



## Reed's Reports First Quarter 2024 Results

May 14, 2024

*Reiterates Full Year 2024 Financial Outlook*

*Management to Host Conference Call Today at 5:00 p.m. ET*

NORWALK, Conn., May 14, 2024 (GLOBE NEWSWIRE) -- Reed's, Inc. (OTCQX: REED) ("Reed's" or the "Company"), owner of the nation's leading portfolio of handcrafted, natural ginger beverages, is reporting financial results for the three months ended March 31, 2024.

### **Q1 2024 Financial Highlights (vs. Q1 2023):**

- Net sales were \$9.6 million compared to \$11.2 million.
- Gross profit increased 26% to \$3.4 million, with gross margin up 1,140 bps to 35.6%.
- Delivery and handling costs were reduced by 29% to \$3.01 per case.
- Selling, general and administrative expenses were reduced by 19% to \$2.6 million.
- Operating loss improved to \$0.6 million compared to \$2.6 million.
- Modified EBITDA loss improved to \$0.4 million compared to \$2.3 million.

### **Management Commentary**

"We continued to drive cost-cutting and optimization initiatives in the first quarter, reflected by our material improvements in gross margin, operating expenses and modified EBITDA," said Norman E. Snyder, Jr., CEO of Reed's. "As highlighted during our earnings call in March, Q1 sales were impacted by short orders reducing shipments. However, we exited the quarter with healthier inventory levels and have already seen a reduction in the rate of short orders, which we expect to decline further moving forward.

"Looking ahead, we are reiterating our 2024 financial outlook as we continue to expect net sales growth, gross margin expansion, and modified EBITDA profitability while generating positive cash flow from operations for the full year. We have multiple initiatives to drive growth as we improve order fulfillment rates, expand product authorizations, increase promotional activity, and launch new innovative products later this year. Between our improved inventory position, optimized cost structure, and new product initiatives, we are poised for a strong second quarter and year ahead."

### **First Quarter 2024 Financial Results**

During the first quarter of 2024, net sales were \$9.6 million compared to \$11.2 million in the year-ago period. The decrease was primarily driven by tightened credit terms from select suppliers that impacted the Company's ability to purchase raw materials, resulting in an inflated rate of short order shipments.

Gross profit for the first quarter of 2024 increased 26% to \$3.4 million compared to \$2.7 million for the same period in 2023. Gross margin increased 1,140 basis points to 35.6% compared to 24.2% in the year-ago quarter. The increase was primarily driven by lower supply chain and input costs.

Delivery and handling costs were reduced by 29% to \$1.5 million during the first quarter of 2024 compared to \$2.1 million in the first quarter of 2023. The decrease was primarily driven by renegotiated freight rates for heavily trafficked lanes, improved throughput, as well as efficiencies generated from the Company's streamlined distribution model and new co-packing partnership. Delivery and handling costs were reduced to 16% of net sales or \$3.01 per case, compared to 19% of net sales or \$3.46 per case during the same period last year.

Selling, general and administrative costs declined by 19% to \$2.6 million during the first quarter of 2024 compared to \$3.2 million in the year-ago quarter. As a percentage of net sales, selling, general and administrative costs were reduced to 27% compared to 28%.

Operating loss during the first quarter of 2024 improved to \$0.6 million or \$(0.16) per share, compared to \$2.6 million or \$(1.01) per share in the first quarter of 2023.

Modified EBITDA loss improved to \$0.4 million in the first quarter of 2024 compared to \$2.3 million in the first quarter of 2023.

## Liquidity and Cash Flow

For the first quarter of 2024, cash used in operations was \$2.4 million compared to cash flow from operations of \$1.1 million for the same period in 2023. The decrease in operating cash flow was primarily driven by higher inventory purchases compared to the year-ago period.

As of March 31, 2024, the Company had approximately \$0.3 million of cash and \$26.0 million of total debt net of capitalized financing fees. The debt includes \$18.2 million from a convertible note and \$7.8 million from the Company's revolving line of credit, which has \$5.0 million of additional borrowing capacity.

