

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2025

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-32501

REED'S, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of
incorporation)

35-2177773
(I.R.S. Employer
Identification No.)

501 Merritt 7 PH, Norwalk, CT. 06851
(Address of principal executive offices) (Zip Code)

(800) 997-3337
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Title of Each Class

Trading Symbol

Names of each exchange on which registered

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the issuer is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There are 8,945,454 shares of the Company's common stock, par value \$.0001 per share, outstanding as of October 31, 2025.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This report contains statements reflecting our views about our future performance that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (Reform Act). Statements that constitute forward-looking statements within the meaning of the Reform Act are generally identified through the inclusion of words such as “aim,” “anticipate,” “believe,” “drive,” “estimate,” “expect,” “forecast,” “future,” “goal,” “guidance,” “intend,” “may,” “objective,” “outlook,” “plan,” “position,” “potential,” “project,” “seek,” “should,” “strategy,” “target,” “will” or similar statements or variations of such words and other similar expressions. All statements addressing our future operating performance, and statements addressing events and developments that we expect or anticipate will occur in the future, are forward-looking statements within the meaning of the Reform Act. These forward-looking statements are based on currently available information, operating plans and projections about future events and trends. They inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in any such forward-looking statement. These risks and uncertainties include, but are not limited to, those described in “Part I, Item 1A. Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (“2024 Form 10-K”) as updated by “Part II, Item 1A” of this report, which should be considered when evaluating our trends and future results. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise. The discussion of risks in this report is by no means all-inclusive but is designed to highlight what we believe are important factors to consider when evaluating our future performance.

Part I – FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

REED’S, INC.,
CONDENSED BALANCE SHEETS
(Amounts in thousands, except share amounts)

| | September 30, 2025 (Unaudited) | December 31, 2024 |
|-------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 4,136 | \$ 10,391 |
| Accounts receivable, net of allowance of \$714 and \$859, respectively | 2,434 | 3,979 |
| Inventory, net | 10,566 | 8,114 |
| Receivable from former related party | 169 | 144 |
| Prepaid expenses and other current assets | 770 | 683 |
| <i>Total current assets</i> | 18,075 | 23,311 |
| Property and equipment, net of accumulated depreciation of \$735 and \$636, respectively | 1,200 | 1,185 |
| Intangible assets | 650 | 644 |
| Total assets | \$ 19,925 | \$ 25,140 |
| LIABILITIES AND STOCKHOLDERS’ EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 5,827 | \$ 6,956 |
| Accrued expenses | 1,328 | 984 |
| Senior secured loan, net of deferred financing costs of \$90 and \$329, respectively | 9,160 | 9,571 |
| Payable to former related party | - | 144 |
| Current portion of lease liabilities | 48 | - |
| <i>Total current liabilities</i> | 16,363 | 17,655 |
| Lease liabilities, less current portion | 805 | 837 |
| Total liabilities | 17,168 | 18,492 |
| Stockholders’ equity: | | |
| 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, 60,000,000 shares authorized; 8,945,454 and 7,561,875 shares issued and outstanding, respectively. | 1 | 1 |
| Additional paid in capital | 166,612 | 158,437 |
| Accumulated deficit | (163,950) | (151,884) |
| Total stockholders’ equity | 2,757 | 6,648 |
| Total liabilities and stockholders’ equity | \$ 19,925 | \$ 25,140 |

The accompanying notes are an integral part of these condensed financial statements.

REED'S, INC.
CONDENSED STATEMENTS OF OPERATIONS
For the Three and Nine Months Ended September 30, 2025 and 2024
(Unaudited)
(Amounts in thousands, except share and per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-------------------------------------------------------------------|-------------------------------------|-------------------|------------------------------------|-------------------|
| | 2025 | 2024 | 2025 | 2024 |
| Net sales | \$ 7,033 | \$ 6,752 | \$ 26,585 | \$ 28,221 |
| Cost of goods sold | 5,695 | 5,537 | 19,377 | 19,762 |
| Inventory write-offs | 114 | - | 1,775 | - |
| Total cost of goods sold | <u>5,809</u> | <u>5,537</u> | <u>21,152</u> | <u>19,762</u> |
| Gross profit | 1,224 | 1,215 | 5,433 | 8,459 |
| Operating expenses: | | | | |
| Delivery and handling expense | 1,100 | 1,279 | 4,299 | 4,204 |
| Selling and marketing expense | 1,366 | 1,283 | 4,139 | 3,473 |
| General and administrative expense | 2,861 | 1,791 | 8,633 | 5,239 |
| Total operating expenses | <u>5,327</u> | <u>4,353</u> | <u>17,071</u> | <u>12,916</u> |
| Loss from operations | (4,103) | (3,138) | (11,638) | (4,457) |
| Interest expense | (274) | (2,405) | (864) | (4,578) |
| Other income | 395 | - | 441 | - |
| Change in fair value of SAFE investments | - | 1,393 | - | - |
| Net loss | (3,982) | (4,150) | (12,061) | (9,035) |
| Dividends on Series A Convertible Preferred Stock | - | - | (5) | (5) |
| Net Loss Attributable to Common Stockholders | <u>\$ (3,982)</u> | <u>\$ (4,150)</u> | <u>\$ (12,066)</u> | <u>\$ (9,040)</u> |
| Loss per share – basic and diluted | <u>\$ (0.48)</u> | <u>\$ (4.91)</u> | <u>\$ (1.54)</u> | <u>\$ (12.10)</u> |
| Weighted average number of shares outstanding – basic and diluted | 8,248,157 | 844,402 | 7,848,471 | 747,265 |

The accompanying notes are an integral part of these condensed financial statements

REED'S, INC.
CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Three and Nine Months Ended September 30, 2025 and 2024
(Unaudited)
(Amounts in thousands except share amounts)

| | Common Stock | | Preferred Stock | | Additional Paid In Capital | Accumulated Deficit | Total Stockholders' Equity |
|--------------------------------------------------------|------------------|-------------|-----------------|--------------|----------------------------------|------------------------|----------------------------------|
| | Shares | Amount | Shares | Amount | | | |
| Balance, June 30, 2025 | 8,112,124 | \$ 1 | 9,411 | \$ 94 | \$ 161,608 | \$ (159,968) | \$ 1,735 |
| Fair value of vested options | - | - | - | - | 4 | - | 4 |
| Common stock issued for cash | 833,330 | - | - | - | 5,000 | - | 5,000 |
| Net loss | - | - | - | - | - | (3,982) | (3,982) |
| Balance, September 30, 2025 | <u>8,945,454</u> | <u>\$ 1</u> | <u>9,411</u> | <u>\$ 94</u> | <u>\$ 166,612</u> | <u>\$ (163,950)</u> | <u>\$ 2,757</u> |
| | | | | | | | |
| | Common Stock | | Preferred Stock | | Additional Paid In Capital | Accumulated Deficit | Total Stockholders' Equity |
| | Shares | Amount | Shares | Amount | | | |
| Balance, December 31, 2024 | 7,561,714 | \$ 1 | 9,411 | \$ 94 | \$ 158,437 | \$ (151,884) | \$ 6,648 |
| Fair value of vested options | - | - | - | - | 60 | - | 60 |
| Dividends on Series A | - | - | - | - | - | (5) | (5) |
| Common stock issued upon conversion of SAFE agreement | 12,778 | - | - | - | 115 | - | 115 |
| Common stock issued for cash | 1,370,962 | - | - | - | 8,000 | - | 8,000 |
| Net loss | - | - | - | - | - | (12,061) | (12,061) |
| Balance, September 30, 2025 | <u>8,945,454</u> | <u>\$ 1</u> | <u>9,411</u> | <u>\$ 94</u> | <u>\$ 166,612</u> | <u>\$ (163,950)</u> | <u>\$ 2,757</u> |
| | | | | | | | |
| | Common Stock | | Preferred Stock | | Additional Paid In Capital | Accumulated Deficit | Total Stockholders' Equity |
| | Shares | Amount | Shares | Amount | | | |
| Balance, June 30, 2024 | 697,882 | \$ - | 9,411 | \$ 94 | \$ 119,674 | \$ (143,617) | \$ (23,849) |
| Fair value of vested options | - | - | - | - | 46 | - | 46 |
| Common shares issued for cash | 211,466 | - | - | - | 1,903 | - | 1,903 |
| Common shares issued upon conversion of SAFE agreement | 455,201 | 1 | - | - | 4,096 | - | 4,097 |
| Net loss | - | - | - | - | - | (4,150) | (4,150) |
| Balance, September 30, 2024 | <u>1,364,549</u> | <u>\$ 1</u> | <u>9,411</u> | <u>\$ 94</u> | <u>\$ 125,719</u> | <u>\$ (147,767)</u> | <u>\$ (21,953)</u> |
| | | | | | | | |
| | Common Stock | | Preferred Stock | | Additional Paid In Capital | Accumulated Deficit | Total Stockholders' Equity |
| | Shares | Amount | Shares | Amount | | | |
| Balance, December 31, 2023 | 697,882 | \$ - | 9,411 | \$ 94 | \$ 119,452 | \$ (138,727) | \$ (19,181) |
| Fair value of vested options | - | - | - | - | 268 | - | 268 |
| Dividends on Series A Convertible Preferred Stock | - | - | - | - | - | (5) | (5) |
| Common shares issued for cash | 211,466 | - | - | - | 1,903 | - | 1,903 |
| Common shares issued upon conversion of SAFE agreement | 455,201 | 1 | - | - | 4,096 | - | 4,097 |
| Net loss | - | - | - | - | - | (9,035) | (9,035) |
| Balance, September 30, 2024 | <u>1,364,549</u> | <u>\$ 1</u> | <u>9,411</u> | <u>\$ 94</u> | <u>\$ 125,719</u> | <u>\$ (147,767)</u> | <u>\$ (21,953)</u> |

The accompanying notes are an integral part of these condensed financial statements.

