 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.

Now over to you, Cindy.

**Cindy Yao**

*Chief Financial Officer*

Thanks, Felix. I will now review our results for the second quarter ended June 30, 2025, versus the same period in 2024.

Net revenue for the second quarter increased 4.1% to \$314.9 million from \$302.3 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 5.1% to \$55.1 million for the quarter compared to \$52.5 million in the prior year quarter. The gross profit margin increased 13 basis points to 17.5%. The increase was primarily attributable to an increase in volume and improved pricing during the quarter.

Distribution, selling and administrative expenses increased by \$1.2 million to \$51 million for the second quarter, driven by volume growth. DSA expenses as a percentage of net revenue decreased from 16.5% in the prior year to 16.2% for the 3 months ended June 30, 2025, primarily due to increase in net revenue and lower professional fees, partially offset by increased payroll, rental and other expenses.

Operating income for the second quarter of 2025 was \$4.1 million, up 56.9% compared with the prior year quarter. The increase in income was driven by the increase in net revenue and gross profit, partially offset by the increase in distribution, selling and administrative expense.

Adjusted EBITDA increased 31.1% to \$13.8 million for the second quarter of 2025 compared to \$10.6 million in the prior year quarter. Total interest expense decreased slightly to \$2.8 million for the second quarter of 2025 compared to \$3.1 million in the prior year quarter.

Net income increased 117% to \$0.5 million compared to the second quarter of 2024. The increase in the net income was primarily driven by the increase in net revenue and managing certain DSA costs.

GAAP diluted EPS increased to \$0.02 compared to \$0.00 in the prior year period. Non-GAAP diluted EPS increased to \$0.12 compared to \$0.04 in the prior year period.

The record net revenue and gross profit results demonstrate the effectiveness of our strategic initiatives and operational discipline. These results provide a solid foundation as we continue executing our growth strategy for the remainder of 2025.

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

**Xi Lin**

*CEO, President & Director*

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 the 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'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 over to the operator for a live Q&A.

# Question and Answer

## Operator

[Operator Instructions] Our first question comes from Bill Kirk with ROTH Capital Partners.

### **William Joseph Kirk**

*ROTH Capital Partners, LLC, Research Division*

Felix, you talked a little bit about lower exit velocity and foot traffic at the end of 2Q and into 3Q. Those sound like industry-wide comments to me. So maybe can you give us a sense for how you think Asian specialty as a subsegment fared in that tougher backdrop? And more specifically, how do you think your market share is faring in today's environment?

### **Xi Lin**

*CEO, President & Director*

Bill, I appreciate the question. Yes, I think one aspect of our industry that's a little bit unique and I mentioned it on the earnings is that we've seen a little bit of lower foot traffic here, specifically in -- towards the end of Q2 and into the Q3. It's probably market specific to some of our territories that's got a heavy agricultural presence. If you look at our book of business, 99% of our customers are all independently run restaurants. And there's a healthy mix of takeouts, dine-ins and buffet-type restaurants.

So in markets where we've seen there has perhaps been foot traffic impacted by some of the recent changes in immigration policy, we've seen a little bit of lower kind of buffet traffic specifically. So it's impacting some of the buffet restaurants specifically that use a lot of products from a seafood -- frozen seafood category standpoint. So I think that has perhaps the larger impact from a traffic standpoint versus any sort of tariff-related impact that the broader industry might have seen recently. Does that make sense?

## Operator

Bill, does that answer your question?

### **William Joseph Kirk**

*ROTH Capital Partners, LLC, Research Division*

It does. I was going to follow up. There's a handful of strategic investment projects that you're targeting for growth, including the possibility of M&A. How would you prioritize those projects? And maybe which can be funded through cash generation versus needing to raise outside capital for the project?

### **Xi Lin**

*CEO, President & Director*

Yes. Look, I mean, we have a parallel strategy going on, right? One, from an organic growth standpoint, all the investment that's going in, it's about addressing our capacity constraints. So the investment that's going in Charlotte, that's going on in Atlanta and then beyond that in other territories because we see there's a tremendous amount of cross-selling opportunity for us. It's related to the existing accounts that we currently service, but where our customers they don't have access to our full book of product just given some of the capacity constraints. So we think there's a significant opportunity over the next 3 to 5 years, probably in the range of \$200 million to \$300 million of organic growth opportunity ahead of us.