## FY 2024 Financial Outlook

The Company continues to project net sales growth, gross margin expansion, and to achieve modified EBITDA profitability for the full year 2024. Reed's also expects to generate positive cash flow from operations for the full year 2024.

## Conference Call

The Company will conduct a conference call today, May 14, 2024, at 5:00 p.m. Eastern time to discuss its results for the three months ended March 31, 2024.

Reed's management will host the conference call, followed by a question-and-answer period.

Date: Tuesday, May 14, 2024  
Time: 5:00 p.m. Eastern time  
Toll-free dial-in number: (888) 886-7786  
International dial-in number: (416) 764-8658  
Conference ID: 71895807  
Webcast: [Reed's Q1 2024 Conference Call](#)

Please dial into the conference call 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact the company's investor relations team at (720) 330-2829.

The conference call will also be broadcast live and available for replay on the investor relations section of the Company's website at <https://investor.reedsinc.com>.

## About Reed's, Inc.

Reed's is an innovative company and category leader that provides the world with high quality, premium and naturally bold™ better-for-you beverages. Established in 1989, Reed's is a leader in craft beverages under the Reed's®, Virgil's® and Flying Cauldron® brand names. The Company's beverages are now sold in over 45,000 stores nationwide.

Reed's is known as America's #1 name in natural, ginger-based beverages. Crafted using real ginger and premium ingredients, Reed's portfolio includes ginger beers, ginger ales, ready-to-drink ginger mules and hard ginger ales. The brand has recently successfully expanded into the zero-sugar segment with its proprietary, natural sweetener system.

Virgil's® is an award-winning line of craft sodas, made with the finest natural ingredients and without GMOs or artificial preservatives. The brand offers an array of great tasting, bold flavored sodas including Root Beer, Vanilla Cream, Black Cherry, Orange Cream, and more. These flavors are also available in six zero sugar varieties which are naturally sweetened and certified ketogenic.

Flying Cauldron® is a non-alcoholic butterscotch beer prized for its creamy vanilla and butterscotch flavors. Sought after by beverage aficionados, Flying Cauldron is made with natural ingredients and no artificial flavors, sweeteners, preservatives, gluten, caffeine, or GMOs.

For more information, visit [drinkreeds.com](http://drinkreeds.com), [virgils.com](http://virgils.com) and [flyingcauldron.com](http://flyingcauldron.com). To receive exclusive perks for Reed's investors, please visit the Company's page on the Stockperks app [here](#).

## Forward-Looking Statements

Statements in this release that are not historical are forward-looking statements made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are typically identified by terms such as "estimate," "expect," "intend," "project," "will," "plan," and similar expressions. These forward-looking statements are based on current expectations and include our management's expectations and guidance for fiscal year 2024 under the heading "FY 2024 Financial Outlook". The achievement or success of the matters covered by such forward-looking statements involves risks, uncertainties, and assumptions, many of which involve factors or circumstances that are beyond our control. Reed's 2024 guidance reflects year-to-date and expected future business trends and includes impacts of the inventory shortage as of the date hereof. New supply chain challenges that may develop and further potential inflation cannot be reasonably estimated and are not factored into current fiscal 2024 guidance. These risks could

materially impact our ability to access raw materials, production, transportation and/or other logistics needs.

Financial guidance should not be viewed as a substitute for full financial statements prepared in accordance with GAAP.

If any such risks or uncertainties materialize or if any of the assumptions prove incorrect, Reed's actual results could differ materially from the results expressed or implied by the forward-looking statements we make, including our ability to achieve our targets for the fiscal year ending December 31, 2024. The risks and uncertainties referred to above include, but are not limited to: inventory shortages; risks associated with new product releases; the impacts of further inflation; risks that customer demand may fluctuate or decrease; risks that we are unable to collect unbilled contractual commitments, particularly in the current economic environment; our ability to compete successfully and manage growth; our significant debt obligations; our ability to develop and expand strategic and third party distribution channels; our dependence on third party suppliers, brewers and distributors; third party co-packers meeting contractual commitments; risks related to our international operations; our ability to continue to innovate; our strategy of making investments in sales to drive growth; increasing costs of fuel and freight, protection of intellectual property; competition; general political or destabilizing events, including the wars in Ukraine and Israel, conflict or acts of terrorism; financial markets, commodity and currency impacts of the wars; the effect of evolving domestic and foreign government regulations, including those addressing data privacy and cross-border data transfers; and other risks detailed from time to time in Reed's public filings, including Reed's annual report on Form 10-K filed on April 1, 2024, which is available on the Securities and Exchange Commission's web site at [www.sec.gov](http://www.sec.gov). These forward-looking statements are based on current expectations and speak only as of the date hereof. Reed's assumes no obligation and does not intend to update these forward-looking statements, except as required by law.