REED'S, INC.
CONDENSED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2025 and 2024
(Unaudited)
(Amounts in thousands)

| | September 30, 2025 | September 30, 2024 |
|------------------------------------------------------------------------------------|-----------------------|-----------------------|
| <i>Cash flows from operating activities:</i> | | |
| Net loss | \$ (12,061) | \$ (9,035) |
| <i>Adjustments to reconcile net loss to net cash used in operating activities:</i> | | |
| Depreciation | 121 | 88 |
| Gain on disposal of property and equipment | (5) | - |
| Amortization of debt discount | 273 | 568 |
| Fair value of vested options | 60 | 268 |
| Product quality hold write-down | - | (29) |
| Change in allowance for doubtful accounts | (412) | (282) |
| | - | - |
| Inventory write-offs and change in reserve | 991 | (825) |
| Accrued interest | - | 3,141 |
| <i>Changes in operating assets and liabilities:</i> | | |
| Accounts receivable | 1,957 | 1,084 |
| Inventory | (3,443) | 2,903 |
| Prepaid expenses and other assets | (87) | (449) |
| Decrease in right of use assets | 35 | 121 |
| Accounts payable | (1,014) | 180 |
| Accrued expenses | 339 | 173 |
| | - | - |
| Lease liabilities | 16 | (160) |
| Net cash used in operating activities | <u>(13,230)</u> | <u>(2,254)</u> |
| <i>Cash flows from investing activities:</i> | | |
| Trademark costs | (6) | (7) |
| Purchase of property and equipment | (191) | (51) |
| Proceeds on sale of property and equipment | 25 | - |
| Net cash used in investing activities | <u>(172)</u> | <u>(58)</u> |
| <i>Cash flows from financing activities:</i> | | |
| Proceeds from line of credit | - | 24,878 |
| Payments on line of credit | - | (29,367) |
| Payment of accrued interest on convertible note payable | - | (513) |
| Proceeds from sale of common stock | 8,000 | 1,903 |
| Proceeds from convertible notes | - | 1,400 |
| Proceeds from SAFE agreement | - | 4,097 |
| Payment of note payable | (650) | - |
| Payment of cash recorded as debt discount | (34) | (335) |
| Amounts from former related party, net | (169) | (48) |
| Net cash provided by financing activities | <u>7,147</u> | <u>2,015</u> |
| Net decrease in cash | (6,255) | (297) |
| Cash at beginning of period | 10,391 | 603 |
| Cash at end of period | <u>\$ 4,136</u> | <u>\$ 306</u> |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | \$ 326 | \$ 238 |
| Non-cash investing and financing activities: | | |
| Reclass SAFE agreement from accounts payable to equity | \$ 115 | \$ - |
| Dividends on Series A Convertible Preferred Stock | \$ 5 | \$ 5 |
| Reclass of prepaid expenses and accounts payable | \$ - | \$ 1,000 |

The accompanying notes are an integral part of these condensed financial statements.

REED'S, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
Three and Nine Months Ended September 30, 2025 and 2024 (Unaudited)
(In thousands, except share and per share amounts)

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed financial statements of Reed's, Inc. (the "Company", "we", "us", or "our") have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the applicable rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. We believe that the disclosures contained in these condensed financial statements are adequate to make the information presented herein not misleading. These condensed financial statements should be read in conjunction with the financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2024, filed with the SEC on March 28, 2025. The accompanying condensed financial statements are unaudited, but in the opinion of management, contain all adjustments, including normal recurring adjustments, necessary to present fairly the Company's financial position as of September 30, 2025, and the results of its operations and its cash flows for the nine months ended September 30, 2025 and 2024. The balance sheet as of December 31, 2024 is derived from the Company's audited financial statements.

The results of operations for the nine months ended September 30, 2025, are not necessarily indicative of the results of operations to be expected for the full fiscal year ending December 31, 2025.

Reverse Stock Split

On October 31, 2025, the Company effected a 1-for-6 reverse stock split of its common stock (the "Reverse Stock Split"). The par value and the authorized shares of the common stock were not adjusted as a result of the Reverse Stock Split. All shares and per share amounts and information presented herein have been retroactively adjusted to reflect the Reverse Stock Split for all periods presented.

Liquidity

As reflected in the accompanying financial statements, for the nine months ended September 30, 2025, the Company recorded a net loss of \$12,061 and used cash in operations of \$13,230. Cash used in operations was primarily from our operating losses as well as for working capital, as the Company invested \$3,443 in inventory to more effectively fulfill customer demand, and investment in strategic growth initiatives. As of September 30, 2025, we had a cash balance of \$4,136 and no remaining availability under our Senior Secured Loan, as discussed further below.

Historically, we have financed our operations through existing cash balances, cash generated from operations, public and private issuance of common stock, preferred stock, convertible debt instruments, term loans and credit lines from financial institutions.

On September 15, 2025, the Company completed a private placement with certain accredited investors, pursuant to which the Company issued and sold to the investors an aggregate of 833,330 shares of common stock for total consideration of \$5,000 (see Note 7).

On September 26, 2025, we entered into the first amendment to the loan agreement (as amended, the "Amended Loan Agreement") governing our Senior Secured Loan (see Note 5). Pursuant to the Amended Loan Agreement, (i) the aggregate principal amount of the revolving credit commitment under the Senior Secured Loan was reduced to \$9,250 from \$10,000, (ii) interest payments became due on a monthly basis as of the last business day of each month, and (iii) the maturity date was extended to September 30, 2026. In connection with the Amended Loan Agreement, we repaid \$650 of the aggregate outstanding principal balance, plus accrued interest.

Management expects that the Company's existing cash of \$4,136, cash generated from operations, and access to committed financing will be sufficient to fund the Company's operating plan, which was approved by the Board of Directors in January 2025, for at least twelve months from the date of issuance of these financial statements; however, if the Company's management and Board of Directors approve additional growth initiatives and related investment in human resources, working capital, new geographic markets, information technology, or other uses of cash, the Company may require additional funding.

To alleviate any funding considerations, management periodically evaluates various funding alternatives and may seek to raise additional funds through the issuance of equity, mezzanine or debt securities, through arrangements with strategic partners, strategic transactions, or through obtaining credit from financial institutions. As we seek additional sources of financing, there can be no assurance that such financing will be available to us on favorable terms or at all. Our ability to obtain additional financing in the debt and equity capital markets is subject to several factors, including market and economic conditions, our performance and investor sentiment with respect to us and our industry.

We are also continuing to take actions to improve the Company's operating performance and cash generated from operations, including product portfolio optimization, implementing strategies to increase sales, streamlining operations, improving supply chains, negotiating equitable vendor contracts, and managing product price architecture. However, we may be unsuccessful in executing these actions in a timely manner or at all.

If the Company is unable to raise additional capital whenever necessary or otherwise improve its operating performance or generation of cash from operations, it may be forced to decelerate or curtail certain of its operations until such time as additional capital becomes available.

Recent Trends - Market Conditions

Inflation, actions by the Federal Reserve to address inflation, fluctuations in energy prices, and the potential impacts of tariffs, trade tensions and geopolitical events create uncertainty about the future economic environment which will continue to evolve and may impact our business in future periods. We have experienced supply chain challenges, including increased lead times, as well as inflation of raw materials, logistics and labor costs due to availability constraints and high demand. Although we regularly monitor vendors in our supply chain, and use alternative suppliers when necessary and available, supply chain constraints could cause a disruption in our ability to obtain raw materials required to manufacture our products and adversely affect our operations.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Those estimates and assumptions include estimates for credit loss reserves for accounts receivable, assumptions used in valuing inventories at net realizable value, impairment testing of recorded long-term tangible and intangible assets, the realizability of deferred tax assets and the related valuation allowance, accruals for potential liabilities, assumptions made in valuing stock instruments issued for services, and assumptions used in the determination of the Company's liquidity.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (“ASC 606”). Revenue and costs of sales are recognized when control of the products transfers to our customer, which generally occurs upon shipment from our facilities. The Company’s performance obligations are satisfied at that time. The Company does not have any significant contracts with customers requiring performance beyond delivery, and contracts with customers contain no incentives or discounts that could cause revenue to be allocated or adjusted over time. Shipping and handling activities are performed before the customer obtains control of the goods and therefore represent a fulfillment activity rather than a promised service to the customer. All of the Company’s products are offered for sale as finished goods only, and there are no performance obligations required post-shipment for customers to derive the expected value from them.

The Company does not allow for returns, except for damaged products when the damage occurred pre-fulfilment. Damaged product returns have historically been insignificant. Because of this, the stand-alone nature of our products, and our assessment of performance obligations and transaction pricing for our sales contracts, we do not currently maintain a contract asset or liability balance for obligations. We assess our contracts and the reasonableness of our conclusions on a quarterly basis.

Loss per Common Share

Basic earnings (loss) per share is computed by dividing the net income (loss) applicable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share is computed by dividing the net income (loss) applicable to common stockholders by the weighted average number of common shares outstanding plus the number of additional common shares that would have been outstanding if all dilutive potential common shares had been issued, using the treasury stock method. Potential common shares are excluded from the computation when their effect is antidilutive.

For the nine months ended September 30, 2025 and 2024, the calculations of basic and diluted loss per share are the same because potential dilutive securities would have had an anti-dilutive effect. The potentially dilutive securities consisted of the following:

| | September 30, 2025 | September 30, 2024 |
|-----------------------------------------------------------------|-----------------------|-----------------------|
| Warrants | 91,549 | 91,549 |
| Options | 47,072 | 21,385 |
| Convertible note payable | - | 307,472 |
| Common stock equivalent of Series A Convertible Preferred stock | 125 | 125 |
| Total | <u>138,746</u> | <u>420,531</u> |

Stock Compensation Expense

The Company periodically issues stock options and restricted stock awards to employees and non-employees in non-capital raising transactions for services and for financing costs. The Company accounts for such grants issued and vesting based on ASC 718, *Compensation-Stock Compensation* whereby the value of the award is measured on the date of grant and recognized for employees as compensation expense on the straight-line basis over the vesting period. Recognition of compensation expense for non-employees is in the same period and manner as if the Company had paid cash for the services.

