

Reborn Coffee Provides Third Quarter 2024 Corporate Update and Financial Results

BREA, Calif., Nov. 20, 2024 (GLOBE NEWSWIRE) -- Reborn Coffee Inc. (Nasdaq: REBN), a leader in the specialty coffee industry, has reported its financial and operational results for the third quarter ended September 30, 2024.

Key Financial and Operational Highlights

- Despite higher food costs, in the nine months ending September 30, 2024, revenue was steady at \$4.1 million as compared to the same period revenue in 2023.
- Company-operated store gross margins for nine months ended September 30, 2024, increased to 72% compared to 68% for the same period in 2023.
- Ended Q3'24 with 12 open locations, with 1 location in development.
- Q3'24 wholesale and online sales grew 432% to \$140,407 from \$26,401 in Q3'23.

Q3 2024 and Subsequent Events

- Acquired a 58% stake in Bbang Ssaem Bakery, one of Korea's most iconic bakery brands with an estimated \$7 million trailing twelve months revenue through November, 2024, serving as a launchpad for Reborn Coffee's entry into the South Korean franchise market and deliver premium coffee and bakery experiences to new locations.
 - Landmark distribution agreement through Bbang Ssaem Bakery F&B will bring Reborn's preservative-free, signature baked goods to approximately 8,000 stores of a major coffee chain across South Korea.
- Strategic joint venture with Gaingan Humantech Co. LTD to open three new Reborn Coffee locations in Bangkok, Thailand.
- Announced a significant expansion into the China market through a strategic Master License Agreement with Chengdu Octaday Entertainment Group, facilitated by Reborn China, to establish premier locations in Chengdu, the capital of the Sichuan Province.
- Closed a Master License Agreement ("MLA") with Shenyang Yongsheng Seven Stars Tourism Development Co. that will establish Reborn Coffee premier locations in Shenyang, the capital of Liaoning Province. The Shenyang flagship store will, with its all-encompassing brand center, lays the foundation for a broader expansion across China.
- Strategic joint venture with China's AI company Penglai Data Store to Lead and develop master franchises in China, Hong Kong and Macao.
- Set to launch new cold brew Fruit Infused, including the Miami Passion blend, nationwide, capturing U.S. demand for premium ready-to-drink options as the brand builds on its success.
- Introduced new innovative, IF Design Award-winning patented coffeeware for global distribution, starting with the highly anticipated Reborn Tumbler.

Management Commentary

"During the quarter we continued our aggressive global initiatives across Asia, as we continued to face US domestic headwinds in the food and beverage markets," said Jay Kim, Chief Executive Officer of Reborn. "At our US company-operated retail locations a combination of rising input costs, heightened consumer price sensitivity, and increased capital costs affected gross margins during the quarter. To address these challenges, we continue to optimize operating expenses while maintaining a strong Average Unit Volume ("AUV") comparable to previous periods. We believe our growing international presence, introduction of innovative new products, rapidly expanding online ecommerce sales, and targeted marketing initiatives will deliver on our comprehensive growth strategy in the long term.

"US wholesale and online ecommerce sales, enhanced by our Amazon presence, drove substantial year over year revenue growth of 432% during the third quarter. Our OMNI-channel strategy to capture a wider online customer base integrates our online and offline presence and underscores our commitment to innovation and strategic expansion across all markets. To support this segment, we introduced a line of IF Design Award-winning patented coffeeware for

global distribution, starting with the highly anticipated Reborn Tumbler. The Reborn Coffee Tumbler and additional coffeeware products will be available soon on our online e-commerce platforms and through our B2B partners. In addition, a limited-edition Cold Brew blend, which combines Reborn's signature coffee with tropical Passion Fruit, is set to expand nationwide focusing on retail locations and e-commerce platforms.

"Throughout 2024 we have worked to expand and diversify our global operations with strategic partnerships across Asia, Eastern Europe, and the Middle East. In the Chinese provinces of Liaoning, Guangdong and Sichuan alone, we are targeting the opening of 100 new locations over the next two years. Our ambitions extend beyond these regions, and we have established a target of over 300 locations worldwide within the next two years designed to establish Reborn Coffee as a household name across continents, from Asia to the Americas. As we continue to penetrate new markets, we are poised to redefine the future of specialty coffee on a global scale.

