

PROSPECTUS SUPPLEMENT
(to prospectus dated May 24, 2023)

WESTROCK COFFEE COMPANY
19,144,120 Shares of Common Stock Issuable Upon Exercise of Warrants
94,177,736 Shares of Common Stock

This prospectus supplement supplements the prospectus dated May 24, 2023 (the “Prospectus”), which forms a part of Post-Effective Amendment No. 2 to the registration statement of Westrock Coffee Company, a Delaware corporation (“Westrock”, “us”, “our”, “we”), on Form S-1 (No. 333-267509) filed with the U.S. Securities and Exchange Commission (the “SEC”) on May 24, 2023 and declared effective by the SEC on May 31, 2023. This prospectus supplement is being filed to update and supplement the information in the Prospectus with the information contained in our quarterly report filed on November 9, 2023 with the SEC (the “Quarterly Report”). Accordingly, we have attached the Quarterly Report to this prospectus supplement.

This prospectus supplement relates to the issuance by us of up to 19,144,120 shares of common stock, par value \$0.01 per share (the “Common Shares”), of Westrock that are issuable by us upon the exercise of the outstanding warrants (the “Warrants”), which were previously registered, including Warrants that are listed on the Nasdaq Stock Market (such Warrants, the “Public Warrants”).

This prospectus supplement also relates to the potential offer and sale from time to time by the securityholders named in the Prospectus or certain transferees (as described in the Prospectus) (the “Holders”) of up to 94,177,736 Common Shares, consisting of (i) 19,025,784 Common Shares issued in the PIPE Financing (as defined herein), (ii) up to 7,400,000 Common Shares issuable upon exercise of the Warrants (the “Private Placement Warrants”) held by Riverview Sponsor Partners, LLC (“Riverview Sponsor”), (iii) 39,876,723 Common Shares held by our pre-Business Combination (as defined in the Prospectus) equityholders, (iv) 4,309,000 Common Shares held by entities affiliated with R. Brad Martin (excluding Common Shares issued in the PIPE Financing) and (v) up to 23,566,229 Common Shares issuable upon the conversion of the outstanding shares of Series A convertible preferred stock, par value \$0.01 per share, of Westrock (the “Series A Preferred Shares”).

This prospectus supplement is not offering any Warrants or Series A Preferred Shares.

The Holders may offer, sell or distribute all or a portion of the securities registered on the Prospectus publicly or through private transactions at prevailing market prices or at negotiated prices. We will not receive any of the proceeds from such sales of the Common Shares. We will receive proceeds from the exercise of the Warrants in cash. The exercise price of our Warrants is \$11.50 per Common Share. We believe the likelihood that Warrant holders will exercise their Warrants, and therefore the amount of cash proceeds that we would receive, is dependent upon the trading price of our Common Shares. If the trading price for our Common Shares is less than \$11.50 per share, we believe holders of our Warrants are unlikely to exercise their Warrants. Conversely, the Warrant holders are more likely to exercise their Warrants the higher the price of our Common Shares is above \$11.50 per share. The closing price of our Common Shares on the Nasdaq Stock Market on November 9, 2023 was \$8.41. The Warrants are exercisable on a cashless basis under certain circumstances specified in the amended and restated warrant agreement for the Warrants. To the extent that any Warrants are exercised on a cashless basis, the aggregate amount of cash we would receive from the exercise of the Warrants will decrease.