The fair value of the Company’s stock options is estimated using the Black-Scholes-Merton Option Pricing model, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the stock options or restricted stock, and future dividends. Compensation expense is recorded based upon the value derived from the Black-Scholes-Merton Option Pricing model and based on actual experience. The assumptions used in the Black-Scholes-Merton Option Pricing model could materially affect compensation expense recorded in future periods.

Advertising Costs

Advertising costs are expensed as incurred and are included in selling and marketing expense. Advertising costs for the three months ended September 30, 2025, and 2024, aggregated \$50 and \$8, respectively. Advertising costs for the nine months ended September 30, 2025, and 2024, aggregated \$98 and \$38, respectively.

Concentrations

Net sales. During the three months ended September 30, 2025, two customers accounted for 24% and 16% of net sales, respectively, and during the nine months ended September 30, 2025, three customers accounted for 20%, 15%, and 14% of net sales, respectively. During the three months ended September 30, 2024, two customers accounted for 18% and 15% of net sales, respectively, and during the nine months ended September 30, 2024, three customers accounted for 18%, 15%, and 11% of net sales, respectively. No other customers exceeded 10% of sales in either period.

Accounts receivable. As of September 30, 2025, the Company had accounts receivable with one customer which comprised 18% of its net accounts receivable. As of December 31, 2024, the Company had accounts receivable from two customers which comprised 17% and 14% of its net accounts receivable, respectively. No other customers exceeded 10% of net accounts receivable in either period.

The Company utilizes co-packers to produce 100% of its products. During the nine months ended September 30, 2025 and the year ended December 31, 2024, the Company utilized seven separate co-packers for most of its production and bottling of beverage products in the United States. The Company has established relationships with these co-packers, including a former related party (see Note 10). Although there are other co-packers available to the Company, a change in co-packers may cause a delay in the production process, which could adversely affect operating results.

Purchases from vendors. During the nine months ended September 30, 2025, the Company's largest vendor accounted for approximately 15% of all purchases. During the nine months ended September 30, 2024, the Company's two largest vendors accounted for approximately 11% and 10% of all purchases. No other vendors exceeded 10% of all purchases in either period.

Accounts payable. As of September 30, 2025, one vendor accounted for 10% of total accounts payable. As of December 31, 2024, no vendor accounted for more than 10% of total accounts payable. No other vendors exceeded 10% of accounts payable in either period.

Fair Value of Financial Instruments

The Company uses various inputs in determining the fair value of its financial assets and liabilities and measures these assets on a recurring basis. Financial assets recorded at fair value are categorized by the level of subjectivity associated with the inputs used to measure their fair value. Accounting Standards Codification Section 820 defines the following levels of subjectivity associated with the inputs:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.

Level 3—Unobservable inputs in which there is little or no market data for the asset or liability which requires the Company to develop its own assumptions.

The Company believes the carrying amounts of certain financial instruments, including cash and cash equivalents, accounts receivable, short-term bank loans, accounts payable, notes payable and other payables, approximate their fair values because of the short-term nature of such instruments. The carrying values of capital lease obligations and long-term financing obligations approximate their fair values because interest rates on these obligations are based on prevailing market interest rates.

Foreign Currency

Cash denominated in Japanese Yen (JPY) with an aggregate US Dollar equivalent of \$549 and \$0 at September 30, 2025 and December 31, 2024, respectively, was held by the Company in accounts at a financial institution in Japan. We used the exchange rate in the following table to translate amounts denominated in non-USD currencies as of the periods noted:

| | September 30, 2025 | December 31, 2024 |
|---------|-----------------------|----------------------|
| JPY:USD | 147.90 | NA |

Recent Accounting Pronouncements

In November 2024, FASB issued ASU 2024-03 Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40) Disaggregation of Income Statement Expenses. The guidance in ASU 2024-03 requires public business entities to disclose in the notes to the financial statements, among other things, specific information about certain costs and expenses including purchases of inventory; employee compensation; and depreciation and amortization expense for each caption on the income statement where such expenses are included. The update is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted, and the amendments may be applied prospectively to reporting periods after the effective date or retrospectively to all periods presented in the financial statements. We are currently evaluating the provisions of this guidance and assessing the potential impact on our financial statement disclosures.

Other recent accounting pronouncements and guidance issued by the FASB, its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future financial statements.

2. Inventory

Inventory consisted of the following:

| | September 30, 2025 | December 31, 2024 |
|-----------------------------|-----------------------|----------------------|
| Raw materials and packaging | \$ 4,658 | \$ 5,144 |
| Finished products | 5,908 | 2,970 |
| Total | <u>\$ 10,566</u> | <u>\$ 8,114</u> |

As of September 30, 2025 and December 31, 2024, inventory was net of a reserve of \$1,185 and \$1,296, respectively. During the nine months ended September 30, 2025, the Company incurred \$1,775 of inventory charges related to changes in product portfolio optimization made by new management.

3. Property and Equipment

Property and equipment are comprised of the following:

| | September 30, 2025 | December 31, 2024 |
|--------------------------------------------|-----------------------|----------------------|
| Right-of-use assets under operating leases | \$ 832 | \$ 832 |
| Leasehold improvements | 138 | 84 |
| Computer hardware and software | 622 | 553 |
| Vehicles | 68 | - |
| Machinery and equipment | 275 | 352 |
| Total cost | 1,935 | 1,821 |
| Accumulated depreciation and amortization | (735) | (636) |
| Net book value | <u>\$ 1,200</u> | <u>\$ 1,185</u> |

Depreciation expense for the nine months ended September 30, 2025 and 2024 was \$121 and \$88, respectively, and amortization of right-of-use assets for the nine months ended September 30, 2025 and 2024 was \$35 and \$121, respectively.

4. Intangible Assets

Intangible assets consisted of the following:

| | September 30, 2025 | December 31, 2024 |
|-------------|-----------------------|----------------------|
| Brand names | \$ 576 | \$ 576 |
| Trademarks | 74 | 68 |
| Total | <u>\$ 650</u> | <u>\$ 644</u> |

5. Senior Secured Loan Payable

The following sets forth amounts in respect of our senior secured loan:

| | September 30, 2025 | December 31, 2024 |
|-----------------------------|-----------------------|----------------------|
| Senior secured loan payable | \$ 9,250 | \$ 9,900 |
| Deferred financing costs | (90) | (329) |
| Total | <u>\$ 9,160</u> | <u>\$ 9,571</u> |

On November 14, 2024, the Company entered into a Senior Secured Loan and Security Agreement (the “Loan Agreement”) with certain funds affiliated with Whitebox Advisors LLC (“Whitebox”), as lenders, and Cantor Fitzgerald Securities, as administrative agent and collateral agent. The Loan Agreement provided a revolving credit commitment in an aggregate amount of \$10,000 (the “Senior Secured Loan”). On September 26, 2025, the Company entered into an Amended Loan Agreement. The Amended Loan Agreement (i) reduced the aggregate principal amount of the revolving credit commitment to \$9,250 from \$10,000, (ii) changed interest payments on the revolving loan to be due monthly in arrears from quarterly in arrears, (iii) and extended the maturity date to September 30, 2026. The Senior Secured Loan accrues interest at a per annum rate equal to 8.00% on the principal amount outstanding, payable monthly in arrears. The Senior Secured Loan also accrues an unused fee at a rate per annum equal to 3.00% on the excess, if any, of the revolving credit commitment over the average principal amount outstanding from time to time during the preceding fiscal quarter, payable monthly in arrears. The Senior Secured Loan is secured by substantially all of the Company’s assets, including all intellectual property.

In connection with the entry into the Amended Loan Agreement, the Company repaid \$650 of the aggregate outstanding principal balance, plus accrued interest.

As of September 30, 2025, and December 31, 2024, the principal amount outstanding on the Senior Secured Loan was \$9,250 and \$9,900, respectively, and the remaining availability was \$0 and \$100, respectively.

The Amended Loan Agreement includes customary restrictions that limit our ability to engage in certain types of transactions. Additionally, the agreement contains a financial covenant that requires us to meet a certain minimum cash balance and liquidity threshold as of the end of each month. We were in compliance with the Amended Loan Agreement as of September 30, 2025 and December 31, 2024.

The Company incurred \$410 of direct costs associated with the Senior Secured Loan transaction, consisting primarily of broker, bank and legal fees. These costs have been deferred and are being amortized over the life of the agreement. The unamortized debt discount balance was \$329 at December 31, 2024. For the nine months ended September 30, 2025, the company incurred \$34 of additional fees, and the amortization of debt discount was \$273. The unamortized debt discount balance was \$90 at September 30, 2025. Additionally, in connection with the Amended Loan Agreement, the Company incurred \$40 of direct costs, which were expensed.

6. Lease Liabilities

During the nine months ended September 30, 2025 and 2024, lease costs totaled \$35 and \$121, respectively.

As of December 31, 2024, operating lease liabilities totaled \$837. During the nine months ended September 30, 2025, the Company made payments of \$16 towards its operating lease liability. As of September 30, 2025, operating lease liabilities totaled \$853, of which \$48 was current. The Company's right of use assets are presented as part of property and equipment (see Note 3).

As of September 30, 2025, the weighted average remaining lease term for the operating lease was 10.17 years. As of September 30, 2025, the weighted average discount rate on the operating lease was 8.0%.

7. Issuance of Common Stock

2025 Transactions

During 2024, the Company received \$115 in gross proceeds from investors pursuant to Simple Agreements for Future Equity ("SAFE") investments, which remained outstanding as of December 31, 2024. On April 3, 2025, the SAFE investments were converted to 12,778 common shares.