"In China, a strategic MLA with Chengdu Octaday Entertainment Group, facilitated by Reborn China, will establish Reborn Coffee's premier locations in Chengdu, the bustling capital of Sichuan Province, a region known for its rich cultural heritage and home to over 83 million people. Also in China, an MLA with Shenyang Yongsheng Seven Stars Tourism Development Co. will establish Reborn Coffee premier locations in Shenyang, the capital of Liaoning Province. This transformative partnership will establish Reborn Coffee's premier locations in Shenyang, the bustling capital of Liaoning Province, home to over 43 million people. A strategic partnership and joint venture with Penglai Data Store (Shenzhen), a prominent China AI database company led by CEO Alex Guo and Reborn China is poised to transform the coffee industry in China by incorporating advanced AI technology into every new franchise in the region.

"In Thailand, we recently we partnered with Gaingan Humantech in a joint venture to expand our presence in the country with three new Reborn Coffee locations in Bangkok. The flagship location of the joint venture will be at One Bangkok, a landmark mixed-use development in the heart of Thailand's capital.

"Most recently we announced the successful acquisition of a 58% stake in Bbang Ssaem Bakery, a leading bakery chain with 31 locations across South Korea. This acquisition follows the previously signed MOU between the two companies, solidifying our commitment to expanding our offerings and establishing a strong presence in the bakery sector. This acquisition also serves as a launchpad for Reborn Coffee's entry into the South Korean franchise market, delivering premium coffee and bakery experiences to new locations through a scalable and accessible model. Additionally, the estimated \$7 million trailing twelve months revenue generated by Bbang Ssaem through November, 2024, positions Reborn Coffee to leverage the synergies and drive revenue for both companies. Bbang Ssaem Bakery forged a major distribution agreement with a leading Korean coffee chain to enable us to expand to our presence in South Korea through an 8,000 store bakery distribution partnership, significantly increasing our market presence and revenue potential.

"Looking ahead and into 2025, at our US retail locations and ecommerce, we will continue to focus on driving sales and improving gross profit, enhanced by new beverages, complementary product launches, and new company-owned retail locations. Through our global initiatives, we are laying the foundation with our partners for a broader expansion first in Asia, Eastern Europe, and the Middle East in some of the world's fastest-growing coffee markets, with a longer-term goal of establishing a global presence for the Reborn Coffee brand. We look forward to additional updates on our anticipated milestones in the weeks and months to come," concluded Kim.

Anticipated Milestones

- Expand more rapidly across South Korea, leveraging Bbang Ssaem Bakery 's established presence in the Korean market and a new franchise initiative.
- Capture notable share of the growing RTD coffee segment with the nationwide rollout of Cold Brew line.
- Open three new Reborn Coffee locations in Bangkok, Thailand, including a flagship location at One Bangkok, a landmark mixed-use development.
- Establish flagship store in the iconic New Century Global Center, located in Chengdu, the capital of Sichuan

Province.

- Global rollout of patented coffeeware, targeting key markets, including the U.S., China, and Southeast Asia.
- Establish locations in Shenyang, the capital of Liaoning Province, including a flagship store.
- Incorporating advanced AI technology into new franchises in the China region, followed by the United States.
- Establish flagship in Dubai, UAE and 20 more stores across the UAE, plus a distribution center for the Middle East, and roasting and warehouse facilities.
- Establish flagship store in Guangzhou, China, followed by additional locations in Shanghai and Shenzhen.

Third Quarter 2024 Financial Results

Revenues were \$1.3 million for the three months ended September 30, 2024, compared to \$1.5 million for the comparable period in 2023, representing a decrease of 17%. The decrease in sales for the period was primarily due to the closure of underperforming stores. For the nine months ended September 30, 2024, revenues were \$4.1 million, compared to \$4.2 million in the prior year period, a decrease of 8%.

Company-operated store gross profit was \$0.7 million for the three-month period ended September 30, 2024, compared to \$1.0 million for the comparable period in 2023. Q3'24 company-operated store gross margins decreased to 61% compared to 70% for the same period in 2023.

Wholesale and online revenue for the third quarter of 2024 was \$140,407, an increase of 432% from \$26,401 in the third quarter of 2023.

Total operating costs and expenses for the three-month period ended September 30, 2024, were \$2.0 million compared to \$2.2 million for the comparable period in 2023.