We will generally bear all costs, expenses and fees in connection with the registration of the securities being offered pursuant to the Prospectus (as amended or supplemented), including with regard to compliance with state securities or “blue sky” laws. The Holders will bear all commissions and discounts, if any, attributable to their sale of Common Shares. See the sections titled “Use of Proceeds” and “Plan of Distribution” in the Prospectus. The Common Shares and Public Warrants are listed on the Nasdaq Stock Market under the symbols “WEST” and “WESTW,” respectively. On November 9, 2023, the closing price of our Common Shares on the Nasdaq Stock Market was \$8.41 per share and the closing price of our Public Warrants on the Nasdaq Stock Market was \$1.39 per warrant. The Common Shares being offered by the Holders were or will be purchased by the Holders at the following prices: (i) \$10.00 per share for the 19,025,784 Common Shares issued in the PIPE Financing; (ii) \$11.50 per share (i.e., the exercise price of

the Warrants) for the 7,400,000 Common Shares issuable upon exercise of the Warrants held by Riverview Sponsor; (iii) effective prices ranging from \$1.71 – \$10.00 per share for 39,091,021 Common Shares held by our pre-Business Combination equityholders (excluding 785,702 of the 39,876,723 Common Shares held by our pre-Business Combination equityholders being offered pursuant to the Prospectus (as amended or supplemented), which were obtained from the exercise or vesting of employee equity awards that were granted as compensation for services rendered, rather than purchased by the holders thereof), (iv) an effective average price of \$0.004 per share for the 4,309,000 Common Shares held by entities affiliated with R. Brad Martin (excluding Common Shares issued in the PIPE Financing), and (v) \$11.50 per share (i.e. the current conversion price for the Series A Preferred Shares) for the 23,566,229 Common Shares issuable upon conversion of the outstanding Series A Preferred Shares held by our pre-Business Combination equityholders. The 23,566,229 Series A Preferred Shares held by our pre-Business Combination equityholders were purchased at effective average prices ranging from \$9.21 – \$10.88 per share. The sale or the possibility of sale of the Common Shares being offered pursuant to the Prospectus (as amended or supplemented) may negatively impact the market price of the Common Shares and Public Warrants.

We are an “emerging growth company” under federal securities laws and are subject to reduced public company reporting requirements. Investing in our securities involves a high degree of risk. You should review carefully the risks and uncertainties described under the heading “Risk Factors” beginning on page 7 of the Prospectus, and under similar headings or any amendment or supplements to the Prospectus.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is November 9, 2023.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____.

Commission File Number: 001-41485



WESTROCK
COFFEE

WESTROCK COFFEE COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

4009 N. Rodney Parham Road, 3rd Floor
Little Rock, Arkansas

(Address of Principal Executive Offices)

80-0977200

(I.R.S. Employer
Identification Number)

72212

(Zip Code)

(501) 918-9358

(Registrant’s Telephone Number, Including Area Code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Shares of common stock, par value \$0.01 per share	WEST	The Nasdaq Stock Market LLC
Warrants, each whole warrant exercisable for one share of common stock, par value \$0.01 per share	WESTW	The Nasdaq Stock Market LLC

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 the 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 registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes No

As of November 3, 2023, the Registrant had 88,039,184 shares of common stock, par value \$0.01 per share, outstanding.

EXPLANATORY NOTE

On August 26, 2022, the registrant, Westrock Coffee Company, a Delaware corporation (the “Company,” “Westrock,” “we,” “us,” or “our”), converted from a Delaware limited liability company called “Westrock Coffee Holdings, LLC” to a Delaware corporation called “Westrock Coffee Company” in connection with the closing of its de-SPAC merger transaction with Riverview Acquisition Corp., a special purpose acquisition vehicle and a Delaware corporation. References to “Westrock,” “we,” “us,” “our,” and similar terms prior to the effective time of the conversion, refer to the registrant when it was a Delaware limited liability company called “Westrock Coffee Holdings, LLC” and such references following the effective time of the conversion, refer to the registrant in its current corporate form as a Delaware corporation called “Westrock Coffee Company.”

