

Reborn Coffee Reports First Quarter 2023 Financial Results

BREA, Calif., May 11, 2023 (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, 2023.

Key Financial and Operational Highlights

- Revenue increased nearly 51% to \$1.1 million in Q1'23 compared to \$736 thousand in Q1'22.
- Ended Q1'23 with 12 open locations, with four other locations in development.
- Company-operated store sales increased \$0.4 million, or 51% in the quarter ended March 31, 2023, compared to the same period in 2022.
- Company-operated store gross profit was \$0.7 million for the quarter ended March 31, 2023, compared to \$0.5 million for the same period in 2022. Year-over-year company-operated store gross margins improved to 67% from 61%.

Q1 2023 and Subsequent Events

- Announced plans to open new company-owned retail locations in Southern California and Korea, which, once opened, will bring its total global footprint to 16 stores.
- Launched of a new line of Super-Premium Reborn Cold Brew Ice Creams to be marketed and distributed throughout the Company's retail locations.
- Appointed Bill Koschak to its newly created Advisory Board, an experienced financial executive bringing over 30 years of corporate, finance, and accounting leadership to Reborn, having spent the last 14 years as an operating or corporate CFO.

Management Commentary

"The first quarter of 2023 was highlighted by ongoing revenue growth from company operated store sales, in conjunction with ongoing location and product expansion," said Jay Kim, Chief Executive Officer of Reborn. "We are now highly focused on the opening of new U.S. and overseas locations, joint R&D projects, B2B marketing expansion and new product launches. Taken together, we believe our expansion strategy, driven by sustained customer demand, new product innovation and effective operational execution across our retail locations, will support continued revenue growth for Reborn in the years to come.

"During the first quarter we continued to advance our retail location expansion, preparing 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, and Dubai. We are actively conducting due diligence and seeking differentiated and prime locations that will serve as strategic footprints in these new markets, preparing us for additional expansion, including our Reborn Café concept which has been well-received and is generating on average, approximately \$18 per customer.

"In addition to new locations, we are introducing innovative and complementary new products to our customer base to fuel sales and grow Average Unit Volumes at our existing stores. Recently we launched a new line of Super-Premium Reborn Cold Brew Ice Creams that use high quality, natural ingredients with exceptional flavors, with a rich and creamy texture that we believe sets it apart from other ice cream brands. Super-Premium cold brew ice cream is a natural extension of our brand, mission and innovative specialty roasted coffee, and we are incredibly excited to begin offering it to customers in preparation for a major roll out to buyers and consumers in the coming months. Other new innovative products like our Cascara tea will help to build additional revenue, differentiate our brand, and broaden our reach beyond our retail locations into B2B and DTC sales.

"We began 2023 well-positioned to build revenue and growth, and we are looking to continue to position Reborn for expansion in new key markets in the U.S. and globally and developing our franchise opportunities. We believe we can continue our momentum with a diligent focus on sustained operational execution and year-over-year revenue growth. I look forward to additional announcements in the months to come as we strive to create long-term sustainable growth and shareholder value," concluded Kim.

Anticipated Milestones

- Open 4 flagship Reborn Café locations in the U.S., targeting cities such as San Francisco, San Diego, Houston, and Kansas City.
- Open 4 overseas locations outside the U.S., targeting countries such as South Korea, Malaysia, Austria, and Dubai.
- Joint R&D projects with coffee farms in locations such as Hawaii and Colombia.
- Expand B2B marketing to wholesale clubs and other major outlets and expand ecommerce marketing.
- Launch new Reborn-branded products such red tea bag packs and cold brew cans.

First Quarter 2023 Financial Results

Revenues were approximately \$1.1 million for the period ended March 31, 2023, compared to approximately \$0.8 million for the comparable period in 2022, representing an increase of 49%. The increase in sales for the period 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 \$0.7 million for the three-month period ended March 31, 2023, compared to \$0.5 million for the comparable period in 2022. Q1'23 company-operated store gross margins improved to 67% compared to 61% for the same period in 2022.

Total operating costs and expenses for the three-month period ended March 31, 2023, were approximately \$2.1 million compared to approximately \$1.3 million for the comparable period in 2022, representing an increase of approximately 56%.

Net loss for the first quarter of 2023 was approximately \$1.0 million, compared to a net loss of approximately \$0.6 million for the first quarter of 2022.

Net cash used in operating activities for the three months ended March 31, 2023, was approximately \$1.7 million, compared to approximately \$0.5 million for the three months ended March 31, 2022.