On June 4, 2025, the Company completed a private placement with certain accredited investors, pursuant to which the Company issued and sold to the investors an aggregate of 537,632 shares of common stock for total consideration of \$3,000. D&D Source of Life Holding, Ltd. ("D&D"), the Company's majority stockholder (a related party), served as lead investor, participating in this transaction in the amount of \$1,000.

On September 15, 2025, the Company completed a private placement with certain accredited investors, pursuant to which the Company issued and sold to the investors an aggregate of 833,330 shares of common stock for total consideration of \$5,000.

2024 Transactions

During 2024, the Company received \$4,097 in gross proceeds from three significant stockholders of the Company, D&D, Union Square Park Partners LP, and John J. Bello, the Company's former Chairman, pursuant to Simple Agreements for Future Equity ("SAFE") investments. The SAFE investments were to convert into the next equity financing of Reed's at the lesser of \$9.00 per share or the per share price in the financing. D&D was given the right to designate a second independent director nominee to the board of directors of Reed's and the company agreed to limit the size of its board of directors to nine (9) for so long as D&D owns 25% or more of the equity securities of the Company. The Company initially recorded the SAFE investments as a liability at \$5,490 which was reflected on its June 30, 2024 balance sheet, and reflected a loss from change in fair value of SAFE investments of \$1,393 at that date.

On September 9, 2024, the Company entered into a Securities Purchase Agreement with various purchasers for the issuance of 666,667 common shares for total consideration of \$6,000. The various purchasers also held Company SAFE investments. The total capital raise was comprised of 455,201 shares of common stock valued at \$4,097 upon conversion of the SAFE investments and 211,466 common shares issued to D&D for consideration of \$1,903.

Upon conversion of the SAFE instruments during the three months ended September 30, 2024, the Company recorded a gain from change in fair value of SAFE investments of \$1,393.

8. Stock-Based Compensation

Restricted common stock

On April 16, 2025, the Company's board of directors appointed Cyril Wallace as Chief Executive Officer and member of the board of directors, pursuant to an executive employment agreement. Subject to the board of directors' establishment of a new equity incentive plan and Mr. Wallace's continued employment, Mr. Wallace will be granted a restricted stock award of 46,667 shares of common stock, vesting over a one-year term, and performance based stock options to purchase up to 231,361 shares of common stock. The performance-based stock options will be granted in tranches beginning in 2025 through 2027. Vesting of performance-based stock options will be subject to achievement of annual performance metrics established by the board of directors and agreed between the parties.

Stock Options

The following table summarizes stock option activity during the nine months ended September 30, 2025:

| | Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Terms (Years) | Aggregate Intrinsic Value |
|-----------------------------------|---------|---------------------------------|------------------------------------------------------|---------------------------|
| Outstanding at December 31, 2024 | 54,034 | \$ 104.82 | 8.03 | \$ - |
| Granted | - | - | - | - |
| Exercised | - | - | - | - |
| Unvested forfeited | (3,629) | 7.80 | - | - |
| Vested forfeited | (3,333) | 7.80 | - | - |
| Outstanding at September 30, 2025 | 47,072 | \$ 119.16 | 7.05 | \$ - |
| Exercisable at September 30, 2025 | 42,462 | \$ 130.32 | 6.92 | \$ - |

During the nine months ended September 30, 2025 and 2024, the Company recognized \$60 and \$268 of compensation expense relating to vested stock options, respectively. As of September 30, 2025, the aggregate amount of unvested compensation related to stock options was approximately \$26, which will be recognized as an expense as the options vest in future periods through March 28, 2027.

As of September 30, 2025, the outstanding and exercisable options have no aggregate intrinsic value. The aggregate intrinsic value was calculated as the difference between the closing market price as of September 30, 2025, which was \$6.18, and the exercise price of the outstanding stock options.

9. Stock Warrants

The Company's warrant activity during the nine months ended September 30, 2025 is as follows:

| | Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Terms (Years) | Aggregate Intrinsic Value |
|-----------------------------------|--------|---------------------------------|------------------------------------------------------|---------------------------|
| Outstanding at December 31, 2024 | 91,549 | \$ 52.32 | 1.85 | \$ - |
| Granted | - | - | - | - |
| Exercised | - | - | - | - |
| Forfeited | - | - | - | - |
| Outstanding at September 30, 2025 | 91,549 | \$ 52.32 | 1.10 | \$ - |
| Exercisable at September 30, 2025 | 91,549 | \$ 52.32 | 1.10 | \$ - |

As of September 30, 2025, the outstanding and exercisable warrants have no aggregate intrinsic value. The aggregate intrinsic value was calculated as the difference between the closing market price as of September 30, 2025, which was \$6.18, and the exercise price of the Company's warrants to purchase common stock.

10. Transactions with California Custom Beverage, LLC, former related party

In December 2018, the Company signed a co-packing agreement with California Custom Beverage, LLC's ("CCB"), an entity owned by a former related party, pursuant to which CCB agreed to produce certain products for the Company for agreed fees. The co-packing agreement, as amended, includes certain provisions for product inputs, shrinkage, and quality assurance. Also beginning in 2019, CCB agreed to pay the Company a 5% royalty through 2021 on certain private label sales made by CCB.

At September 30, 2025 and December 31, 2024, accounts receivable due from and accounts payable due to CCB were as follows:

| | September 30, 2025 | December 31, 2024 |
|------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| Accounts receivable, net of provision of \$1,238 and \$1,238 at September 30, 2025 and December 31, 2024, respectively | \$ 169 | \$ 144 |
| Accounts payable | - | (144) |
| Net (payable) receivable | \$ 169 | \$ - |

In January 2024, CCB filed an arbitration demand alleging claims against the Company for various disputed amounts outstanding. Also in January 2024, the Company filed an arbitration demand alleging claims against CCB for various disputed amounts outstanding. The two cases were consolidated, and the arbitration process is expected to continue pending final judgment. The Company has determined that the probability of realizing any loss on the demand from CCB is remote and therefore has not recorded any additional accruals related to the demand.

11. Commitments and Contingencies

On July 1, 2025, the Company entered into a settlement and release agreement (the "Settlement") related to an engagement letter with an investment bank dated May 1, 2023. Pursuant to the engagement letter, the Company agreed to pay the investment bank certain fees for services rendered. Pursuant to the Settlement, the Company paid the investment bank \$1,600 and, effective immediately upon receipt of payment, the Company was released from any and all liability. The Company has provided for the Settlement in the accompanying financial statements.

From time to time, we are a party to claims and legal proceedings arising in the ordinary course of business. Our management evaluates our exposure to these claims and proceedings individually and in the aggregate and provides for potential losses on such litigation if the amount of the loss is estimable and the loss is probable.

We believe that there are no material litigation matters at the current time. Although the results of such litigation matters and claims cannot be predicted with certainty, we believe that the final outcome of such claims and proceedings will not have a material adverse impact on our financial position, liquidity, or results of operations.

12. Segment Information

The Company operates and manages its business as one reportable and operating segment as a manufacturer of carbonated beverages under Reed's and Virgil's brand names. The measure of segment assets is reported on the balance sheet as total assets.

The Company's chief operating decision maker ("CODM"), the Company's Chief Executive Officer, reviews financial information presented and decides how to allocate resources based on net income (loss). Net income (loss) is used for evaluating financial performance.

Significant segment expenses include research and development, salaries, insurance, and stock-based compensation. Operating expenses include all the remaining costs necessary to operate our business, which primarily include external professional services and other administrative expenses. The following table presents the significant segment expenses and other segment items regularly reviewed by our CODM.

| | Nine Months Ended September 30, | |
|---------------------------------|------------------------------------|------------------|
| | 2025 | 2024 |
| Operating expenses | | |
| Salaries | \$ 3,973 | \$ 2,792 |
| Insurance | 372 | 389 |
| Stock-based compensation | 60 | 268 |
| Selling and marketing | 2,703 | 2,052 |
| Freight and delivery | 3,367 | 3,206 |
| Warehousing | 931 | 998 |
| Other operating expenses | 5,665 | 3,211 |
| Total operating expenses | \$ 17,071 | \$ 12,916 |

13. Subsequent Events

Reverse Stock Split

On October 31, 2025, the Company effected a 1-for-6 reverse stock split (the "Reverse Stock Split") of the Company's issued and outstanding shares of common stock. The Reverse Stock Split reduced the number of shares of the Company's issued and outstanding common stock, as well as the number of shares subject to then-outstanding warrants and the exercise price thereof and the number of shares available for future issuance under the Company's equity plans, the number of shares subject to such awards and purchase rights and the exercise and purchase price of, and other terms and conditions relating to, such awards and purchase rights. The conversion terms of the Preferred Stock have also been adjusted automatically such that each share of Series A Convertible Preferred Stock will be convertible into the number of shares of common stock that would have been issuable if all of the outstanding shares of Preferred Stock were converted into common stock immediately prior to the Reverse Stock Split. No fractional shares were distributed as a result of the Reverse Stock Split, and stockholders were entitled to a cash payment in lieu of fractional shares. The Reverse Stock Split did not affect the par value or total number of authorized shares of common stock. Accordingly, all share and per share amounts for all periods presented in the condensed consolidated financial statements have been adjusted retroactively, where applicable, to reflect the Reverse Stock Split.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Our discussion and analysis is intended to help the reader understand our results of operations and financial condition and is provided as an addition to, and should be read in connection with, our condensed financial statements and the accompanying notes. Some of the information contained in this discussion and analysis, including information with respect to our intentions, plans, objectives and expectations for our business, includes forward-looking statements that involve risks and uncertainties. You should review the sections titled “Cautionary Statements Regarding Forward-Looking Statements and Information” and “Risk Factors” in this Quarterly Report on Form 10-Q and in our 2024 Form 10-K for a discussion of forward-looking statements and important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

In addition to our GAAP results, the following discussion includes Modified EBITDA as a supplemental measure of our performance. 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 is not a recognized measurement under GAAP and should not be considered as an alternative to net income (loss), income (loss) 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, change in fair value of SAFE agreements, legal and insurance settlements, contract proceedings, non-recurring professional fees, inventory write-offs associated with exited categories and major packaging and formula changes, one-time changes in policy, impact of changes to accounting methodology and one-time restructuring-related costs including employee severance and asset impairment.