Prior to the conversion on August 26, 2022, when the Company was a Delaware limited liability company, the Company’s equity interests consisted of common units and two series of common equivalent preferred units. In connection with the conversion of the Company to a corporation, the Company’s outstanding common units and common equivalent preferred units were converted into shares of the Company’s common stock, par value \$0.01 per share (“Common Shares”) and shares of the Company’s Series A convertible preferred shares, par value \$0.01 per share, respectively. See Note 4, De-SPAC Merger Transaction, to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q for a discussion of the conversion of common units to Common Shares. The number of outstanding units, weighted average number of outstanding units, loss per common unit, equity-based compensation and other financial amounts previously expressed on the basis of common units have been retroactively adjusted on the basis of Common Shares to reflect the conversion of common units to Common Shares.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements as defined under U.S. federal securities laws. Forward-looking statements include all statements that are not historical statements of fact and statements including, but not limited to, the following statements regarding our expectations, hopes, beliefs, intentions or strategies regarding the future, our expectations regarding the build-out of the Conway, Arkansas facility and when it will begin commercial production; our expectations regarding capital expenditures; our future liquidity needs and access to capital; and our expectations regarding remediation of the material weaknesses in our internal control over financial reporting. In addition, any statements that refer to projections, forecasts, or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “would,” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements are predictions, projections and other statements about future events that are based on current expectations and assumptions and, as a result, are subject to significant risks and uncertainties. Forward-looking statements speak only as of the date they are made. Readers are cautioned not to put undue reliance on forward-looking statements, and we assume no obligation and do not intend to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise.

There are or will be important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements, including, but not limited to, risks related to the following:

- our limited operating history;
 - the fact that we have incurred net losses in the past, may incur net losses in the future, and may not achieve profitability;
 - risks associated with operating a coffee trading business and a coffee exporting business;
 - the volatility and increases in the cost of green coffee, tea and other ingredients and packaging, and our inability to pass these costs on to customers;
 - our inability to secure an adequate supply of key raw materials, including green coffee and tea, or disruption in our supply chain;
 - deterioration in general macroeconomic conditions and/or decreases in consumer spending on discretionary items;
 - disruption in operations at any of our, our suppliers’ or our co-manufacturers’ production, distribution or manufacturing facilities or other loss of manufacturing capacity;
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- our inability to anticipate customer preferences and successfully develop new products;
- climate change, which may increase commodity costs, damage our facilities and disrupt our production capabilities and supply chain;
- failure to retain key personnel or recruit qualified personnel;
- our inability to hedge commodity risks;
- consolidation among our distributors and customers or the loss of any key customer;
- complex and evolving U.S. and international laws and regulations, and noncompliance therewith subjecting us to criminal or civil liability;
- future acquisitions of businesses, which may divert our management’s attention, prove difficult to effectively integrate and fail to achieve their projected benefits;
- our inability to effectively manage the growth and increased complexity of our business;
- our inability to maintain or grow market share through continued differentiation of our product and competitive pricing;
- our inability to secure the additional capital needed to operate and grow our business;
- our inability to successfully execute our remediation plans with regards to the material weaknesses in our internal control over financial reporting;
- future litigation or legal disputes, which could lead us to incur significant liabilities and costs or harm our reputation;
- a material failure, inadequacy or interruption of our information technology systems;
- the unauthorized access, theft, use or destruction of personal, financial or other confidential information relating to our customers, suppliers, employees or business;
- our future level of indebtedness, which may reduce funds available for other business purposes and reduce our operational flexibility;
- our inability to comply with the financial covenants in our credit agreement;
- our inability to complete the construction of our new facility in Conway, Arkansas within the anticipated time frame or incurring additional expenses in the process;
- our corporate structure and organization, which may prevent or delay attempts to acquire a controlling interest in the Company;
- the fact that our largest shareholders (and certain members of our management team) own a significant percentage of our stock and will be able to exert significant control over matters subject to shareholder approval;
- the impact of current global economic conditions, including those caused by economic slowdowns or recessions, changes in political, economic or industry conditions, global conflicts (including the ongoing conflicts in Europe, the Middle East and Latin America, inflation, the interest rate environment, U.S. government shutdowns, downgrades to the U.S. government’s sovereign credit rating or other conditions affecting the global financial and capital markets, and epidemic, pandemic or other health issues; and
- other risks, uncertainties and factors set forth in the “Risk Factors” section in the Company’s Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (“SEC”) on March 21, 2023 (“Annual Report”) and in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors” sections of this Quarterly Report on Form 10-Q, as well as those described from time to time in our future reports filed with the SEC.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in the Annual Report or in this Quarterly Report on Form 10-Q. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Many of the important factors that will determine these results are beyond our ability to control or predict. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and, except as otherwise required by law, we do not undertake any obligation to publicly update or review any forward-