Cash and cash equivalents totaled approximately \$0.9 million as of March 31 2023, compared to approximately \$3.0 million as of December 31, 2022.

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 recently filed Annual Report on Form 10-K, 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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Unaudited Condensed Consolidated Balance Sheets

<i>As of</i>	<i>March 31, 2023</i>	<i>December 31, 2022</i>
ASSETS		
Current assets:		
Cash and cash equivalents	\$873,101	\$3,019,035
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$0, respectively	3,699	780
Inventories, net	123,737	132,343
Prepaid expense and other current assets	1,357,612	477,850
Total current assets	2,358,149	3,630,008
Property and equipment, net	1,996,559	1,581,805
Operating lease right-of-use asset	3,575,117	3,010,564
Other assets	235,164	235,164
Total assets	\$8,164,989	\$8,457,541
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$120,818	\$87,809
Accrued expenses and current liabilities	295,780	233,053
Loans payable to financial institutions - current portion	50,898	44,664
Loan payable, emergency injury disaster loan (EIDL) - current portion	22,545	30,060
Loan payable, payroll protection program (PPP) - current portion	40,447	45,678
Operating lease liabilities - current portion	753,504	624,892
Total current liabilities	1,283,992	1,066,156
Loans payable to financial institutions - net of current portion	-	6,234
Loan payable, emergency injury disaster loan (EIDL), net of current portion	477,455	469,940
Loan payable, payroll protection program (PPP), net of current portion	92,152	98,697
Operating lease liabilities, net of current portion	2,989,025	2,529,985
Total liabilities	4,842,624	4,171,012
Commitments and Contingencies		
Stockholders' equity		
Common Stock, \$0.0001 par value, 40,000,000 shares authorized; 13,163,126 shares issued and outstanding at March 31, 2023 and December 31, 2022	1,316	1,316
Preferred Stock, \$0.0001 par value, 1,000,000 shares authorized; no shares issued and outstanding at March 31, 2023 and December 31, 2022	-	-
Additional paid-in capital	16,317,014	16,317,014
Accumulated deficit	(12,995,965)	(12,031,801)
Total stockholders' equity	3,322,365	4,286,529
Total liabilities and stockholders' equity	\$8,164,989	\$8,457,541

Unaudited Condensed Consolidated Statements of Operations

<i>For the Three Months Ended March 31,</i>	2023	2022
Net revenues:		
Stores	\$1,109,051	\$735,996
Wholesale and online	13,270	17,154
Total net revenues	1,122,321	753,150
Operating costs and expenses:		
Product, food and drink costs-stores	363,819	284,954
Cost of sales-wholesale and online	5,812	7,513
General and administrative	1,704,651	1,036,015
Total operating costs and expenses	2,074,282	1,328,482
Loss from operations	(951,961)	(575,332)
Other income (expense):		
Other income	-	15,000
Interest expense	(12,203)	(4,780)
Total other income (expense), net	(12,203)	10,220
Loss before income taxes	(964,164)	(565,112)
Provision for income taxes	-	-
Net loss	\$(964,164)	\$(565,112)
Loss per share:		
Basic and diluted	(0.08)	(0.05)
Weighted average number of common shares outstanding:		
Basic and diluted	12,173,031	11,634,523

Unaudited Consolidated Statements of Cash Flows

<i>For the Three Months Ended March 31,</i>	2023	2022
Cash flows from operating activities:		
Net loss	\$(964,164)	\$(565,112)
Adjustments to reconcile net loss to net cash used in operating activities:		
Operating lease	23,099	3,494
Depreciation	56,097	49,134
Changes in operating assets and liabilities:		
Accounts receivable	(2,919)	(1,272)
Inventories	8,606	15,586
Prepaid expense and other current assets	(879,762)	(28,324)
Accounts payable	33,009	(3,495)
Accrued expenses and current liabilities	62,727	44,232
Net cash used in operating activities	<u>(1,663,307)</u>	<u>(485,757)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(470,851)	(149,896)
Net cash used in investing activities	<u>(470,851)</u>	<u>(149,896)</u>
Cash flows from financing activities:		
Repayment of loans	(11,776)	(81,410)
Repayment of equipment loan payable	-	(4,797)
Net cash provided by financing activities	<u>(11,776)</u>	<u>(86,207)</u>
Net increase (decrease) in cash	(2,145,934)	(721,860)
Cash at beginning of period	3,019,035	905,051
Cash at end of period	\$873,101	\$183,191
Supplemental disclosure of cash flow information:		
Lease liabilities	\$266,188	\$202,458
Interest	\$7,515	\$217
Income taxes	\$-	\$-