From an M&A standpoint, we're really prioritizing these first-generation operators that's looking to exit. They're much smaller businesses. And perhaps it's in markets where we already have a significant presence. So tuck-in M&A, very minimal integration effort that can help us from a share-of-the-wallet expansion standpoint and also add to the margin expansion initiative that have going on.

So I think both of this is going to require a significant amount of capital. For the most part, I think we'll be able to fund the majority of it through our own cash flow. But as we look at larger M&A targets, I think this is where we have to think about a different capital structure and perhaps get a little bit more active. So we're kind of working through and thinking about the various alternatives here from a capital standpoint.

**Operator**

Our next question comes from Daniel Harriman with Sidoti & Company.

**Daniel Scott Harriman**  
*Sidoti & Company, LLC*

Congrats on the quarter, all the more impressive considering the backdrop. I just had two questions this afternoon. First, understanding that you guys don't guide for the full year, looking out through 2025 and then into '26. Can you just help us think about your growth expectations for '25 considering what you said earlier about foot traffic? And then similarly, as you think about organic growth and we think about the long-term potential of the company, what do you think a good growth rate organically is for you guys for the next 3 to 5 years? And maybe compare that a little bit to your M&A strategy.

**Xi Lin**  
*CEO, President & Director*

Daniel, thanks for the question. Yes, if you look at 2025, I think we're coming off of a record quarter in Q4 2024, where we also continue the momentum into the first quarter and now also in the second quarter, despite, to your point, some of the uncertainties and noises that we've seen from a macro standpoint, whether it's the tariff impact potentially and then the lower foot traffic. So again, I think Q1, it was just about 1% top line revenue growth and then Q2 here, a little bit over 4%.

So we do expect, on a full year basis, we're probably still going to be trending toward that lower single digit, maybe in that 2%, 2.5% in line with what industry average is going to be for the rest of -- for the full year 2025. But again, as we look in the second half of 2025, I think there's going to be more uncertainties here. Everyone's been talking about it from a broader industry standpoint that there's a pull back from an overall consumer spending. But as I mentioned earlier, we're not letting any sort of potential short-term noises deter us from what our long-term strategic plan is, which is investing into our business, growing capacity and then over time, we can drive from a cross-selling standpoint.

And I noted earlier, I think over the next 3 to 5 years, specifically, just within our existing accounts, as long as the investment goes in and there's enough capacity, there's probably \$200 million, \$300 million worth of organic growth opportunity for us over this period of time. And then if we add on top of it, M&A opportunities, the future looks really, really good here for HF.

**Daniel Scott Harriman**  
*Sidoti & Company, LLC*

That's really helpful. Congrats again.

**Xi Lin**  
*CEO, President & Director*

Thank you.

**Operator**

[Operator Instructions] Our next question comes from Todd Brooks with Benchmark Company.

**Todd Morrison Brooks**  
*The Benchmark Company, LLC, Research Division*

Congrats on a record quarter. I wanted to lead off. Felix, you've touched on tariffs a couple of times in the discussion. I know it's been a very fluid situation. Are you getting any better sense of what the

tariff impacts might look like that are having to be passed through to customers? So trying to marry maybe potential cost pressures that they're facing and a slight decline in traffic, especially for those buffet customers to understand what sort of pressure the base might be under.

**Xi Lin**

*CEO, President & Director*

Yes. I mean what we're seeing in second quarter, it's really this kind of initial reaction, right? A lot of our customers are seeing. And I think previously, I talked about we do a really good job in terms of proactively having dialogues with our suppliers and with our customers, educating them on both fronts in terms of what's happening here from a market standpoint.

One of the advantages that we have as a business and certainly what differentiates us from a broader industry is we do not have a significant amount of commitments with our suppliers. So everything happens from a spot market standpoint. So we buy and sell product at spot. So we spend a lot of resources trying to make sure we have the right inventory level and the right type of inventory as well as we go through knowing that tariff policy is going to change given this administration's kind of preview.