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looking statement, whether as a result of new information, future developments or otherwise. New factors emerge from time to time, and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

WESTROCK COFFEE COMPANY
FORM 10-Q
September 30, 2023

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Part I. Financial Information
Item 1. Financial Statements

WESTROCK COFFEE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Thousands, except par value)	September 30, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	\$ 44,407	\$ 16,838
Restricted cash	4,408	9,567
Accounts receivable, net of allowance for credit losses of \$3,301 and \$3,023, respectively	99,564	101,639
Inventories	161,346	145,836
Derivative assets	15,159	15,053
Prepaid expenses and other current assets	14,712	9,166
Total current assets	339,596	298,099
Property, plant and equipment, net	287,763	185,206
Goodwill	116,353	113,999
Intangible assets, net	125,062	130,886
Operating lease right-of-use assets	14,496	11,090
Other long-term assets	7,801	6,933
Total Assets	\$ 891,071	\$ 746,213
LIABILITIES, CONVERTIBLE PREFERRED SHARES AND SHAREHOLDERS' EQUITY		
Current maturities of long-term debt	\$ 9,293	\$ 11,504
Short-term debt	53,045	42,905
Accounts payable	62,393	116,675
Supply chain finance program	67,466	—
Derivative liabilities	5,098	7,592
Accrued expenses and other current liabilities	24,855	37,459
Total current liabilities	222,150	216,135
Long-term debt, net	205,767	162,502
Deferred income taxes	12,620	14,355
Warrant liabilities	36,175	55,521
Other long-term liabilities	13,879	11,035
Total liabilities	490,591	459,548
Commitments and contingencies (Note 20)		
Series A Convertible Preferred Shares, \$0.01 par value, 24,000 shares authorized, 23,512 shares and 23,588 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively, \$11.50 liquidation value	274,303	274,936
Shareholders' Equity		
Preferred stock, \$0.01 par value, 26,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.01 par value, 300,000 shares authorized, 88,039 shares and 75,020 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	880	750
Additional paid-in-capital	469,167	342,664
Accumulated deficit	(342,573)	(328,042)
Accumulated other comprehensive loss	(1,297)	(6,103)
Total shareholders' equity attributable to Westrock Coffee Company	126,177	9,269
Non-controlling interest	—	2,460
Total shareholders' equity	126,177	11,729
Total Liabilities, Convertible Preferred Shares and Shareholders' Equity	\$ 891,071	\$ 746,213

See accompanying notes to condensed consolidated financial statements.

