

Reborn Coffee Provides Second Quarter 2024 Corporate Update and Financial Results

BREA, Calif., Aug. 20, 2024 (GLOBE NEWSWIRE) -- Reborn Coffee Inc. (Nasdaq: REBN), ("Reborn", or the "Company"), a leading specialty coffee retailer in the US, has reported its financial and operational results for the second quarter ended June 30, 2024.

Key Financial and Operational Highlights

- Six months ending June 30, 2024 revenue increased 11.54% to \$2.9 million.
- Q2'24 company-operated store gross margins improved to 72.9% compared to 65.3% for the same period in 2023.
- Ended Q2'24 with 11 open locations, with 1 location in development.
- Q2'24 wholesale and online sales grew 633% to \$0.2 million from \$24,320 in Q2'23.

Q2 2024 and Subsequent Events

- Strategic joint venture with China's AI company Penglai Data Store to Lead and develop master franchises in China, Hong Kong and Macao.
- Signed Memorandum of Understanding ("MOU") to acquire Bbang Ssaem Bakery, one of Korea's most iconic bakery brands to upgrade footprint into the coffee and bakery sector, enhance offerings and solidify position as a premier coffee & bakery franchise in the US and South Korea.
- Closed a master licensing deal that will facilitate Reborn Coffee's dynamic entry into the vibrant United Arab Emirates ("UAE") market, with its first flagship location set to open in Dubai.
- Launched on Amazon, expanding omni-channel strategy for e-commerce growth, aiming to drive substantial revenue growth and capture a wider online customer base.
- 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.
- Closed a Master License Agreement ("MLA") with IAID Co., Ltd., a visionary architectural and interior design consulting firm, and unveiled a major global expansion for premium brand growth in China and southeast Asia, including in-depth plan for opening first flagship store in the Historic Art Museum Building in Guangzhou, China.
- Signed a Letter of Intent ("LOI") to acquire a 55% majority stake in Derin Lezzetler, a leading artisan snack and frozen bakery producer based in Istanbul, Turkey, a strategic move in Reborn Coffee's expansion into the health-conscious food market and its plans to further penetrate the US, Europe, Middle East, and Asia Pacific regions.

Management Commentary

"Despite challenges in the food and beverage markets, including rising input costs, heightened consumer price sensitivity, and increased capital costs, Reborn Coffee has successfully optimized operating expenses while maintaining a strong Average Unit Volume ("AUV") comparable to previous periods," said Jay Kim, Chief Executive Officer of Reborn.

"During the second quarter, we were highly focused on initiatives to diversify and expand our global operations as we continue to grow revenues. New global partnerships in Asia, Eastern Europe, and the Middle East have significantly expanded our global footprint and diversified our operations. In the US, our growing ecommerce presence fueled an impressive 633% revenue growth in our wholesale and online segment, underscoring our commitment to innovation and strategic expansion across all markets.

"At our US company operated retail locations, we continued to focus on driving sales and enhancing gross profit has

yielded impressive results. While we made the strategic decision to close underperforming stores, our introduction of innovative new products and targeted marketing initiatives have significantly boosted performance. As a result, we achieved a 760 basis point improvement in year-over-year store margins in the second quarter, reaching an impressive 72.9%.

"To expand our brand in Asia, we most recently announced an 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, reinforcing Reborn Coffee's position in one of the world's fastest-growing coffee markets.

"We also announced a strategic partnership and joint venture with a prominent China AI Database Company - Penglai Data Store (Shenzhen), led by CEO Alex Guo, which develops the high performance AI database software - HetuKV optimizing the AI learning and training process for businesses. This collaboration signifies the official launch of Reborn China, an innovative venture poised to transform the coffee industry in China by incorporating advanced AI technology into every new franchise in the region. Reborn China will be responsible for managing the recently acquired master license agreement in Guangzhou and will also oversee all future master region licenses across China.

"During the quarter we closed an MLA in partnership with Reborn UAE, led by CEO Mahmood Arjomand, will facilitate our dynamic entry into the vibrant UAE market. Under this agreement, we will collaborate to establish Reborn Coffee outlets, a distribution center for the Middle East, and roasting and warehouse facilities. The aim is to establish flagship stores within one year, with Jumeirah, Dubai, as the first location. Additionally, the plan includes opening 20 more stores across the UAE to solidify our presence in the region.

"We also worked to add capabilities in the food industry with an MOU to acquire Bbang Ssaem Bakery, one of Korea's most iconic bakery brands. This strategic move will upgrade our footprint into the coffee and bakery sector, enhancing offerings and solidifying our position as a premier coffee and bakery franchise. Additionally, the strong EBITDA generated by Bbang Ssaem Bakery is expected to positively impact Reborn Coffee's financial health, contributing to increased profitability and stability. Additionally, we signed an LOI to acquire a 55% majority stake in Derin Lezzetler, a leading artisan snack and frozen bakery producer based in Istanbul, Turkey to expand into the health-conscious food market. The company has developed a robust distribution network that includes globally recognized brands such as Starbucks, Caffe Nero, Gate Plus, Costa Coffee, Migros, Shell, Espressolab, and Coffy, making its products available worldwide. The investment will enable us to leverage Derin Lezzetler's established relationships and expand its footprint in the global market and the US.

