

# Reborn Coffee Reports Second Quarter 2023 Financial Results

*Second Quarter Revenue Increased 93% to \$1.5 Million*

*Second Quarter Gross Profit Increased 96% to \$1.0 Million*

BREA, Calif., Aug. 14, 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 second quarter ended June 30, 2023.

## Key Financial and Operational Highlights

- Revenue increased 93% to \$1.5 million in Q2'23 compared to \$0.8 million in Q2'22.
- Ended Q2'23 with 14 open locations, with four other locations in development.
- Company-operated store sales increased \$0.7 million, or 93% in the quarter ended June 30, 2023, compared to the same period in 2022.
- Company-operated store gross profit was \$1.0 million for the quarter ended June 30, 2023, compared to \$0.5 million for the same period in 2022. Year-over-year company-operated store gross margins improved to 65% from 64%.

## Q2 2023 and Subsequent Events

- Launched a unique initiative to appeal to pet owners including a series of pet-focused events at selected Reborn locations and the launch of a flagship "Reborn Cafe N Pet Social" at the soon to be expanded Pasadena Playhouse location in the dog-friendly city of Pasadena, California.
- Secured a new \$1.0 million credit facility with DRE, Inc. ("DRE") to fund working capital requirements and operating expenses.
- 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.
- Hosted a unique coffee tasting and marketing event in the Miami Design District during the Formula 1 Miami Grand Prix that took place May 5-7, 2023.
- Presented at investor conferences including EF Hutton Inaugural Global Conference and LD Micro Main Event Invitational XIII Conference.

## Management Commentary

"The second quarter of 2023 was marked by ongoing revenue growth, execution of our expansion strategy, and strategic marketing initiatives to build customer engagement," said Jay Kim, Chief Executive Officer of Reborn.

"Increased company operated store sales were driven by new locations and marketing, underscored by new product innovations and effective operational execution across our retail locations. The second quarter was also focused on the exploration and launch of new U.S. and overseas locations, and ongoing joint R&D projects, B2B marketing expansion and new product launches.

"During the quarter we expanded on our popular Reborn Cafe concept, which is generating approximately \$18 per customer on average, with plans to launch a specialty 'Reborn Cafe N Pet Social' in pet-friendly Pasadena, California. Anticipated to open in late 2023, the location will feature indoor seating and an outdoor patio for pet owners and their furry friends, providing a cozy and welcoming environment for everyone to enjoy. Snacks and water bowls will be provided for pets, along with a curated special pet supplies section. In tandem we are launching a new series of

engaging events at Reborn retail locations in partnership with pet rescue and adoption organizations, and we are now allowing pets in outdoor and patio spaces at all our locations.

"We intend 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. To this end, during the quarter we hosted a unique and successful coffee tasting and marketing event in the Miami Design District during the Formula 1 Miami Grand Prix. This was the first time we staged a marketing event on the East Coast, an initiative fueled by plans to expand into this market through Miami, a gateway to an international community.

"Looking ahead, 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. Fueled by a recent \$1 million strategic credit facility, we plan to accelerate company initiatives including expansion in new key markets in the U.S. and globally and developing our franchise opportunities. Our diligent focus on sustained operational execution is yielding ongoing year-over-year revenue growth from company operated store sales. We look forward to additional announcements in the months to come as we build revenue, 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 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, Indonesia, Kazakhstan, India, Thailand, and the UK
- Flagship Store in Daejeon, South Korea: Showcasing the Cutting-Edge 4<sup>th</sup> Wave Coffee Concept. Home to a Stage of the Art Roasting R&D Facility for innovation
- 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 and Indonesia.
- 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.

### **Second Quarter 2023 Financial Results**

Revenues were \$1.5 million for the second quarter of 2023, compared to \$0.8 million for the comparable period in 2022, representing an increase of 93%. For the six months ended June 30, 2023, revenues were \$2.6 million, compared to \$1.5 million in the prior year period. The increase in sales 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 \$1.0 million for the three-months ended June 30, 2023, compared to \$0.5 million for the comparable period in 2022. Q2'23 company-operated store gross margins improved to 65% compared to 64% for the same period in 2022.

Total operating costs and expenses for the three-months ended June 30, 2023, were \$2.7 million compared to \$1.7 million for the comparable period in 2022, representing an increase of 58%.

Net loss for the second quarter of 2023 was \$1.3 million, compared to a net loss of \$0.9 million for the second quarter of

2022.

Net cash used in operating activities for the six months ended June 30, 2023, was \$2.3 million, compared to \$1.2 million for the six months ended June 30, 2022.

Cash and cash equivalents totaled \$0.3 million as of June 30, 2023, compared to \$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](http://www.reborncoffee.com).