WESTROCK COFFEE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(Thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net sales	\$ 219,612	\$ 230,308	\$ 649,748	\$ 640,149
Costs of sales	184,546	189,169	544,707	521,681
Gross profit	35,066	41,139	105,041	118,468
Selling, general and administrative expense	37,050	31,223	105,275	101,332
Acquisition, restructuring and integration expense	3,137	3,959	12,682	8,746
Loss on disposal of property, plant and equipment	248	459	1,145	748
Total operating expenses	40,435	35,641	119,102	110,826
Income (loss) from operations	(5,369)	5,498	(14,061)	7,642
Other (income) expense				
Interest expense, net	7,803	13,404	21,216	30,265
Change in fair value of warrant liabilities	(25,105)	5,215	(18,833)	5,215
Other, net	510	325	1,323	(785)
Income (loss) before income taxes and equity in earnings from unconsolidated entities	11,423	(13,446)	(17,767)	(27,053)
Income tax expense (benefit)	(5,212)	(428)	(3,331)	(3,511)
Equity in (earnings) loss from unconsolidated entities	14	—	80	—
Net income (loss)	\$ 16,621	\$ (13,018)	\$ (14,516)	\$ (23,542)
Net income (loss) attributable to non-controlling interest	—	(22)	15	43
Net income (loss) attributable to shareholders	16,621	(12,996)	(14,531)	(23,585)
Participating securities' share in earnings	(3,912)	—	—	—
Accretion of Series A Convertible Preferred Shares	93	—	(249)	—
Loss on extinguishment of Redeemable Common Equivalent Preferred Units, net	—	(2,870)	—	(2,870)
Common equivalent preferred dividends	—	(4,380)	—	(4,380)
Accumulating preferred dividends	—	—	—	(13,882)
Net income (loss) attributable to common shareholders	\$ 12,802	\$ (20,246)	\$ (14,780)	\$ (44,717)
Earnings (loss) per common share:				
Basic	\$ 0.15	\$ (0.41)	\$ (0.19)	\$ (1.12)
Diluted	\$ 0.15	\$ (0.41)	\$ (0.19)	\$ (1.12)
Weighted-average number of shares outstanding:				
Basic	83,437	49,795	78,203	39,819
Diluted	107,080	49,795	78,203	39,819

See accompanying notes to condensed consolidated financial statements.

WESTROCK COFFEE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(Thousands)	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	2023	2022	2023	2022
Net income (loss)	\$ 16,621	\$ (13,018)	\$ (14,516)	\$ (23,542)
<i>Other comprehensive income (loss), net of tax:</i>				
Unrealized gain (loss) on derivative instruments	3,156	(2,802)	4,679	(10,087)
Foreign currency translation adjustment	86	1	127	(8)
Total other comprehensive income (loss)	<u>3,242</u>	<u>(2,801)</u>	<u>4,806</u>	<u>(10,095)</u>
Comprehensive income (loss)	19,863	(15,819)	(9,710)	(33,637)
Comprehensive income (loss) attributable to non-controlling interests	—	(22)	15	43
Comprehensive income (loss) attributable to shareholders	19,863	(15,797)	(9,725)	(33,680)
Participating securities' share in earnings	(3,912)	—	—	—
Accretion of Series A Convertible Preferred Shares	93	—	(249)	—
Loss on extinguishment of Redeemable Common Equivalent Preferred Units, net	—	(2,870)	—	(2,870)
Common equivalent preferred dividends	—	(4,380)	—	(4,380)
Accumulating preferred dividends	—	—	—	(13,882)
Comprehensive income (loss) attributable to common shareholders	<u>\$ 16,044</u>	<u>\$ (23,047)</u>	<u>\$ (9,974)</u>	<u>\$ (54,812)</u>

See accompanying notes to condensed consolidated financial statements.

WESTROCK COFFEE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)⁽¹⁾
(Unaudited)