"Solidifying our presence in the ecommerce space, we launched on Amazon, aiming to drive substantial revenue growth and capture a wider online customer base. By launching on Amazon, we can access millions of potential customers, utilize advanced marketing tools to enhance brand presence and drive traffic, ensure prompt and reliable delivery through Fulfillment by Amazon (FBA), leverage data analytics to inform marketing strategies and product development, and enhance our OMNI-channel strategy by integrating our online and offline presence to provide a seamless customer experience.

"Looking ahead, we continue to focus on operational execution at our existing retail locations and online. We are executing on strategic plans for new company-owned retail locations in Southern California and new flagships in states such as Texas, as well as global locations including South Korea, Austria, Dubai and China with our partners. Taken together, we continue to believe our existing retail locations, worldwide expansion strategy, and acquisitions and investments, will empower us to continue our momentum and build long term shareholder value," concluded Kim.

Anticipated Milestones

- Open 4 flagship Reborn Café locations in the U.S., targeting cities such as Miami, San Diego, Houston, and Kansas City.

- Open up to 20 company-owned retail locations.
- Open up to 20 Franchised locations nationwide.
- Open 10+ overseas locations outside the U.S., targeting countries such as South Korea, Malaysia, Dubai, China, Singapore, Thailand, and the UK.
- Open First Pet Friendly Indoor Café "Reborn N Pet Social" in city of Pasadena, California.
- Joint R&D projects with coffee farms in locations such as Hawaii, Colombia, Ethiopia, Guatemala, and Brazil.
- Expand B2B marketing to wholesale clubs and other major outlets and expand ecommerce marketing with online initiatives by launching its own Amazon marketplace.
- Launch of Reborn Mobile App services.
- Launch new Reborn-branded products such red tea bag packs and cold brew cans.

Second Quarter 2024 Financial Results

Revenues were \$1.4 million for the three months ended June 30, 2024, compared to \$1.5 million for the comparable period in 2023, representing a decrease of 9.6%. The decrease in sales for the period was primarily due to the closure of underperforming stores.

Company-operated store gross profit was \$0.9 million for the three-month period ended June 30, 2024, compared to \$1.0 million for the comparable period in 2023. Q2'24 company-operated store gross margins improved to 72.9% compared to 65.3% for the same period in 2023.

Wholesale and online revenue for the second quarter of 2024 was \$0.2 million, an increase of 633% from \$24,320 in the second quarter of 2023.

Total operating costs and expenses for the three-month period ended June 30, 2024, were \$2.7 million compared to \$2.7 million for the comparable period in 2023, a marginal decline.

Net loss for the second quarter of 2024 was \$1.3 million, compared to a net loss of \$1.3 million for the second quarter of 2023.

Net cash used in operating activities for the six months ended June 30, 2024, was \$2.9 million, compared to \$2.3 million for the six months ended June 30, 2023.

Cash and cash equivalents totaled \$0.6 million as of June 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 second 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.

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

| <i>As of</i> | <i>(Unaudited)</i> | |
|--|--------------------------------|------------------------------------|
| | <i>June 30,</i> <i>2024</i> | <i>December 31,</i> <i>2023</i> |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 617,051 | \$ 164,301 |
| Accounts receivable, net of allowance for doubtful accounts of \$0 and \$0, respectively | 67,225 | 56,938 |
| Inventories, net | 267,934 | 185,061 |
| Prepaid expense and other current assets | 704,960 | 359,124 |
| Total current assets | <u>1,657,170</u> | <u>765,424</u> |
| Property and equipment, net | 3,962,399 | 3,494,050 |
| Operating lease right-of-use asset | 4,260,499 | 4,566,968 |
| Other assets | 648,938 | 425,712 |
| Total assets | \$ 10,529,006 | \$ 9,252,154 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 463,998 | \$ 632,753 |
| Accrued expenses and current liabilities | 665,197 | 611,290 |
| Loans payable to financial institutions, current portion | 720,677 | 791,352 |
| Loan payable to other | 792,775 | 609,027 |
| Loan payable, emergency injury disaster loan (EIDL), current portion | 30,060 | 30,060 |
| Loan payable, payroll protection program (PPP), current portion | 22,126 | 45,678 |
| Operating lease liabilities, current portion | 1,016,649 | 1,003,753 |
| Total current liabilities | <u>3,711,482</u> | <u>3,823,913</u> |
| Loans payable to financial institutions, net of current portion | 335,147 | 335,147 |
| Loan payable, emergency injury disaster loan (EIDL), net of current portion | 469,940 | 469,940 |
| Loan payable, payroll protection program (PPP), net of current portion | 51,595 | 51,595 |
| Operating lease liabilities, net of current portion | 3,418,154 | 3,725,153 |
| Total liabilities | <u>7,986,318</u> | <u>8,405,748</u> |
| Commitments and Contingencies | | |
| Stockholders' equity | | |
| Common Stock, \$0.0001 par value, 40,000,000 shares authorized; 3,235,657 and 1,866,174 shares issued and outstanding at June 30, 2024 and December 31, 2023 | 324 | 187 |
| Preferred Stock, \$0.0001 par value, 1,000,000 shares authorized; no shares issued and outstanding at June 30, 2024 and December 31, 2023 | - | - |
| Additional paid-in capital | 21,603,006 | 17,603,143 |
| Accumulated deficit | (19,064,080) | (16,756,924) |
| Accumulated other comprehensive income (loss) | 3,438 | - |
| Total stockholders' equity | <u>2,542,688</u> | <u>846,406</u> |
| Total liabilities and stockholders' equity | \$ 10,529,006 | \$ 9,252,154 |