The following discussion also includes the use of gross billing, a key performance indicator and metric. Gross billing represents invoiced amounts to distributors and retailers, excluding sales adjustments. Gross billing may include deductions from MSRP or “list price”, where applicable, and excludes promotional costs of generating such sales. Management utilizes gross billing to monitor operating performance of products and salespersons, which performance can be masked by the effect of promotional or other allowances. Management believes that the presentation of gross billing provides a useful measure of Reed’s operating performance.

Amounts presented in the discussion below are in thousands, except share and per share amounts.

Results of Operations

Overview

During the nine months ended September 30, 2025, the Company continued its focus on driving sales growth, improving gross margin, and reducing freight costs. The sales growth initiatives include channel expansion, in-store product placements, new product innovation and improved sales execution. The gross margin enhancement initiatives include product portfolio optimization, equitable supplier negotiations, streamlining co-packer processes, and efficient inventory management. Underpinning these initiatives is a focus on strategically reducing operating costs, particularly delivery and handling expenses.

During the nine months ended September 30, 2025, the Company began an expansion into new geographic markets in the Asia Pacific region. The Company formed a wholly owned subsidiary Reed’s (Asia) Limited (BVI). Reed’s (Asia) Limited subsequently formed five additional wholly owned subsidiaries, Reed’s (Hong Kong) Limited, Reed’s (Japan) Limited, Jiangzhi Beverage (Hainan) Co. Limited, Reed’s Beverages (Singapore) PTE Limited, and Shenshen Jiangzi Beverage Co. Limited. These subsidiaries are an early part of the Company’s strategic expansion in the Asia Pacific region. The Company expects continued investment in its Asia Pacific growth initiative. Reed’s (Asia) Limited did not generate sales in the nine months ended September 30, 2025.

Recent Trends – Market Conditions

Although the U.S. economy continued to grow in the first half of 2025 and throughout 2024, inflation, actions by the Federal Reserve to address inflation, fluctuations in energy prices, and the potential impacts of tariffs, trade tensions and geopolitical events create uncertainty about the future economic environment which will continue to evolve and may impact our business in future periods. We have experienced supply chain challenges, including increased lead times, as well as inflation of raw materials, logistics and labor costs due to availability constraints and high demand. Although we regularly monitor vendors in our supply chain, and use alternative suppliers when necessary and available, supply chain constraints could cause a disruption in our ability to obtain raw materials required to manufacture our products and adversely affect our operations.

During the nine months ended September 30, 2025, the average cost of shipping and handling was \$2.84 per case, as compared to \$2.66 per case for the nine months ended September 30, 2024. The Company has experienced increases in freight costs and there remains a volatile pricing environment. The Company will continue to monitor pricing and availability in transportation and has implemented plans designed to manage this risk. In the past, the Company has been negatively impacted by supply chain challenges affecting our ability to benefit from strong demand for, and increased sales of our product. Any disruption caused by labor shortages, significant raw material cost inflation, logistics issues, increased freight costs, or port congestion, may adversely impact margins in the future.

Recent Developments

Private Placement

On September 12, 2025, we entered into a securities purchase agreement with six accredited investors for the issuance and sale in a private placement of 833,330 shares of our common stock, at a purchase price of \$6.00 per share, for aggregate gross proceeds of \$5,000 (the “September 2025 Private Placement”). The September 2025 Private Placement closed on September 15, 2025 (the “September 2025 PIPE Closing Date”).

In connection with the September 2025 Private Placement, we entered into a registration rights agreement, dated as of September 12, 2025, with the investors, pursuant to which we agreed to prepare and file a registration statement with the SEC registering the resale of the shares issued in September 2025 Private Placement. The registration statement was filed with the SEC on September 19, 2025, and declared effective on September 29, 2025.

Amended Senior Secured Loan

On September 26, 2025, the Company entered into the Amended Loan Agreement governing the Senior Secured Loan with certain funds affiliated with Whitebox Advisors LLC, as lenders, and Cantor Fitzgerald Securities, as administrative agent and collateral agent. The Amended Loan Agreement (i) reduced the aggregate principal amount of the revolving credit commitment to \$9,250 from \$10,000, (ii) changed interest payments on the revolving loan to be due monthly in arrears from quarterly in arrears, (iii) and extended the maturity date to September 30, 2026.

Reverse Stock Split

On October 31, 2025, the Company effected a 1-for-6 reverse stock split (the “Reverse Stock Split”) of the Company’s issued and outstanding shares of common stock. The Reverse Stock Split reduced the number of shares of the Company’s issued and outstanding common stock, as well as the number of shares subject to then-outstanding warrants and the exercise price thereof and the number of shares available for future issuance under the Company’s equity plans, the number of shares subject to such awards and purchase rights and the exercise and purchase price of, and other terms and conditions relating to, such awards and purchase rights. The conversion terms of the Preferred Stock have also been adjusted automatically such that each share of Series A Convertible Preferred Stock will be convertible into the number of shares of common stock that would have been issuable if all of the outstanding shares of Preferred Stock were converted into common stock immediately prior to the Reverse Stock Split. No fractional shares were distributed as a result of the Reverse Stock Split, and stockholders were entitled to a cash payment in lieu of fractional shares. The Reverse Stock Split did not affect the par value or total number of authorized shares of common stock. See Note 13, *Subsequent Events*, to our unaudited condensed financial statements included elsewhere in this Quarterly Report on Form 10-Q. The share and per share amounts included in this Quarterly Report on Form 10-Q have been adjusted to account for the anticipated Reverse Stock Split.

Results of Operations – Three Months Ended September 30, 2025, as compared to Three Months Ended September 30, 2024

The following table sets forth key statistics for the three months ended September 30, 2025 and 2024, respectively, in thousands.

| | Three Months Ended September 30, | | Pct. Change |
|---------------------------------------------|-------------------------------------|------------|----------------|
| | 2025 | 2024 | |
| Gross billing (A) | \$ 9,279 | \$ 8,901 | 4% |
| Less: Promotional and other allowances (B) | 2,246 | 2,149 | 5% |
| Net sales | \$ 7,033 | \$ 6,752 | 4% |
| Cost of goods sold | 5,809 | 5,537 | 5% |
| % of Gross billing | 63% | 62% | |
| % of Net sales | 83% | 82% | |
| Gross profit | \$ 1,224 | \$ 1,215 | 1% |
| % of Net sales | 17% | 18% | |
| Expenses | | | |
| Delivery and handling | \$ 1,100 | \$ 1,279 | -14% |
| % of Net sales | 16% | 19% | |
| Dollar per case (\$) | \$ 2.50 | \$ 2.99 | |
| Selling and marketing | 1,366 | 1,283 | 6% |
| % of Net sales | 19% | 19% | |
| General and administrative | 2,861 | 1,791 | 60% |
| % of Net sales | 41% | 27% | |
| Total operating expenses | 5,327 | 4,353 | 22% |
| Loss from operations | \$ (4,103) | \$ (3,138) | 31% |
| Interest expense and other income (expense) | \$ 121 | \$ (1,012) | -112% |
| Net loss | \$ (3,982) | \$ (4,150) | -4% |

| | | | | | |
|-------------------------------------------------------|----|-----------|----|---------|------|
| Loss per share – basic and diluted | \$ | (0.48) | \$ | (4.91) | -90% |
| Weighted average shares outstanding - basic & diluted | | 8,248,157 | | 844,402 | 877% |

(A) We define gross billing as the total sales for the Company unadjusted for costs related to generating those sales. Management utilizes gross billing as an indicator of and to monitor operating performance of products and salespersons before the effect of any promotional or other allowances, which are determined in accordance with GAAP, and can mask certain performance issues. We believe that the presentation of gross billing provides a useful measure of our operating performance. Additionally, gross billing may not be comparable to similarly titled measures used by other companies, as gross billing has been defined by our internal reporting practices.

(B) We define promotional and other allowances as costs deducted from gross billing that are associated with generating those sales. Management utilizes promotional and other allowances as an indicator of and to monitor operating performance of products, salespersons, and customer agreements. We believe that the presentation of promotional and other allowances provides a useful measure of our operating performance. The presentation of promotional and other allowances facilitates an evaluation of their impact on the determination of net sales and the spending levels incurred or correlated with such sales. The expenditures described in this line item are determined in accordance with GAAP and meet GAAP requirements, however the disclosure thereof does not conform to GAAP presentation requirements. Additionally, our definition of promotional and other allowances may not be comparable to similar items presented by other companies. Promotional and other allowances primarily include consideration given to the Company's distributors or retail customers including, but not limited to the following: (i) reimbursements given to the Company's distributors for agreed portions of their promotional spend with retailers, including slotting, shelf space allowances and other fees for both new and existing products; (ii) the Company's agreed share of fees given to distributors and/or directly to retailers for in-store marketing and promotional activities; (iii) the Company's agreed share of slotting, shelf space allowances and other fees given directly to retailers; (iv) incentives given to the Company's distributors and/or retailers for achieving or exceeding certain predetermined sales goals; and (v) discounted or free products. Promotional and other allowances constitute a material portion of our marketing activities. The Company's promotional allowance programs with its numerous distributors and/or retailers are executed through separate agreements in the ordinary course of business. These agreements generally provide for one or more of the arrangements described above and are of varying durations, ranging from one week to one year.