(Thousands)	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total Equity (Deficit)
	Shares	Amount					
Balance at June 30, 2022	34,856	\$ 348	\$ 60,627	\$ (276,196)	\$ 4,724	\$ 2,801	\$ (207,696)
Net income (loss)	—	—	—	(12,996)	—	(22)	(13,018)
Issuance of common shares upon closing of de-SPAC merger transaction, net of issuance costs, net of \$2,469 of taxes (see Note 4)	12,868	129	805	—	—	—	934
Issuance of common shares related to PIPE financing	20,590	206	205,694	—	—	—	205,900
Issuance of common shares related to conversion of debt to equity (see Note 12)	2,500	25	24,975	—	—	—	25,000
Issuance of common shares related to conversion of Common Equivalent Preferred Units (see Note 4)	2,220	22	23,731	—	—	—	23,753
Common Equivalent Preferred Unit dividends (0.02 per unit)	—	—	—	(4,380)	—	—	(4,380)
Loss on extinguishment of Common Equivalent Preferred Units	—	—	—	(2,870)	—	—	(2,870)
Other comprehensive income (loss)	—	—	—	—	(2,801)	—	(2,801)
Equity-based compensation	—	—	705	—	—	—	705
Balance at September 30, 2022	<u>73,034</u>	<u>\$ 730</u>	<u>\$ 316,537</u>	<u>\$ (296,442)</u>	<u>\$ 1,923</u>	<u>\$ 2,779</u>	<u>\$ 25,527</u>
Balance at June 30, 2023⁽²⁾	75,728	\$ 757	\$ 348,714	\$ (359,194)	\$ (4,539)	\$ —	\$ (14,262)
Net income (loss)	—	—	—	16,621	—	—	16,621
Issuance of common shares, net of issuance costs	11,877	119	117,648	—	—	—	117,767
Issuance of common shares related to stock options exercised	82	1	785	—	—	—	786
Issuance of common shares related to conversion of Series A Convertible Preferred Shares	54	—	627	—	—	—	627
Accretion of convertible preferred stock	—	—	93	—	—	—	93
Other comprehensive income (loss)	—	—	—	—	3,242	—	3,242
Equity-based compensation	298	3	2,436	—	—	—	2,439
Net share settlement of equity awards	—	—	(1,136)	—	—	—	(1,136)
Balance at September 30, 2023	<u>88,039</u>	<u>\$ 880</u>	<u>\$ 469,167</u>	<u>\$ (342,573)</u>	<u>\$ (1,297)</u>	<u>\$ —</u>	<u>\$ 126,177</u>

(1) Retroactively adjusted June 30, 2022 for the de-SPAC merger transaction as described in Note 4.

(2) Adjusted to correct for a three thousand dollar classification difference between the par value of common stock and additional paid in capital.

See accompanying notes to condensed consolidated financial statements.

WESTROCK COFFEE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)⁽¹⁾
(Unaudited) (continued)

(Thousands)	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total Equity (Deficit)
	Shares	Amount					
Balance at December 31, 2021	34,523	\$ 345	\$ 60,628	\$ (251,725)	\$ 12,018	\$ 2,736	\$ (175,998)
Net income (loss)	—	—	—	(23,585)	—	43	(23,542)
Issuance of common shares upon closing of de-SPAC merger transaction, net of issuance costs, net of \$2,469 of taxes (see Note 4)	12,868	129	805	—	—	—	934
Issuance of common shares related to PIPE financing	20,590	206	205,694	—	—	—	205,900
Issuance of common shares related to conversion of debt to equity (see Note 12)	2,500	25	24,975	—	—	—	25,000
Issuance of common shares related to conversion of Common Equivalent Preferred Units (see Note 4)	2,220	22	23,731	—	—	—	23,753
Common Equivalent Preferred Unit dividends (0.02 per unit)	—	—	—	(4,380)	—	—	(4,380)
Loss on extinguishment of Common Equivalent Preferred Units	—	—	—	(2,870)	—	—	(2,870)
Other comprehensive income (loss)	—	—	—	—	(10,095)	—	(10,095)
Equity-based compensation	333	3	1,181	—	—	—	1,184
Net share settlement of equity awards	—	—	(477)	—	—	—	(477)
Accumulating preferred dividends	—	—	—	(13,882)	—	—	(13,882)
Balance at September 30, 2022	<u>73,034</u>	<u>\$ 730</u>	<u>\$ 316,537</u>	<u>\$ (296,442)</u>	<u>\$ 1,923</u>	<u>\$ 2,779</u>	<u>\$ 25,527</u>
Balance at December 31, 2022	75,020	\$ 750	\$ 342,664	\$ (328,042)	\$ (6,103)	\$ 2,460	\$ 11,729
Net income (loss)	—	—	—	(14,531)	—	15	(14,516)
Issuance of common shares related to acquisitions	40	—	446	—	—	—	446
Issuance of common shares related to Public Warrant exercise	229	2	3,142	—	—	—	3,144
Issuance of common shares related to stock options exercised	88	1	847	—	—	—	848
Issuance of common shares related to conversion of Series A Convertible Preferred Shares	76	1	881	—	—	—	882
Issuance of common shares related to purchase of non-controlling interest	100	1	474	—	—	(2,475)	(2,000)
Issuance of common shares, net of issuance costs	11,877	119	117,648	—	—	—	117,767
Accretion of Series A Convertible Preferred Shares	—	—	(249)	—	—	—	(249)
Other comprehensive income (loss)	—	—	—	—	4,806	—	4,806
Equity-based compensation	609	6	6,291	—	—	—	6,297
Net share settlement of equity awards	—	—	(2,977)	—	—	—	(2,977)
Balance at September 30, 2023	<u>88,039</u>	<u>\$ 880</u>	<u>\$ 469,167</u>	<u>\$ (342,573)</u>	<u>\$ (1,297)</u>	<u>\$ —</u>	<u>\$ 126,177</u>