Reborn Coffee, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Operations

| | <i>(Unaudited)</i> | | <i>(Unaudited)</i> | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | <i>Six Months Ended</i> | | <i>Three Months Ended</i> | |
| | <i>June 30,</i> | | <i>June 30,</i> | |
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| Net revenues: | | | | |
| Stores | \$ 2,666,206 | \$ 2,603,654 | \$ 1,194,552 | \$ 1,494,603 |
| Wholesale and online | 224,757 | 37,590 | 178,349 | 24,320 |
| Total net revenues | <u>2,890,963</u> | <u>2,641,244</u> | <u>1,372,901</u> | <u>1,518,923</u> |
| Operating costs and expenses: | | | | |
| Product, food and drink costs-stores | 630,415 | 882,302 | 324,122 | 518,483 |
| Cost of sales-wholesale and online | 154,021 | 16,464 | 78,944 | 10,652 |
| General and administrative | 4,307,700 | 3,893,849 | 2,307,436 | 2,189,198 |
| Total operating costs and expenses | <u>5,092,136</u> | <u>4,792,615</u> | <u>2,710,502</u> | <u>2,718,333</u> |
| Loss from operations | <u>(2,201,173)</u> | <u>(2,151,371)</u> | <u>(1,337,601)</u> | <u>(1,199,410)</u> |
| Other income (expense): | | | | |
| Other income | 36,329 | - | 28,520 | - |
| Interest expense | (142,312) | (106,435) | (7,531) | (94,232) |
| Total other income (expense), net | <u>(105,983)</u> | <u>(106,435)</u> | <u>20,989</u> | <u>(94,232)</u> |
| Loss before income taxes | <u>(2,307,156)</u> | <u>(2,257,806)</u> | <u>(1,316,612)</u> | <u>(1,293,642)</u> |
| Provision for income taxes | - | - | - | - |
| Net loss | <u>\$(2,307,156)</u> | <u>\$(2,257,806)</u> | <u>\$(1,316,612)</u> | <u>\$(1,293,642)</u> |
| Loss per share: | | | | |
| Basic and diluted | <u>\$(1.05)</u> | <u>(1.37)</u> | <u>(0.48)</u> | <u>(0.78)</u> |
| Weighted average number of common shares outstanding: | | | | |
| Basic and diluted | <u>2,200,037</u> | <u>1,652,034</u> | <u>2,746,605</u> | <u>1,654,698</u> |

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

| <i>For the Six Months Ended June 30,</i> | <i>(unaudited)</i> 2024 | <i>(unaudited)</i> 2023 |
|---|-----------------------------------|-----------------------------------|
| Cash flows from operating activities: | | |
| Net loss | \$ (2,307,156 |) \$ (2,257,806) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock compensation | - | 250,000 |
| Operating lease | 12,367 | 27,222 |
| Depreciation | 172,710 | 135,398 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (10,287 |) (1,505) |
| Inventories | (82,873 |) 7,501 |
| Prepaid expense and other current assets | (569,062 |) (806,473) |
| Accounts payable | (165,317 |) 206,102 |
| Accrued expenses and current liabilities | 53,907 | 156,460 |
| Net cash used in operating activities | <u>(2,895,711</u> | <u>) (2,283,101)</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (641,060 |) (4,417,782) |
| Net cash used in investing activities | <u>(641,060</u> | <u>) (4,417,782)</u> |
| Cash flows from financing activities: | | |
| Proceeds from line of credit | 4,000,000 | 974,027 |
| Proceeds from loan payable to shareholders | - | - |
| Proceeds from loan payable to financial institutions | 183,748 | 218,864 |
| Repayments of borrowings from shareholder | (100,000 |) - |
| Proceeds from loan payable, mortgage | - | 2,850,000 |
| Repayment of loan payable to financial institutions | (70,675 |) (23,551) |
| Repayment of loan payable, PPP | (23,552 |) - |
| Net cash provided by financing activities | <u>3,989,521</u> | <u>4,019,340</u> |
| Net (decrease) increase in cash | 452,750 | (2,681,543) |
| Cash at beginning of period | <u>164,301</u> | <u>3,019,035</u> |
| Cash at end of period | \$ 617,051 | \$ 337,492 |
| Supplemental disclosures of non-cash financing activities: | | |
| Issuance of common shares for compensation | \$ - | \$ 250,000 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the years for: | | |
| Lease liabilities | \$ 704,608 | \$ 546,389 |
| Interest | \$ 142,312 | \$ 106,435 |