Net loss for the third quarter of 2024 was \$0.7 million, compared to a net loss of \$0.7 million for the third quarter of 2023.

Net cash used in operating activities for the nine months ended September 30, 2024, was \$3.3 million, compared to \$3.0 million for the nine months ended September 30, 2023.

Cash and cash equivalents totaled \$0.1 million as of September 30, 2024, compared to \$0.2 million as of December 31, 2023.

About Reborn Coffee

Reborn Coffee, Inc. (NASDAQ: REBN) is focused on serving high quality, specialty-roasted coffee at retail locations, kiosks, and cafes. Reborn is an innovative company that strives for constant improvement in the coffee experience through exploration of new technology and premier service, guided by traditional brewing techniques. Reborn believes they differentiate themselves from other coffee roasters through innovative techniques, including sourcing, washing, roasting, and brewing their coffee beans with a balance of precision and craft. For more information, please visit www.reborncoffee.com.

Forward-Looking Statements

All statements in this release that are not based on historical fact are "forward-looking statements." While management has based any forward-looking statements included in this release on its current expectations, the information on which such expectations were based may change. Forward-looking statements involve inherent risks and uncertainties which could cause actual results to differ materially from those in the forward-looking statements, as a result of various factors including those risks and uncertainties described in the Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations sections of our recent filings with the Securities and Exchange Commission ("SEC") including our Form 10-Q for the third quarter of 2024, which can be found on the SEC's website at www.sec.gov. Such risks, uncertainties, and other factors include, but are not limited to, the Company's ability to

continue as a going concern as indicated in an explanatory paragraph in the Company's independent registered public accounting firm's audit report as a result of recurring net losses, among other things, the Company's ability to successfully open the additional locations described herein as planned or at all, the Company's ability to expand its business both within and outside of California (including as it relates to increasing sales and growing Average Unit Volumes at our existing stores), the degree of customer loyalty to our stores and products, the impact of COVID-19 on consumer traffic and costs, the fluctuation of economic conditions, competition and inflation. We urge you to consider those risks and uncertainties in evaluating our forward-looking statements. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to update these statements for revisions or changes after the date of this release, except as required by law.

Contacts

Investor Relations Contact:

Chris Tyson

Executive Vice President

MZ North America

REBN@mzgroup.us

949-491-8235

Company Contact:

Reborn Coffee, Inc.

ir@reborncoffee.com

Reborn Coffee, Inc. and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets

	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 105,863	\$ 164,301
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$0, respectively	76,809	56,938
Inventories, net	251,604	185,061
Prepaid expense and other current assets	934,301	359,124
Total current assets	<u>1,368,577</u>	<u>765,424</u>
Property and equipment, net	3,950,555	3,494,050
Operating lease right-of-use asset	3,993,507	4,566,968
Other assets	328,628	425,712
Total assets	<u><u>\$ 9,641,267</u></u>	<u><u>\$ 9,252,154</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 528,693	\$ 632,753
Accrued expenses and current liabilities	825,562	611,290
Loans payable to financial institutions, current	97,352	791,352
Loans payable to others	795,813	609,027
Loans payable to shareholders	-	100,000
Loan payable, emergency injury disaster loan (EIDL), current	30,060	30,060
Loan payable, payroll protection program (PPP), current	37,494	45,678
Operating lease liabilities, current	1,006,603	1,003,753
Total current liabilities	<u>3,321,577</u>	<u>3,823,913</u>
Loans payable to financial institutions, net of current	-	335,147
Loan payable, emergency injury disaster loan (EIDL), net of current	469,940	469,940
Loan payable, payroll protection program (PPP), net of current	24,452	51,595
Operating lease liabilities, net of current	3,159,034	3,725,153
Total liabilities	<u>6,975,003</u>	<u>8,405,748</u>
Commitments and Contingencies		
Stockholders' equity		
Common Stock, \$0.0001 par value, 40,000,000 shares authorized; 3,335,657 and 1,866,174 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	334	187
Preferred Stock, \$0.0001 par value, 1,000,000 shares authorized; no shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	-	-
Additional paid-in capital	22,482,975	17,603,143
Accumulated deficit	(19,783,828)	(16,756,924)
Accumulated other comprehensive income (loss)	(33,217)	-
Total stockholders' equity	<u>2,666,264</u>	<u>846,406</u>
Total liabilities and stockholders' equity	<u><u>\$ 9,641,267</u></u>	<u><u>\$ 9,252,154</u></u>

