

Reborn Coffee Provides First Quarter 2024 Corporate Update and Financial Results

Q1 2024 Revenue Increased 35% to \$1.5 Million

Q1 2024 Gross Profit Increased 51% to \$1.1 Million

BREA, Calif., July 23, 2024 (GLOBE NEWSWIRE) -- Reborn Coffee Inc. (Nasdaq: REBN), ("Reborn", or the "Company"), a California-based retailer of specialty coffee, has reported its financial and operational results for the first quarter ended March 31, 2024.

Key Financial and Operational Highlights

- Revenue increased 35% to \$1.5 million in Q1'24 from \$1.1 million in Q1'23.
- Ended Q1'24 with 11 open locations, with one location in development.
- Company-operated store sales increased to \$1.5 million, or 33%, in Q1'24, compared to the same period in 2023.
- Company-operated store gross profit was \$1.2 million in Q1'24, compared to \$0.7 million for the same period in 2023.

Q1 2024 and Subsequent Events

- 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 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.
- Partnered with pet fashion brand Sgt. Puppa to offer pet attire and accessories at pet social café set to open in Pasadena, CA in May 2024.
- Partnered with TOUS les JOURS, a franchise French-Asian bakery café chain, to bring an exclusive Valentine's Day coffee blend to TOUS les JOURS' Cerritos, California flagship location and through ecommerce.
- Closed a \$1.0 million private placement equity investment from accredited investor, allowing Reborn Coffee to continue expanding its footprint both in the U.S. and internationally.
- Closed a \$1.0 million private placement equity investment from Chairman Farooq Arjomand to further enhance product offerings and expand market reach.

Management Commentary

"The first quarter of 2024 was highlighted by ongoing efforts to diversify and expand our global operations, supported by strong revenue growth and improving margins," said Jay Kim, Chief Executive Officer of Reborn. "At our US company-operated retail locations, we continued to drive sales and improve gross profit. Building on the strength of new products and strategic marketing initiatives, store margins were up 1,200 basis points during the first quarter to 79.2%. This operational execution has enabled us to focus on strategic expansion into new online and geographic channels, as well

as acquisitions and investments to broaden our portfolio.

"Recently we closed two MLA's to expand our brand into international markets. The 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. An MLA with IAID combines our experience in retail coffee operations with their expertise in lifestyle design to introduce a flagship location in Guangzhou #73, China, situated in a central, historic district bustling with tourists. The site will feature a comprehensive brand center, setting the stage for future expansions into major cities like Shanghai and Shenzhen.

"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 recently officially 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.

"Operationally during the quarter, we took the opportunity to strengthen our balance sheet in anticipation of strategic milestones in 2024. Two investments totaling \$2.0 million will allow us to continue expanding our footprint in the U.S. and internationally, as well as provide working capital and funds for general corporate purposes.

"Looking ahead, we continue to focus on operational execution at our existing retail locations as we leverage our success to prepare 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. Through acquisitions and investments in bakery and food product companies, we are diversifying our global footprint and revenue channels in complementary markets. We believe our worldwide expansion strategy will support continued revenue growth for Reborn and yield positive value for all our shareholders. I would also like to stress that, moving forward, we fully expect to file our quarterly and annual reports in a timely manner," 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.

First Quarter 2024 Financial Results

Revenues were \$1.5 million for the three months ended March 31, 2024, compared to \$1.1 million for the comparable period in 2023, representing an increase of 35%. The increase in sales for the periods was primarily driven by the opening of new locations, and the continued focus on marketing efforts to grow brand recognition.

Company-operated store gross profit was \$1.2 million for the three-month period ended March 31, 2024, compared to \$0.7 million for the comparable period in 2023. Q1'24 company-operated store gross margins improved to 79.2% compared to 67.2% for the same period in 2023.

Total operating costs and expenses for the three-month period ended March 31, 2024, were \$2.4 million compared to \$2.1 million for the comparable period in 2023, representing an increase of 15%.

Net loss for the first quarter of 2024 was \$1.0 million, compared to a net loss of \$1.0 million for the first quarter of 2023.

Net cash used in operating activities for the three months ended March 31, 2024, was \$1.9 million, compared to \$1.7 million for the three months ended March 31, 2023.

