



Where Food Comes From, Inc. Reports 2020 Third Quarter and Nine-Month Financial Results

Third Quarter Highlights – 2020 vs. 2019

- Revenue nearly flat at \$6.2 million despite pandemic-related decline in non-beef verification categories due to restrictions in on-site auditing activity
- Gross margin increased to 44.6% from 41.5% based on growth in higher-margin beef verifications and related tag sales
- Net income attributable to WFCF increased 35% to \$730,000 from \$541,000; EPS of \$0.03 vs. \$0.02
- Adjusted EBITDA increased 28% to \$1.3 million from \$1.0 million

Nine-Month Highlights – 2020 vs. 2019

- Revenue down 4% to \$14.5 million from \$15.1 million
- Gross margin increased to 44.6% from 42.1%
- Net income attributable to WFCF increased 11% to \$840,000 from \$759,000
- Adjusted EBITDA increased 5% to \$2.0 million from \$1.9 million
- Cash generated from operations of \$2.2 million, down from \$2.3 million

CASTLE ROCK, Colorado – November 5, 2020 – Where Food Comes From, Inc. (WFCF) (OTCQB: WFCF), the most trusted resource for independent, third-party verification of food production practices in North America, today announced its 2020 third quarter and nine-month financial results.

“Customer demand for beef-related products and services remained strong in the third quarter as producers and packers continued to prioritize premium verifications and momentum around our BeefCARE™ program continued to grow,” said John Saunders, chairman and CEO. “The strong growth of our beef business nearly offset the pandemic-related decline in auditing activity for pork, poultry, dairy and egg customers, who are delaying audits due to restrictions on third-party access to their more enclosed production environments. Once restrictions ease as the pandemic is brought under control, we expect these audits to resume in earnest and will be prepared for the expected surge in demand.

“Our positive revenue performance, which comes at a time when many companies are reporting sharp declines in revenue year over year, underscores the importance of the diverse revenue mix we have built over the past 10 years through both M&A activity and internal development of new verification services,” Saunders added. “In addition, our focus on higher-margin beef products and services, coupled with a reduction in SG&A expenses year over year, resulted in the most profitable quarter in Company history. Gross margins improved by 310 basis points in the third quarter and net income attributable to WFCF grew by 35% to a record \$730,000, or \$0.03 per share. We continued to generate positive cash flows from operations in the third quarter and have a strong balance sheet with \$3.9 million in working capital and \$4.9 million in cash, cash equivalents and short-term investments.”

Third Quarter Results – 2020 vs. 2019

Revenue in the third quarter ended September 30, 2020, was essentially flat year-over-year at \$6.2 million. An increase in beef-related audits and an associated jump in tag sales nearly offset sharply lower verification

revenue from poultry, pork, dairy and egg customers due to COVID-19 restrictions on on-site audits. Revenue mix included:

- Verification and certification services, down 10% to \$4.3 million from \$4.8 million.
- Product revenue, up 25% to \$1.4 million from \$1.1 million.
- Software license, maintenance, and support (excluding intercompany sales), up 8% to \$245,000 from \$227,000.
- Software-related consulting services (excluding intercompany sales), up 77% to \$283,000 from \$160,000.

Gross profit in the third quarter increased to \$2.8 million from \$2.6 million. Gross margin increased to 44.6% from 41.5% due primarily to an increase in higher-margin tag sales and beef audits.

Selling, general and administrative expense decreased 8% in the third quarter to \$1.8 million from \$2.0 million in the same quarter last year.

Operating income increased 56% in the third quarter to \$956,000 from \$614,000 in the same quarter last year.

Net income attributable to Where Food Comes From, Inc. in the third quarter increased 35% to \$730,000, or \$0.03 per share, from net income of \$541,000, or \$0.02 per share, in the same quarter last year.

Adjusted EBITDA in the third quarter increased 28% to \$1.3 million from \$1.0 million in the same quarter last year.

Nine-Month Results – 2020 vs. 2019

Total revenue for the nine-month period ended September 30, 2020, decreased 4% to \$14.5 million from \$15.1 million in the same period last year. Revenue mix included:

- Verification and certification services, down 10% to \$10.2 million from \$11.3 million.
- Product revenue, up 22% to \$2.9 million from \$2.4 million.
- Software license, maintenance, and support (excluding intercompany sales), down 24% to \$625,000 from \$822,000.
- Software-related consulting services (excluding intercompany sales), up 39% to \$799,000 from \$576,000.