Sales, Cost of Sales, and Gross Margins

The following chart sets forth key statistics for the transition of the Company's top line activity from the third quarter of 2024 through the third quarter of 2025.

| | 2025 | | | | Q3 vs PY | YTD vs PY | 2024 | | | | Q3 Per Case | | | YTD Per Case | | | |
|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|-----------------|-------------------|-------------------|-------------------|--------------------|------------------|------------------|-----------|------------------|------------------|------------|---|
| | Q1 | Q2 | Q3 | YTD | | | Q1 | Q2 | Q3 | YTD | 2025 | 2024 | vs PY | 2025 | 2024 | vs PY | |
| Cases: | | | | | | | | | | | | | | | | | |
| Reed's | 340 | 372 | 297 | 1,009 | 17% | 0% | 348 | 413 | 253 | 1,014 | | | | | | | |
| Virgil's | 180 | 183 | 143 | 506 | -18% | -10% | 151 | 239 | 175 | 565 | | | | | | | |
| Total Core | 520 | 555 | 440 | 1,515 | 3% | -4% | 499 | 652 | 428 | 1,579 | | | | | | | |
| Non Core | - | - | - | - | - | - | - | - | - | - | | | | | | | |
| Total | 520 | 555 | 440 | 1,515 | 3% | -4% | 499 | 652 | 428 | 1,579 | | | | | | | |
| Gross Billing: | | | | | | | | | | | | | | | | | |
| Core | \$ 11,013 | \$ 11,569 | \$ 9,279 | \$ 31,861 | 4% | -3% | \$ 10,377 | \$ 13,584 | \$ 8,901 | \$ 32,862 | \$ 21.1 | \$ 20.8 | 1% | \$ 21.0 | \$ 20.8 | 1% | |
| Non Core | - | - | - | - | - | - | 2 | - | - | 2 | \$ - | \$ - | - | - | - | - | - |
| Total | \$ 11,013 | \$ 11,569 | \$ 9,279 | \$ 31,861 | 4% | -3% | \$ 10,379 | \$ 13,584 | \$ 8,901 | \$ 32,864 | \$ 21.1 | \$ 20.8 | 1% | \$ 21.0 | \$ 20.8 | 1% | |
| Discounts: Total | \$ (984) | \$ (2,046) | \$ (2,246) | \$ (5,276) | 5% | 14% | \$ (784) | \$ (1,710) | \$ (2,149) | \$ (4,643) | \$ (5.1) | \$ (5.0) | 2% | \$ (3.5) | \$ (2.9) | 21% | |
| COGS: | | | | | | | | | | | | | | | | | |
| Core | \$ (6,627) | \$ (8,716) | \$ (5,809) | \$ (21,152) | 5% | 7% | \$ (6,182) | \$ (8,043) | \$ (5,537) | \$ (19,762) | \$ (13.2) | \$ (12.9) | 2% | \$ (14.0) | \$ (12.5) | 12% | |
| Non Core | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | \$ (6,627) | \$ (8,716) | \$ (5,809) | \$ (21,152) | 5% | 7% | \$ (6,182) | \$ (8,043) | \$ (5,537) | \$ (19,762) | \$ (13.2) | \$ (12.9) | 2% | \$ (14.0) | \$ (12.5) | 12% | |
| Gross Profit: | | | | | | | | | | | | | | | | | |
| as % Net Sales | 34% | 8% | 17% | 20% | 1% | -36% | 36% | 32% | 18% | 30% | 2.8 | 2.8 | -2% | 3.6 | 5.4 | -33% | |

Sales, Cost of Sales, and Gross Margins

As part of the Company's ongoing initiative to simplify and streamline operations, the Company has identified core products on which to place its strategic focus. These core products consist of Reed's and Virgil's branded beverages. Non-core products consist primarily of Wellness Shots, candy and slower selling discontinued Reed's and Virgil's SKUs.

Core beverage volume for the three months ended September 30, 2025, represents 100% of all beverage volume.

Core brand gross billing increased by 4% to \$9,279 during the three months ended September 30, 2025, compared to \$8,901 during the same period last year, driven by Reed's volume increase of 17% offset by Virgil's volume decline of 18%. The price on our core brands increased 1% to \$21.03 per case.

Discounts as a percentage of gross sales were 24% during the three months ended September 30, 2025, compared to 24% in the same period last year. Net sales increased 4% during the three months ended September 30, 2025, to \$7,033, compared to \$6,752 in the same period last year driven by higher volumes with recurring national customers and substantially similar promotional and other allowances.

Cost of Goods Sold

Cost of goods sold increased \$272 during the three months ended September 30, 2025, as compared to the same period last year. As a percentage of net sales, cost of goods sold for the three months ended September 30, 2025, was 83% as compared to 82% for the same period last year. The increase in cost of goods sold was primarily driven by inventory write-offs related to changes in product portfolio optimization made by new management, in an amount of \$114.

The total cost of goods sold per case increased to \$13.20 per case in the three months ended September 30, 2025, from \$12.94 per case for the same period last year.

Gross Margin

Gross margin was 17% for the three months ended September 30, 2025, compared to 18% for the same period last year.

Operating Expenses

Delivery and Handling Expenses

Delivery and handling expenses consist of delivery costs to customers and warehousing costs incurred for handling our finished goods after production. Delivery and handling expenses decreased by \$179 in the three months ended September 30, 2025, to \$1,100 from \$1,279 in the same period last year, primarily driven by lower transportation costs. Delivery costs in the three months ended September 30, 2025, were 16% of net sales and \$2.50 per case, compared to 19% of net sales and \$2.99 per case during the same period last year.

Selling and Marketing Expenses

Marketing expenses consist of direct marketing, marketing labor, and marketing support costs. Selling expenses consist of all other selling-related expenses including personnel and contractor support. Total selling and marketing expenses were \$1,366 during the three months ended September 30, 2025, compared to \$1,283 during the same period last year. The increase was primarily driven by higher employee related costs and marketing expenditures. As a percentage of net sales, selling and marketing costs were 19% during the three months ended September 30, 2025, as compared to 19% during the same period last year.

General and Administrative Expenses

General and administrative expenses consist primarily of the cost of executive, administrative, and finance personnel, as well as professional fees. General and administrative expenses were \$2,861 in the three months ended September 30, 2025, an increase of \$1,070 over the same period last year. As a percentage of net sales, general and administrative expenses were 41% during the three months ended September 30, 2025, as compared to 27% during the same period last year. The increase was driven by the Company's investments in personnel and related services to support growth initiatives.

Loss from Operations

The loss from operations was \$4,103 for the three months ended September 30, 2025, as compared to a loss of \$3,138 in the same period last year driven by increased operating expenses discussed above.

Interest and Other Expense

Interest and other expense for the three months ended September 30, 2025, consisted of \$274 of interest expense offset by \$395 of other income. During the same period last year, interest and other expense consisted of \$2,405 of interest expense offset by \$1,393 change in the fair value of our SAFE investments.

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 (loss), income (loss) 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, change in fair value of SAFE agreements, legal and insurance settlements, contract proceedings, non-recurring professional fees, inventory write-offs associated with exited categories and major packaging and formula changes, one-time changes in policy, 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 September 30, 2025 and 2024 (unaudited; in thousands):

| | Three Months Ended September 30 | |
|---------------------------------------------|------------------------------------|-------------------|
| | 2025 | 2024 |
| Net loss | \$ (3,982) | \$ (4,150) |
| Modified EBITDA adjustments: | | |
| Depreciation and amortization | 64 | 71 |
| Tax expense | - | (8) |
| Interest expense | 274 | 2,405 |
| Change in fair value of SAFE investments | - | (1,393) |
| Product quality hold write-down | - | 15 |
| Stock option and other noncash compensation | 4 | 46 |
| Gain on sale of property and equipment | (5) | - |
| Employee retention credit refund | (324) | - |
| Severance | 144 | 16 |
| Insurance payment on product quality claim | (100) | - |
| Total EBITDA adjustments | <u>\$ 57</u> | <u>\$ 1,152</u> |
| Modified EBITDA | <u>\$ (3,925)</u> | <u>\$ (2,998)</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.

Results of Operations – Nine Months Ended September 30, 2025, as compared to Nine Months Ended September 30, 2024

The following table sets forth key statistics for the nine months ended September 30, 2025 and 2024, respectively, in thousands.

| | Nine Months Ended September 30, | | Pct. Change |
|-------------------------------------------------------|---------------------------------|-------------------|----------------|
| | 2025 | 2024 | |
| Gross billing (A) | \$ 31,861 | \$ 32,864 | -3% |
| Less: Promotional and other allowances (B) | 5,276 | 4,643 | 14% |
| Net sales | <u>\$ 26,585</u> | <u>\$ 28,221</u> | -6% |
| Cost of goods sold | 21,152 | 19,762 | 7% |
| <i>% of Gross billing</i> | 66% | 60% | |
| <i>% of Net sales</i> | 80% | 70% | |
| Gross profit | <u>\$ 5,433</u> | <u>\$ 8,459</u> | -36% |
| <i>% of Net sales</i> | 20% | 30% | |
| Expenses | | | |
| Delivery and handling | \$ 4,299 | \$ 4,204 | 2% |
| <i>% of Net sales</i> | 16% | 15% | |
| <i>Dollar per case (\$)</i> | 2.84 | 2.66 | |
| Selling and marketing | 4,139 | 3,473 | 19% |
| <i>% of Net sales</i> | 16% | 12% | |
| General and administrative | 8,633 | 5,239 | 65% |
| <i>% of Net sales</i> | 32% | 19% | |
| Total operating expenses | <u>17,071</u> | <u>12,916</u> | 32% |
| Loss from operations | <u>\$ (11,638)</u> | <u>\$ (4,457)</u> | 161% |
| Interest expense and other income (expense) | <u>(423)</u> | <u>(4,578)</u> | -91% |
| Net loss | <u>\$ (12,061)</u> | <u>\$ (9,035)</u> | 33% |
| Loss per share – basic and diluted | <u>\$ (1.54)</u> | <u>\$ (12.10)</u> | -87% |
| Weighted average shares outstanding - basic & diluted | 7,848,471 | 747,265 | 950% |

(A) We define gross billing as the total sales for the Company unadjusted for costs related to generating those sales. Management utilizes gross billing as an indicator of and to monitor operating performance of products and salespersons before the effect of any promotional or other allowances, which are determined in accordance with GAAP, and can mask certain performance issues. We believe that the presentation of gross billing provides a useful measure of our operating performance. Additionally, gross billing may not be comparable to similarly titled measures used by other companies, as gross billing has been defined by our internal reporting practices.