Cash and cash equivalents totaled \$0.1 million as of March 31, 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 first 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>March 31, 2024</i>	<i>December 31, 2023</i>
ASSETS		
Current assets:		
Cash and cash equivalents	\$70,251	\$164,301
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$0, respectively	192,724	56,938
Inventories, net	266,698	185,061
Prepaid expense and other current assets	1,163,311	359,124
Total current assets	1,692,984	765,424
Property and equipment, net	4,417,702	3,494,050
Operating lease right-of-use asset	4,350,335	4,566,968
Other assets	419,482	425,712
Total assets	\$10,880,503	\$9,252,154
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$513,008	\$632,753
Accrued expenses and current liabilities	724,693	611,290
Loans payable to financial institutions - current portion	729,968	791,352
Loan payable to other	709,027	609,027
Loan payable to shareholder	200,000	100,000
Current portion of loan payable, emergency injury disaster loan (EIDL)	30,060	30,060
Current portion of loan payable, payroll protection program (PPP)	45,678	45,678

Current portion of operating lease liabilities	975,013	1,003,753
Total current liabilities	3,927,447	3,823,913
Loans payable to financial institutions, less current portion	335,147	335,147
Loan payable, emergency injury disaster loan (EIDL), less current portion	469,940	469,940
Loan payable, payroll protection program (PPP), less current portion	39,819	51,595
Operating lease liabilities, net of current portion	3,536,804	3,525,153
Total liabilities	8,309,157	8,405,748

Commitments and Contingencies

Stockholders' equity

Common Stock, \$0.0001 par value, 40,000,000 shares authorized; 2,849,672 and 1,866,174 shares issued and outstanding at March 31, 2024 and December 31, 2023	285	187
Preferred Stock, \$0.0001 par value, 1,000,000 shares authorized; no shares issued and outstanding at March 31, 2024 and December 31, 2023	-	-
Additional paid-in capital	20,303,045	17,603,143
Accumulated deficit	(17,747,468)	(16,756,924)
Accumulated other comprehensive income (loss)	15,484	-
Total stockholders' equity	2,571,346	846,406
Total liabilities and stockholders' equity	\$10,880,503	\$9,252,154

Reborn Coffee, Inc. and Subsidiaries**Unaudited Condensed Consolidated Statements of Operations****For the Three Months Ended March 31,**

	2024	2023
Net revenues:		
Stores	\$1,471,654	\$1,109,051
Wholesale and online	46,408	13,270
Total net revenues	<u>1,518,062</u>	<u>1,122,321</u>
Operating costs and expenses:		
Product, food and drink costs-stores	306,293	363,819
Cost of sales-wholesale and online	75,077	5,812
General and administrative	2,000,264	1,704,651
Total operating costs and expenses	<u>2,381,634</u>	<u>2,074,282</u>
Loss from operations	(863,572)	(951,961)
Other income (expense):		
Other income	7,809	-
Interest expense	(134,781)	(12,203)
Total other income (expense), net	<u>(126,972)</u>	<u>(12,203)</u>
Loss before income taxes	(990,544)	(964,164)
Provision for income taxes	-	-
Net loss	<u>\$(990,544)</u>	<u>\$(964,164)</u>
Loss per share:		
Basic and diluted	(0.60)	(0.63)
Weighted average number of common shares outstanding:		
Basic and diluted	<u>1,653,826</u>	<u>1,521,628</u>

Reborn Coffee, Inc. and Subsidiaries**Unaudited Consolidated Statements of Cash Flows****For the Three Months Ended March 31,****2024****2023****Cash flows from operating activities:**

Net loss	\$(990,544)	\$(964,164)
Adjustments to reconcile net loss to net cash used in operating activities:		
Operating lease	(456)	23,099
Depreciation	63,330	56,097
Changes in operating assets and liabilities:		
Accounts receivable	(135,786)	(2,919)
Inventories	(81,637)	8,606
Prepaid expense and other current assets	(797,957)	(879,762)
Accounts payable	(104,261)	33,009
Accrued expenses and current liabilities	113,403	62,727
Net cash used in operating activities	<u>(1,933,908)</u>	<u>(1,663,307)</u>

Cash flows from investing activities:

Purchases of property and equipment	(986,982)	(470,851)
Net cash used in investing activities	<u>(986,982)</u>	<u>(470,851)</u>

Cash flows from financing activities:

Proceeds from issuance of common stock	2,700,000	-
Proceeds from borrowings from loan to others	100,000	
Proceeds from borrowings from loan to shareholder	100,000	
Repayment of loans	(73,160)	(11,776)
Net cash provided by financing activities	<u>2,826,840</u>	<u>(11,776)</u>
Net increase (decrease) in cash	(94,050)	(2,145,934)
Cash at beginning of period	164,301	3,019,035
Cash at end of period	<u>\$70,251</u>	<u>\$873,101</u>

Supplemental disclosure of cash flow information:

Lease liabilities	\$216,633	\$266,188
Interest	\$134,781	\$7,515
Income taxes	\$-	\$-