Reborn Coffee, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Operations

	<i>Nine Months Ended</i>		<i>Three Months Ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
Net revenues:				
Stores	\$ 3,784,728	\$ 4,091,512	\$ 1,118,522	\$ 1,487,858
Wholesale and online	365,164	63,991	140,407	26,401
License income	-	-	-	-
Total net revenues	<u>4,149,892</u>	<u>4,155,503</u>	<u>1,258,929</u>	<u>1,514,259</u>
Operating costs and expenses:				
Product, food and drink costs - stores	1,071,764	1,324,465	441,349	442,163
Cost of sales-wholesale and online	159,942	28,028	5,921	11,564
General and administrative	5,844,057	5,687,095	1,536,357	1,793,246
Total operating costs and expenses	<u>7,075,763</u>	<u>7,039,588</u>	<u>1,983,627</u>	<u>2,246,973</u>
Loss from operations	<u>(2,925,871)</u>	<u>(2,884,085)</u>	<u>(724,698)</u>	<u>(732,714)</u>
Other income (expense):				
Other income (expense)	49,594	10,172	13,265	10,172
Interest expense	(149,827)	(124,967)	(7,515)	(18,532)
Total other expense, net	<u>(100,233)</u>	<u>(114,795)</u>	<u>5,750</u>	<u>(8,360)</u>
Loss before income taxes	<u>(3,026,104)</u>	<u>(2,998,880)</u>	<u>(718,948)</u>	<u>(741,074)</u>
Provision for income taxes	800	7,828	800	7,828
Net loss	<u>\$(3,026,904)</u>	<u>\$(3,006,708)</u>	<u>\$(719,748)</u>	<u>\$(748,902)</u>
Loss per share:				
Basic and diluted	<u>\$(1.40)</u>	<u>\$(1.82)</u>	<u>\$(0.30)</u>	<u>\$(0.45)</u>
Weighted average number of common shares outstanding:				
Basic and diluted	<u>2,165,841</u>	<u>1,652,034</u>	<u>2,420,628</u>	<u>1,654,698</u>

Reborn Coffee, Inc. and Subsidiaries
Unaudited Consolidated Statements of Cash Flows

Nine Months Ended
September 30,

2024 **2023**

Cash flows from operating activities:		
Net loss	(3,026,904)	(3,006,708)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Stock compensation	-	285,000
Operating lease	10,192	30,732
Depreciation	184,554	198,654
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(19,871)	(13,033)
Decrease (increase) in inventories	(66,543)	(33,938)
Decrease (increase) in other assets, net	(478,093)	(605,118)
Increase (decrease) in accounts payable	(137,277)	210,470
Increase (decrease) in accrued liabilities, net	214,277	(56,851)
Net cash used in operating activities	<u>(3,319,670)</u>	<u>(2,990,792)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(641,059)	(746,426)
Net cash used in investing activities	<u>(641,059)</u>	<u>(746,426)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock	4,879,979	-
Repayment of borrowings from shareholder	(100,000)	
Proceeds from loan payable to others	186,786	-
Proceeds from line of credit	-	1,009,027
Repayment of loan payable, PPP	(35,327)	(35,327)
Proceeds from loan payable, mortgage	-	2,850,000
Repayment of loan payable, mortgage		(2,850,000)
Proceeds from loan payable to financial institutions	-	286,032
Repayments of loan payable to financial institutions	(1,029,147)	(177,598)
Net cash provided by financing activities	<u>3,902,291</u>	<u>1,082,134</u>
Net increase (decrease) in cash	(58,438)	(2,655,084)
Cash at beginning of year	164,301	3,019,035
Cash at end of year	<u>105,863</u>	<u>363,951</u>
Supplemental disclosures of non-cash investing and financing activities:		
Issuance of common shares for compensation	-	285,000
Converting credit line to equity		
Supplemental disclosure of cash flow information:		
Cash paid during the years for:		
Lease liabilities and assets	<u>1,169,606</u>	<u>900,978</u>
Interest	<u>149,827</u>	<u>124,967</u>