Gross profit for the nine-month period increased 2% to \$6.5 million from \$6.3 million. Gross margin increased to 44.6% from 42.1% based on a shift in revenue mix to higher margin services and products.

Selling, general and administrative expense decreased 4% year over year to \$5.4 million from \$5.6 million.

Operating income increased 49% year over year to \$1.1 million from \$717,000.

Net income attributable to Where Food Comes From, Inc. increased 11% year over year to \$840,000, or \$0.03 per share, from \$759,000, or \$0.03 per share, in the prior year.

Adjusted EBITDA increased 5% year over year to \$2.0 million from \$1.9 million.

The Company generated \$2.2 million in net cash from operations in the first nine months of 2020, down 7% from \$2.3 million in the same period last year.

The cash, cash equivalents and short-term investments balance at September 30, 2020, increased 69% to \$4.9 million from \$2.9 million at 2019 year-end. The Company had \$3.9 million in working capital at September 30, 2020, up from \$3.1 million at 2019 year-end.

The Company will conduct a conference call today at 10:00 a.m. Mountain Time.

Call-in numbers for the conference call:

Domestic Toll Free: 1-877-407-8289

International: 1-201-689-8341

Conference Code: 13712011

Phone replay:

A telephone replay of the conference call will be available through December 4, 2020, as follows:

Domestic Toll Free: 1-877-660-6853

International: 1-201-612-7415

Conference Code: 13712011

About Where Food Comes From, Inc.

Where Food Comes From, Inc. is America's trusted resource for third party verification of food production practices. Through proprietary technology and patented business processes, the Company supports more than 15,000 farmers, ranchers, vineyards, wineries, processors, retailers, distributors, trade associations, consumer brands and restaurants with a wide variety of value-added services. Through its IMI Global, International Certification Services, Validus Verification Services, SureHarvest, A Bee Organic and Sterling Solutions units, Where Food Comes From solutions are used to verify food claims, optimize production practices and enable food supply chains with analytics and data driven insights. In addition, the Company's Where Food Comes From® retail and restaurant labeling program uses web-based customer education tools to connect consumers to the sources of the food they purchase, increasing meaningful consumer engagement for our clients.

***Note on non-GAAP Financial Measures**

This press release and the accompanying tables include a discussion of EBITDA and Adjusted EBITDA, which are non-GAAP financial measures provided as a complement to the results provided in accordance with generally accepted accounting principles ("GAAP"). The term "EBITDA" refers to a financial measure that we define as earnings (net income or loss) plus or minus net interest plus taxes, depreciation and amortization. Adjusted EBITDA excludes from EBITDA stock-based compensation and, when appropriate, other items that management does not utilize in assessing WFCF's operating performance (as further described in the attached financial schedules). None of these non-GAAP financial measures are recognized terms under GAAP and do not purport to be an alternative to net income as an indicator of operating performance or any other GAAP measure. We have reconciled Adjusted EBITDA to GAAP net income in the Consolidated Statements of Income table at the end of this release. We intend to continue to provide these non-GAAP financial measures as part of our future earnings discussions and, therefore, the inclusion of these non-GAAP financial measures will provide consistency in our financial reporting.

CAUTIONARY STATEMENT

This news release contains "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, based on current expectations, estimates and projections that are subject to risk. Forward-looking statements are inherently uncertain, and actual events could differ materially from the Company's predictions. Important factors that could cause actual events to vary from predictions include those discussed in our SEC filings. Specifically, statements in this news release about industry leadership and demand for, and impact and efficacy of, the Company's products and services on the marketplace; ability to continue posting positive financial results; and expectations for a surge in demand for certain audits when the

pandemic subsidies are forward-looking statements that are subject to a variety of factors, including availability of capital, personnel and other resources; competition; governmental regulation of the agricultural industry; the market for beef and other commodities; and other factors. Financial results for the third quarter and nine-month period are not necessarily indicative of future results. Readers should not place undue reliance on these forward-looking statements. The Company assumes no obligation to update its forward-looking statements to reflect new information or developments. For a more extensive discussion of the Company's business, please refer to the Company's SEC filings at www.sec.gov.

Company Contacts:

John Saunders
Chief Executive Officer
303-895-3002

Jay Pfeiffer
Pfeiffer High Investor Relations, Inc.
303-880-9000