So second quarter, we saw a lot of strategic pricing that have flowed through, which significantly picked up on the volume side and added to the performance. As we kind of look ahead here a little bit, I think this is where you're going to see some of this tariff impact start coming in. But as a business, we're not necessarily too concerned about tariff because again, just given the specialty business that we're in, some of this product that we're looking at, there's not a whole lot of alternatives to it. But the foot traffic is one that probably impacts our business more than anything else because if people are not going out to restaurants and spending the money in terms of dining out, then regardless what the cost is, that's going to have a bigger impact in terms of volume in the business. So we're seeing a little bit of that, again, towards the end of Q2 and the beginning of Q3 and perhaps things are going to change here a little bit as we get into the rest of Q3.

There is still a bit of uncertainty. If you look at the amount of frozen seafood business that we do, there's still the question mark in terms of what the tariff is going to be for India. We do buy a good bit of frozen seafood, shrimp specifically from India. So it's currently set at 25%, potentially going to 50%, but it's subject to change. So we're still monitoring that situation very closely. But again, we're doing a fairly good job in terms of managing our inventory. I think at the end of Q2, our inventory level is probably at its highest level in a very, very long time, and it's all due to strategic planning in terms of what might happen in the second half of the year.

**Todd Morrison Brooks**

*The Benchmark Company, LLC, Research Division*

That's great. And you talked about some strategic pricing actions. Can you decompose the 4% revenue growth between price and volume growth? .

**Xi Lin**

*CEO, President & Director*

We just implemented a brand-new system. ERP started a complete wrap up here on May 1. So it's going to take a little bit of time, at least a year or so to kind of digest, everyone getting the same platform. But I will say majority of the increase is perhaps due to better pricing, which also drove some volume increases because naturally, if people are concerned about tariff impact, there's probably a good bit of pull forward pre-buys here. But again, we're not talking about a significant amount that's going to change quarter-to-quarter just given most of our restaurant customers have very limited real estate spaces. So at most, it's probably a week or 2 pull forward. But again, I think a good bit of is tied down to pricing itself.

**Todd Morrison Brooks**

*The Benchmark Company, LLC, Research Division*

Okay. Great. And the last one, if I can. You talked about the ERP implementation. Congrats on getting that in the rear view, obviously. Wondering what the lag is between implementation and efficiency as you're

starting to think about margin planning into '26? And I know you talked about the first step being maybe some sales force consolidation. But kind of what's the path now to start extracting efficiencies? And have you sized what the margin benefit from ERP could be for '26?

**Xi Lin**

*CEO, President & Director*

Yes. If we look at what happened in the last 12, 18 months or so, right, I talked about, we spend a lot of time on the frozen seafood category. And certainly, this year, we're expanding into other major big volume categories such as sugar, rice, maybe some other specialty products. So I do think there's some opportunity there. But it's really hard to gauge exactly what the margin expansion opportunity is going to be for us from a percentage standpoint because, again, the uniqueness about our business is that we buy and sell everything at a spot market versus some of the larger broadliners where they have significant contracts in place, whether it's with their suppliers or with their chain customers and things. It's a lot more consistent and stable.

So I think going through our results here in the last 6 or 7 quarters, one of the key metrics that we focus on is expanding -- expansion of the gross profit dollar itself, which I think we've seen a pretty good improvement. But overall, I think one of the focus that we want to do is, again, whether it's cross-selling, expanding the organic sales opportunity or M&A is getting to the point that we can hit a 5% EBITDA margin. That's what our ultimate goal is over the next 3 to 5 years.

**Operator**

Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Felix Lin for closing comments.

**Xi Lin**

*CEO, President & Director*

So thanks, everyone, for joining us today. We're obviously very pleased with our latest quarterly results as we continue to build positive momentum. We're absolutely laser-focused on executing our long-term strategic plan and continue to deliver value to our shareholders over time.

If you have any follow-up questions, please feel free to reach out to our Investor Relations team. And thank you very much for your time today. We look forward to talking to you guys again at our next quarterly call.

**Operator**

Thank you. This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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