### Investor Relations Contact

Sean Mansouri, CFA  
Elevate IR  
[ir@reedsinc.com](mailto:ir@reedsinc.com)  
(720) 330-2829

**REED'S, INC.**  
**CONDENSED STATEMENTS OF OPERATIONS**  
**For the Three Months Ended March 31, 2024 and 2023**  
**(Unaudited)**  
**(Amounts in thousands, except share and per share amounts)**

	<b>March 31, 2024</b>	<b>March 31, 2023</b>
<b>Net Sales</b>	\$ 9,595	\$ 11,157
Cost of goods sold	6,182	8,459
<b>Gross profit</b>	<u>3,413</u>	<u>2,698</u>
<b>Operating expenses:</b>		
Delivery and handling expense	1,502	2,120
Selling and marketing expense	1,093	1,447
General and administrative expense	1,468	1,709
<b>Total operating expenses</b>	<u>4,063</u>	<u>5,276</u>
<b>Loss from operations</b>	(650)	(2,578)
Interest expense	<u>(1,023)</u>	<u>(1,779)</u>
<b>Net loss</b>	<u>\$ (1,673)</u>	<u>\$ (4,357)</u>
<b>Net loss per share – basic and diluted</b>	<u>\$ (0.40)</u>	<u>\$ (1.70)</u>
Weighted average number of shares outstanding – basic and diluted	<u>4,187,291</u>	<u>2,559,855</u>

**REED'S, INC,**  
**CONDENSED BALANCE SHEETS**  
(Amounts in thousands, except share amounts)

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash	\$ 314	\$ 603
Accounts receivable, net of allowance of \$258 and \$860, respectively	3,251	3,571
Inventory	12,017	11,300
Receivable from former related party	264	259
Prepaid expenses and other current assets	2,332	2,028
<i>Total current assets</i>	18,178	17,761
Property and equipment, net of accumulated depreciation of \$1,136 and \$1,068, respectively	441	493
Intangible assets	631	629
<b>Total assets</b>	\$ 19,250	\$ 18,883
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 8,484	\$ 9,133
Accrued expenses	872	1,096
Revolving line of credit, net of capitalized financing costs of \$161 and \$201, respectively	7,844	9,758
Payable to former related party	331	259
Current portion of convertible notes payable, net of debt discount of \$509 and \$424, respectively	7,339	6,737
Current portion of lease liabilities	155	207
<i>Total current liabilities</i>	25,025	27,190
SAFE agreements	4,097	-
Convertible note payable, net of debt discount of \$45 and \$148, respectively, less current portion	10,853	10,874
<b>Total liabilities</b>	39,975	38,064
<b>Stockholders' deficit:</b>		
Series A Convertible Preferred stock, \$10 par value, 500,000 shares authorized, 9,411 shares issued and outstanding	94	94
Common stock, \$.0001 par value, 180,000,000 shares authorized; 4,187,291 and 4,187,291 shares issued and outstanding, respectively	-	-
Additional paid in capital	119,581	119,452
Accumulated deficit	(140,400)	(138,727)
<b>Total stockholders' deficit</b>	(20,725)	(19,181)
<b>Total liabilities and stockholders' deficit</b>	\$ 19,250	\$ 18,883

**CONDENSED STATEMENTS OF CASH FLOWS**  
For the Three Months Ended March 31, 2024 and 2023  
(Unaudited)  
(Amounts in thousands)