(B) We define promotional and other allowances as costs deducted from gross billing that are associated with generating those sales. Management utilizes promotional and other allowances as an indicator of and to monitor operating performance of products, salespersons, and customer agreements. We believe that the presentation of promotional and other allowances provides a useful measure of our operating performance. The presentation of promotional and other allowances facilitates an evaluation of their impact on the determination of net sales and the spending levels incurred or correlated with such sales. The expenditures described in this line item are determined in accordance with GAAP and meet GAAP requirements, however the disclosure thereof does not conform to GAAP presentation requirements. Additionally, our definition of promotional and other allowances may not be comparable to similar items presented by other companies. Promotional and other allowances primarily include consideration given to the Company's distributors or retail customers including, but not limited to the following: (i) reimbursements given to the Company's distributors for agreed portions of their promotional spend with retailers, including slotting, shelf space allowances and other fees for both new and existing products; (ii) the Company's agreed share of fees given to distributors and/or directly to retailers for in-store marketing and promotional activities; (iii) the Company's agreed share of slotting, shelf space allowances and other fees given directly to retailers; (iv) incentives given to the Company's distributors and/or retailers for achieving or exceeding certain predetermined sales goals; and (v) discounted or free products. Promotional and other allowances constitute a material portion of our marketing activities. The Company's promotional allowance programs with its numerous distributors and/or retailers are executed through separate agreements in the ordinary course of business. These agreements generally provide for one or more of the arrangements described above and are of varying durations, ranging from one week to one year.

Sales, Cost of Sales, and Gross Margins

As part of its ongoing initiative to simplify and streamline operations, the Company has identified core products on which to place its strategic focus. These core products consist of Reed's and Virgil's branded beverages. Non-core products consist primarily of Wellness Shots, candy and slower selling discontinued Reed's and Virgil's SKUs.

Core beverage volume for the nine months ended September 30, 2025, represents 100% of all beverage volume.

Core brand gross billing decreased by 3% to \$31,861 during the nine months ended September 30, 2025, compared to \$32,862 during the same period last year, driven by Virgil's volume decline of 10%. Price on our core brands increased 1% to \$21.03 per case.

Discounts as a percentage of gross sales were 17% during the nine months ended September 30, 2025, compared to 14% in the same period last year. Net sales decreased 6% during the nine months ended September 30, 2025, to \$26,585, compared to \$28,221 in the same period last year driven by lower volumes with recurring national customers and higher promotional and other allowances.

Cost of Goods Sold

Cost of goods sold increased \$1,390 during the nine months ended September 30, 2025, as compared to the same period last year. As a percentage of net sales, cost of goods sold for the nine months ended September 30, 2025, was 80% as compared to 70% for the same period last year. The increase in cost of goods sold was primarily driven by inventory write-offs related to changes in product portfolio optimization made by new management, in an amount of \$1,775.

The total cost of goods per case increased to \$13.96 per case in the nine months ended September 30, 2025, from \$12.51 per case for the same period last year.

Gross Margin

Gross margin was 20% for the nine months ended September 30, 2024, compared to 30% for the same period last year.

Operating Expenses

Delivery and Handling Expenses

Delivery and handling expenses consist of delivery costs to customers and warehousing costs incurred for handling our finished goods after production. Delivery and handling expenses increased by \$95 in the nine months ended September 30, 2025, to \$4,299 from \$4,204 in the same period last year, primarily driven by higher transportation costs. Delivery costs in the nine months ended September 30, 2025, were 16% of net sales and \$2.84 per case, compared to 15% of net sales and \$2.66 per case during the same period last year.

Selling and Marketing Expenses

Marketing expenses consist of direct marketing, marketing labor, and marketing support costs. Selling expenses consist of all other selling-related expenses including personnel and contractor support. Total selling and marketing expenses were \$4,139 during the nine months ended September 30, 2025, compared to \$3,473 during the same period last year. The increase was primarily driven by higher employee related costs and marketing expenditures. As a percentage of net sales, selling and marketing were 16% of net sales during the nine months ended September 30, 2025, as compared to 12% of net sales during the same period last year.

General and Administrative Expenses

General and administrative expenses consist primarily of the cost of executive, administrative, and finance personnel, as well as professional fees. General and administrative expenses were \$8,633 during the nine months ended September 30, 2025, an increase of \$3,394 over the same period last year. As a percentage of net sales, general and administrative expenses were 32% during the nine months ended September 30, 2025, as compared to 19% during the same period last year. The increase was driven by contract proceedings costs and the Company's investments in personnel and related services to support growth initiatives.

Loss from Operations

The loss from operations was \$11,638 for the nine months ended September 30, 2025, as compared to a loss of \$4,457 in the same period last year driven by lower gross profit and higher operating expenses discussed above.

Interest and Other Expense

Interest and other expense for the nine months ended September 30, 2025, consisted of \$864 of interest expense offset by \$441 of other income. During the same period last year, interest and other expense consisted of \$4,578 of interest expense.

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, change in fair value of SAFE agreements, legal and insurance settlements, contract proceedings, non-recurring professional fees, inventory write-offs associated with exited categories and major packaging and formula changes, one-time changes in policy, 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 nine months ended September 30, 2025 and 2024 (unaudited; in thousands):

| | Nine Months Ended September 30, | |
|---------------------------------------------|---------------------------------|------------|
| | 2025 | 2024 |
| Net loss | \$ (12,061) | \$ (9,035) |
| Modified EBITDA adjustments: | | |
| Depreciation and amortization | 156 | 209 |
| Income taxes | - | 67 |
| Interest expense | 864 | 4,578 |
| Product quality hold write-down | - | 44 |
| Stock option and other noncash compensation | 60 | 268 |
| Professional fees | 208 | 334 |
| Severance expense | 147 | 42 |
| Contract proceedings | 850 | - |
| Gain on sale of property and equipment | (5) | - |
| Employee retention credit refund | (324) | - |
| Insurance payment on product quality claim | (100) | - |
| Legal settlements | - | 170 |
| Total EBITDA adjustments | \$ 1,856 | \$ 5,712 |
| Modified EBITDA | \$ (10,205) | \$ (3,323) |

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.

Liquidity and Capital Resources

As reflected in the financial statements included elsewhere in this Quarterly Report on Form 10-Q, for the nine months ended September 30, 2025, the Company recorded a net loss of \$12,061 and used cash in operations of \$13,230. Cash used in operations was primarily from our operating losses as well as for working capital, as the Company invested \$3,443 in inventory to more effectively fulfill customer demand, and investment in strategic growth initiatives. As of September 30, 2025, we had a cash balance of \$4,136 and no remaining availability under our Senior Secured Loan.

Historically, we have financed our operations through existing cash balances, cash generated from operations, public and private issuance of common stock, preferred stock, convertible debt instruments, term loans and credit lines from financial institutions.

On September 15, 2025, the Company completed a private placement with certain accredited investors, pursuant to which the Company issued and sold to the investors an aggregate of 833,330 common shares for total consideration of \$5,000 (see Note 7).

On September 26, 2025, the Company entered into the Amended Loan Agreement governing the Senior Secured Loan with certain funds affiliated with Whitebox Advisors LLC, as lenders, and Cantor Fitzgerald Securities, as administrative agent and collateral agent. The Amended Loan Agreement (i) reduced the aggregate principal amount of the revolving credit commitment to \$9,250 from \$10,000, (ii) changed interest payments on the revolving loan to be due monthly in arrears from quarterly in arrears, (iii) and extended the maturity date to September 30, 2026. The Senior Secured Loan accrues interest at a per annum rate equal to 8.00% on the principal amount outstanding, payable monthly in arrears. The Senior Secured Loan also accrues an unused fee at a rate per annum equal to 3.00% on the excess, if any, of the revolving credit commitment over the average principal amount outstanding from time to time during the preceding fiscal quarter, payable monthly in arrears. The Senior Secured Loan is secured by substantially all of the Company's assets, including all intellectual property.

In connection with the entry into the Amended Loan Agreement, the Company repaid \$650 of the aggregate outstanding principal balance, plus accrued interest.

As of September 30, 2025 and December 31, 2024, the principal amount outstanding on the Senior Secured Loan was \$9,250 and \$9,900, respectively, and the remaining availability was \$0 and \$100, respectively.

The financing agreement with Whitebox includes customary restrictions that limit our ability to engage in certain types of transactions. Additionally, the agreement contains a financial covenant that requires us to meet a certain minimum cash balance and liquidity threshold as of the end of each month. We were in compliance with the terms of our agreement with Whitebox as of September 30, 2025 and December 31, 2024.

The Company incurred \$410 of direct costs associated with the Senior Secured Loan transaction, consisting primarily of broker, bank and legal fees. These costs have been deferred and are being amortized over the life of the agreement. The unamortized debt discount balance was \$329 at December 31, 2024. For the nine months ended September 30, 2025, the company incurred \$34 of additional fees, and the amortization of debt discount was \$239. The unamortized debt discount balance was \$90 at September 30, 2025. Additionally, in connection with the Amended Loan Agreement, the Company incurred 40 of direct costs, which were expensed.

Management expects that the Company's existing cash of \$4,136, cash generated from operations, and access to committed financing will be sufficient to fund the Company's operating plan, which was approved by the Board of Directors in January 2025, for at least twelve months from the date of issuance of the financial statements included elsewhere in this Quarterly Report on Form 10-Q; however, if the Company's management and Board of Directors approve additional growth initiatives and related investment in human resources, working capital, new geographic markets, information technology, and other uses of cash, the Company may require additional funding.