(1) Retroactively adjusted December 31, 2021 and nine months ended September 30, 2022 for the de-SPAC merger transaction as described in Note 4.

See accompanying notes to condensed consolidated financial statements.

WESTROCK COFFEE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Thousands)	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (14,516)	\$ (23,542)
<i>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</i>		
Depreciation and amortization	18,419	17,782
Equity-based compensation	6,297	1,184
Paid-in-kind interest added to debt principal	—	295
Provision for credit losses	278	1,286
Amortization of deferred financing fees included in interest expense, net	1,560	1,350
Write-off of unamortized deferred financing fees	—	4,296
Loss on debt extinguishment	—	1,580
Loss on disposal of property, plant and equipment	1,145	748
Mark-to-market adjustments	(1,045)	793
Change in fair value of warrant liabilities	(18,833)	5,215
Foreign currency transactions	1,481	355
Deferred income tax (benefit) expense	(3,331)	(3,511)
Other	1,443	—
<i>Change in operating assets and liabilities:</i>		
Accounts receivable	1,993	(13,891)
Inventories	(14,153)	(61,180)
Derivative assets and liabilities	4,090	(14,661)
Prepaid expense and other assets	(8,469)	(14,944)
Accounts payable	(50,254)	29,834
Accrued liabilities and other	(1,236)	7,477
Net cash used in operating activities	(75,131)	(59,534)
Cash flows from investing activities:		
Additions to property, plant and equipment	(121,545)	(22,966)
Additions to intangible assets	(147)	(135)
Acquisition of business, net of cash acquired	(2,392)	—
Acquisition of equity method investments and non-marketable securities	(1,385)	—
Proceeds from sale of property, plant and equipment	198	3,300
Net cash used in investing activities	(125,271)	(19,801)
Cash flows from financing activities:		
Payments on debt	(170,522)	(407,384)
Proceeds from debt	221,509	319,100
Proceeds from supply chain financing program	69,787	—
Payments on supply chain financing program	(2,321)	—
Proceeds from related party debt	—	11,700
Debt extinguishment costs	—	(1,580)
Payment of debt issuance costs	(3,023)	(6,007)
Proceeds from de-SPAC merger and PIPE financing	—	255,737
Proceeds from common equity issuance	118,767	—
Payment of common equity issuance costs	(1,000)	(24,220)
Payment of preferred equity issuance costs	—	(1,250)
Net proceeds from (repayments of) repurchase agreements	(8,553)	10,951
Proceeds from exercise of stock options	848	—
Proceeds from exercise of Public Warrants	2,632	—
Common equivalent preferred dividends	—	(4,380)
Payment for purchase of non-controlling interest	(2,000)	—
Payment for taxes for net share settlement of equity awards	(2,977)	(477)
Net cash provided by financing activities	223,147	152,190
Effect of exchange rate changes on cash	(335)	(179)
Net increase in cash and cash equivalents and restricted cash	22,410	72,676
Cash and cash equivalents and restricted cash at beginning of period	26,405	22,870
Cash and cash equivalents and restricted cash at end of period	\$ 48,815	\$ 95,546
Supplemental non-cash investing and financing activities:		
Property, plant and equipment acquired but not yet paid	\$ 4,441	\$ 596
Issuance of common shares related to Public Warrant exercise	3,144	—
Issuance of common shares related to restricted stock units vesting	3,320	—
Issuance of common shares related to acquisitions	446	—
Issuance of common shares related to conversion of Series A Preferred Shares	882	—
Issuance of common shares related to purchase of non-controlling interest	475	—
Accretion of convertible preferred shares	249	—
Accumulating preferred dividends	—	13,882
Exchange of Redeemable Common Equivalent Preferred Units for Series A Convertible Preferred Shares	—	271,539
Exchange of Redeemable Common Equivalent Preferred Units for common shares	—	24,214
Related party debt exchanged for common shares	—	25,000
Loss on extinguishment of Common Equivalent Preferred Units	—	2,870