	<b>March 31, 2024</b>	<b>March 31, 2023</b>
<i>Cash flows from operating activities:</i>		
<b>Net loss</b>	\$ (1,673)	\$ (4,357)
<i>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</i>		
Depreciation	29	47
Amortization of debt discount	144	281
Fair value of vested options	129	229
Fair value of vested restricted shares granted to officers	-	4
Change in allowance for doubtful accounts	(601)	(39)
Inventory write-downs	(783)	(228)
Accrued interest	564	1,113
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	922	1,044
Inventory	66	1,102
Prepaid expenses and other assets	(1,305)	338
Decrease in right of use assets	39	32
Accounts payable	351	1,360
Accrued expenses	(225)	235
Lease liabilities	(52)	(44)
<b>Net cash provided by (used in) operating activities</b>	<u>(2,395)</u>	<u>1,117</u>
<i>Cash flows from investing activities:</i>		
Trademark costs	(2)	-
Purchase of property and equipment	(16)	-
<b>Net cash used in investing activities</b>	<u>(18)</u>	<u>-</u>
<i>Cash flows from financing activities:</i>		
Proceeds from line of credit	8,285	8,699
Payments on line of credit	(10,239)	(12,120)
Proceeds from convertible note payable, net of expenses	-	2,405
Proceeds from SAFE agreement	4,097	-
Payment of cost recorded as debt discount	(86)	-
Repurchase of common stock	-	(1)
Amounts from former related party, net	67	(166)
<b>Net cash provided by (used in) financing activities</b>	<u>2,124</u>	<u>(1,183)</u>
Net increase (decrease) in cash	(289)	(66)
Cash at beginning of period	603	533
Cash at end of period	<u>\$ 314</u>	<u>\$ 467</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	\$ 318	\$ 390
<b>Non-cash investing and financing activities:</b>		
Reclass of prepaid expenses and accounts payable	\$ 1,000	\$ 0

### Modified EBITDA

In addition to our GAAP results, we present Modified EBITDA as a supplemental measure of our performance. However, Modified EBITDA is not a recognized measurement under GAAP and should not be considered as an alternative to net income, income from operations or any other performance measure derived in accordance with GAAP, or as an alternative to cash flow from operating activities as a measure of liquidity. We define Modified EBITDA as net income (loss), plus interest expense, tax expense, depreciation and amortization, stock-based compensation, changes in fair value of warrant expense, legal and insurance settlements, inventory write-offs associated with exited categories and major packaging and formula changes, one-time changes to policy for discounts, impact of changes to accounting methodology and one-time restructuring-related costs including employee severance and asset impairment.

Management considers our core operating performance to be that which our managers can affect in any particular period through their management of the resources that affect our underlying revenue and profit generating operations during that period.

Non-GAAP adjustments to our results prepared in accordance with GAAP are itemized below. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Modified EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Modified EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Set forth below is a reconciliation of net loss to Modified EBITDA for the three months ended March 31, 2024, and 2023 (unaudited; in thousands):

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<u><b>2024</b></u>	<u><b>2023</b></u>
Net loss	\$ (1,673)	\$ (4,357)
Modified EBITDA adjustments:		
Depreciation and amortization	68	80
Tax expense	54	
Interest expense	1,023	1,779
Product quality hold write-down	29	
Stock option and other noncash compensation	129	233
Total EBITDA adjustments	<u>\$ 1,303</u>	<u>\$ 2,092</u>
Modified EBITDA	<u>\$ (370)</u>	<u>\$ (2,265)</u>

We present Modified EBITDA because we believe it assists investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use Modified EBITDA in developing our internal budgets, forecasts, and strategic plan; in analyzing the effectiveness of our business strategies in evaluating potential acquisitions; making compensation decisions; and in communications with our board of directors concerning our financial performance. Modified EBITDA has limitations as an analytical tool, which includes, among others, the following:

- Modified EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Modified EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Modified EBITDA does not reflect future interest expense, or the cash requirements necessary to service interest or principal payments, on our debts; and
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Modified EBITDA does not reflect any cash requirements for such replacements.



Source: Reeds, Inc.