To alleviate any funding considerations, management periodically evaluates various funding alternatives and may seek to raise additional funds through the issuance of equity, mezzanine or debt securities, through arrangements with strategic partners, strategic transactions, or through obtaining credit from financial institutions. As we seek additional sources of financing, there can be no assurance that such financing will be available to us on favorable terms or at all. Our ability to obtain additional financing in the debt and equity capital markets is subject to several factors, including market and economic conditions, our performance and investor sentiment with respect to us and our industry.

We are also continuing to take actions to improve the Company's operating performance and cash generated from operations, including product portfolio optimization, implementing strategies to increase sales, streamlining operations, improving supply chains, negotiating equitable vendor contracts, and managing product price architecture. However, we may be unsuccessful in executing these actions in a timely manner or at all.

If the Company is unable to raise additional capital whenever necessary or otherwise improve its operating performance or generation of cash from operations, it may be forced to decelerate or curtail certain of its operations until such time as additional capital becomes available.

Net cash used in operating activities totaled \$13,230 for the nine months ended September 30, 2025, compared to \$2,254 for the nine months ended September 30, 2024. The increase in net cash used in operating activities was primarily driven by operating losses, working capital, and investment in strategic growth initiatives.

Net cash used in investing activities totaled \$172 for the nine months ended September 30, 2025, compared to \$58 for the nine months ended September 30, 2024. The increase in net cash used in investing activities was primarily driven by purchases of property and equipment.

Net cash provided by financing activities totaled \$7,147 for the nine months ended September 30, 2025, compared to \$2,015 net cash provided by financing activities for the nine months ended September 30, 2024. The net cash provided by financing activities in the nine months ended September 30, 2025 was primarily driven by proceeds from the sale of common stock in two private placements. The net cash provided by financing activities in the nine months ended September 30, 2024 was primarily driven by proceeds from the issuance of a SAFE agreement.

Critical Accounting Policies and Estimates

The preparation of the Company's financial statements in conformity with generally accepted accounting principles in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Some of those judgments can be subjective and complex, and therefore, actual results could differ materially from those estimates under different assumptions or conditions. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable in relation to the financial statements taken as a whole under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Management regularly evaluates the key factors and assumptions used to develop the estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such evaluations, if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates. Significant estimates include those related to assumptions used in estimates for reserves of uncollectible accounts, inventory obsolescence, depreciable lives of property and equipment, analysis of impairments of recorded long-term tangible and intangible assets, realization of deferred tax assets, accruals for potential liabilities and assumptions made in valuing stock instruments issued for services. There were no changes to our critical accounting policies described in the condensed financial statements included in our 2024 Form 10-K that impacted our condensed financial statements and related notes included herein.

Recent Accounting Pronouncements

See Note 2 of the Notes to Condensed Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

A smaller reporting company is not required to provide the information required by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of September 30, 2025, to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting during the three months ended September 30, 2025 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are a party to ordinary, routine litigation incidental to our business, including routine litigation matters tendered to our insurance carriers. Our management evaluates our exposure to these claims and proceedings individually and in the aggregate and provides for potential losses on such litigation if the amount of the loss is estimable and the loss is probable. Although the results of such litigation matters and claims cannot be predicted with certainty, we believe that the final outcome of such ordinary, routine litigation will not have a material adverse impact on our financial position, liquidity, or results of operations.

For additional information regarding legal proceedings see Note 10 “Transactions with California Custom Beverage, LLC, former related party” and Note 11 “Commitments and Contingencies” to our unaudited interim financial statements included elsewhere in this Quarterly Report on Form 10-Q. We believe there are currently no pending legal proceedings to which we or our property are subject that could have a material adverse effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

Except as set forth below, there have been no material changes with respect to the risk factors disclosed in our 2024 Form 10-K.

Our Senior Secured Loan matures in September 2026 and we may not be able to secure refinancing or additional financing on favorable terms, or at all, to meet our future capital needs, which may in turn adversely affect our business.

Our Senior Secured Loan is due on September 30, 2026. The Senior Secured Loan provides a revolving credit commitment in an aggregate amount of \$9,250 and, as of September 30, 2025, the principal amount outstanding was \$9,250 and the remaining availability was \$0. The Senior Secured Loan accrues interest at a per annum rate equal to 8.00% on the principal amount outstanding, payable monthly in arrears. The Senior Secured Loan also accrues an unused fee at a rate per annum equal to 3.00% on the excess, if any, of the revolving credit commitment over the average principal amount outstanding from time to time during the preceding fiscal quarter, payable monthly in arrears. The Senior Secured Loan is secured by substantially all of the Company’s assets, including all intellectual property. There can be no assurance that the Company will be able to refinance the Senior Secured Loan on favorable terms or at all. If we are unable to secure refinancing on favorable terms, or at all, our ability to continue to operate our business could be impaired, which would adversely affect our financial position and results of operations.

If we are unable to secure additional financing on favorable terms, or at all, when we require it, our ability to continue to grow our business or react to market conditions could be impaired and in turn adversely affect our financial position and results of operations.

We intend to continue to expand, grow and develop our business, which may require additional capital to develop new products, enhance our platform, expand distribution, improve our operating infrastructure, react to market conditions and finance working capital requirements. Accordingly, we may need to engage in additional equity or debt financings to secure additional capital. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock.

Any debt financing that we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. If we are unable to secure additional funding on favorable terms, or at all, when we require it, our ability to continue to grow our business to react to market conditions could be impaired, which would adversely affect our financial position and results of operations.

We may face difficulties as we expand our operations into new markets in which we have no prior operating experience.

As we work to grow our brand, we intend to enter into new markets, including eventually expanding into countries other than those in which we currently operate, including our recent expansion into new geographic markets in the Asia Pacific region. It may be difficult for us to understand and accurately predict taste preferences and purchasing habits of consumers in these new geographic markets. We will also face increased competition with larger competitors who have stronger established brands in such markets. The political, legal and social systems of certain territories pose difficult challenges related to establishing and maintaining control and ownership of our brand and intellectual property, as well as mitigating the risk of diverted sales to other territories and/or sales diverted into the U.S. It is also costly to establish, develop and maintain international operations and develop and promote our brands in international markets and we may face adverse tax consequences, tariffs, and barriers to trade. As we expand our business into new countries, we may encounter regulatory, legal, personnel, technological and other difficulties that increase our expenses and/or delay our ability to become profitable and compete effectively in such countries, which may have a material adverse effect on our business and brand.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None that have not been previously disclosed in a Current Report on Form 8-K.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended September 30, 2025, none of our directors or executive officers adopted, modified or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” as such terms are defined under Item 408 of Regulation S-K.

Item 6. Exhibits

See Index to Exhibits.

INDEX TO EXHIBITS
ITEM 15(a)(3)

The following is a list of the exhibits filed as part of this Form 10-Q. The documents incorporated by reference can be viewed on the SEC's website at <http://www.sec.gov>.

Exhibit

- 3(i) [Certificate of Incorporation of Reeds, Inc., incorporated by reference to Exhibit 3\(i\) to Form 10-K filed with SEC on March 28, 2025.](#)
- 3(ii) [Amended and Restated Bylaws of Reed's, Inc. incorporated by reference to Exhibit 3\(ii\) to Form 10-K filed with SEC on March 28, 2025.](#)
- 10.1 [Form of Securities Purchase Agreement by and between Reed's, Inc. and certain accredited investors dated September 12, 2025, incorporated by reference to Exhibit 10.1 to Form 8-K filed with the SEC on September 16, 2025.](#)
- 10.2 [Form of Registration Rights Agreement by and between Reed's, Inc. and certain accredited investors dated September 12, 2025, incorporated by reference to Exhibit 10.2 to Form 8-K filed with the SEC on September 16, 2025.](#)
- 10.3+ [Amendment No. 1 to Senior Secured Loan and Security Agreement, by and between Reed's, Inc., the Guarantors party thereto, and Cantor Fitzgerald Securities, as administrative agent and collateral agent, dated September 26, 2025, incorporated by reference to Exhibit 10.1 to Form 8-K filed with the SEC on September 26, 2025.](#)
- 31* [Certification of our Chief Executive Officer and our Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32** [Certification of our Chief Executive Officer and our Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101* The following materials from Reed's, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2025 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Balance Sheets, (ii) the Condensed Statements of Operations, (iii) the Condensed Statements of Changes in Stockholders (Deficit), (iv) the Condensed Statements of Cash Flows, and (v) Notes to Condensed Financial Statements.
- 104* The cover page from the Reed's, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2025, formatted in Inline XBRL and contained in Exhibit 101.

* Filed herewith.

** These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

† Management contracts and compensatory plans or arrangements required to be filed as exhibits pursuant to Item 15(a)(3) of this report.

+ Certain portions of this exhibit have been omitted because they are not material and are the type that the registrant treats as private or confidential.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Reed's, Inc.
(Registrant)

Date: November 4, 2025

/s/ Cyril A. Wallace, Jr.
Cyril A. Wallace, Jr.
Chief Executive Officer
(Principal Executive Officer)

Date: November 4, 2025

/s/ Douglas W. McCurdy
Douglas W. McCurdy
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Certification of Principal Executive Officer

I, Cyril A. Wallace, Jr. certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Reed's, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2025

/s/ Cyril A. Wallace, Jr.
Name: Cyril A. Wallace, Jr.
Title: Chief Executive Officer
(Principal Executive Officer)

Certification of Principal Financial Officer

I, Douglas W. McCurdy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Reed's, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2025

/s/ Douglas W. McCurdy
Name: Douglas W. McCurdy
Title: Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Cyril A. Wallace, Jr., the Chief Executive Officer of Reed's, Inc. (the "**Company**"), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2025 (the "**Report**") of the Company fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2025

/s/ Cyril A. Wallace, Jr.

Name: Cyril A. Wallace, Jr.

Title: Chief Executive Officer
(Principal Executive Officer)

Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Douglas W. McCurdy, the Chief Financial Officer of Reed's, Inc. (the "**Company**"), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2025 (the "**Report**") of the Company fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2025

/s/ Douglas W. McCurdy

Name: Douglas W. McCurdy
Title: Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)