### **Forward-Looking Statements**

All statements in this release that are not based on historical fact, including, without limitation, statements regarding our execution and the expected benefits from our future operating results and financial position, our business strategy and plans, market growth and our objects for future operations 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 contained in this press release may be identified by the use of words such as "anticipate," "believe," "contemplate," "could," "estimate," "expect," "intend," "seek," "may," "might," "plan," "potential," "predict," "project," "target," "aim," "should," "will" "would," or the negative of these words or other similar expressions. 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 2023, which can be found on the SEC's website at [www.sec.gov](http://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**

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#### **Company Contact:**

Unaudited Condensed Consolidated Balance Sheets

<i>As of</i>	<i>June 30, 2023</i>	<i>December 31, 2022</i>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$337,492	\$3,019,035
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$0, respectively	2,285	780
Inventories, net	124,842	132,343
Prepaid expense and other current assets	1,284,323	477,850
Total current assets	1,748,942	3,630,008
Property and equipment, net	5,864,189	1,581,805
Operating lease right-of-use asset	4,209,267	3,010,564
Other assets	235,164	235,164
<b>Total assets</b>	<b>\$12,057,562</b>	<b>\$8,457,541</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$293,911	\$87,809
Accrued expenses and current liabilities	389,513	233,053
Line of credit	974,027	-
Loans payable to financial institutions, current portion	194,844	44,664
Loan payable, emergency injury disaster loan (EIDL), current portion	30,060	30,060
Loan payable, payroll protection program (PPP), current portion	40,447	45,678
Operating lease liabilities, current portion	840,590	624,892
Total current liabilities	2,763,392	1,066,156
Loan payable, mortgage, net of current portion	2,850,000	-
Loans payable to financial institutions, net of current portion	74,918	6,234
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	80,377	98,697
Operating lease liabilities, net of current portion	3,540,212	2,529,985
Total liabilities	9,778,839	4,171,012
<b>Commitments and Contingencies</b>		
<b>Stockholders' equity</b>		
Common Stock, \$0.0001 par value, 40,000,000 shares authorized; 13,212,723 and 13,162,723 shares issued and outstanding at June 30, 2023 and December 31, 2022	1,321	1,316
Preferred Stock, \$0.0001 par value, 1,000,000 shares authorized; no shares issued and outstanding at June 30, 2023 and December 31, 2022		-
Additional paid-in capital	16,567,009	16,317,014
Accumulated deficit	(14,289,607)	(12,031,801)
Total stockholders' equity	2,278,723	4,286,529
<b>Total liabilities and stockholders' equity</b>	<b>\$12,057,562</b>	<b>\$8,457,541</b>

	<i>Six Months Ended</i>		<i>Three Months Ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
<b>Net revenues:</b>				
Stores	\$2,603,654	\$1,511,952	\$1,494,603	\$775,956
Wholesale and online	37,590	29,674	24,320	12,520
Total net revenues	2,641,244	1,541,626	1,518,923	788,476
<b>Operating costs and expenses:</b>				
Product, food and drink costs-stores	882,302	563,906	518,483	278,952
Cost of sales-wholesale and online	16,464	12,997	10,652	5,484
General and administrative	3,893,849	2,468,447	2,189,198	1,432,432
Total operating costs and expenses	4,792,615	3,045,350	2,718,333	1,716,868
Loss from operations	(2,151,371 )	(1,503,724 )	(1,199,410 )	(928,392 )
<b>Other income (expense):</b>				
Other income	-	16,440	-	1,440
Interest expense	(106,435 )	(14,976 )	(94,232 )	(10,196 )
Total other income (expense), net	(106,435 )	1,464	(94,232 )	(8,756 )
Loss before income taxes	(2,257,806 )	(1,502,260 )	(1,293,642 )	(937,148 )
Provision for income taxes	-	-	-	-
<b>Net loss</b>	<b>\$(2,257,806 )</b>	<b>\$(1,502,260 )</b>	<b>\$(1,293,642 )</b>	<b>\$(937,148 )</b>
Loss per share:				
Basic and diluted	\$(0.17 )	(0.13 )	(0.10 )	(0.08 )
Weighted average number of common shares outstanding:				
Basic and diluted	13,216,270	11,642,550	13,237,580	11,667,545

#### Unaudited Consolidated Statements of Cash Flows

**Cash flows from operating activities:**

Net loss	\$ (2,257,806 )	\$ (1,502,260 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock compensation	250,000	225,000
Operating lease	27,222	22,086
Depreciation	135,398	97,922
Changes in operating assets and liabilities:		
Accounts receivable	(1,505 )	(1,293 )
Inventories	7,501	(14,104 )
Prepaid expense and other current assets	(806,473 )	(28,275 )
Accounts payable	206,102	(45,590 )
Accrued expenses and current liabilities	156,460	46,535
Net cash used in operating activities	(2,283,101 )	(1,199,979 )

**Cash flows from investing activities:**

Purchases of property and equipment	(4,417,782 )	(168,397 )
Net cash used in investing activities	(4,417,782 )	(168,397 )

**Cash flows from financing activities:**

Proceeds from line of credit	974,027	594,529
Proceeds from loan payable to shareholders	-	150,000
Proceeds from loan payable to financial institutions	218,864	-
Proceeds from loan payable, mortgage	2,850,000	-
Repayment of loans	(23,551 )	(121,703 )
Repayment of equipment loan payable	-	(9,677 )
Net cash provided by financing activities	4,019,340	613,149
Net (decrease) increase in cash	(2,681,543 )	(755,227 )
Cash at beginning of period	3,019,035	905,051
Cash at end of period	\$ 337,492	\$ 149,824

**Supplemental disclosures of non-cash financing activities:**

Issuance of common shares for compensation	\$ 250,000	\$ 225,000
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**Supplemental disclosure of cash flow information:**

Cash paid during the years for:		
Lease liabilities	\$ 546,389	\$ 435,635
Interest	\$ 106,435	\$ 367