See accompanying notes to condensed consolidated financial statements.

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The total cash and cash equivalents and restricted cash is as follows:

(Thousands)	September 30, 2023	September 30, 2022
Cash and cash equivalents	\$ 44,407	\$ 90,984
Restricted cash	4,408	4,562
Total	<u>\$ 48,815</u>	<u>\$ 95,546</u>

See accompanying notes to condensed consolidated financial statements.

WESTROCK COFFEE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Organization and Description of Business

Westrock Coffee Company, a Delaware corporation (the “Company,” “Westrock,” “we,” “us,” or “our”), is a leading integrated coffee, tea, flavors, extracts, and ingredients solutions provider in the United States, providing coffee sourcing, supply chain management, product development, roasting, packaging, and distribution services to the retail, food service and restaurant, convenience store and travel center, non-commercial account, consumer packaged goods (“CPG”), and hospitality industries around the world. We manage our business in two operating segments.

Beverage Solutions: Through this segment, we combine our product innovation and customer insights to provide value-added beverage solutions, including coffee, tea, flavors, extracts and ingredients. We provide products in a variety of packaging, including branded and private label coffee in bags, fractional packs, and single serve cups, as well as extract solutions to be used in products such as cold brew and ready-to-drink offerings. Currently, we serve customers in the United States, Europe and Asia, through the retail, food service and restaurant, convenience store and travel center, non-commercial account, CPG, and hospitality industries.

Sustainable Sourcing & Traceability: Through this segment, we utilize our proprietary technology and digitally traceable supply chain to directly impact and improve the lives of our farming partners, tangible economic empowerment and an emphasis on environmental accountability and farmer literacy. Revenues primarily consist of sales from commodity contracts related to forward sales of green coffee.

On August 26, 2022 (the “Closing Date”), pursuant to the terms of the Transaction Agreement, dated April 4, 2022, by and among the Company, Riverview Acquisition Corp., a special purpose acquisition vehicle and a Delaware corporation (“Riverview”), Origin Merger Sub I, Inc. (“Merger Sub I”), and Origin Merger Sub II, LLC (“Merger Sub II”) (as amended, modified or supplemented, the “Transaction Agreement”), the Company completed its de-SPAC merger transaction with Riverview (the “Transaction”). In connection with the closing of the Transaction (the “Closing”), the Company converted from a Delaware limited liability company to a Delaware corporation (the “Conversion”) and changed its corporate name from “Westrock Coffee Holdings, LLC” (the “Converting Company”) to “Westrock Coffee Company.” Pursuant to the Transaction Agreement, Merger Sub I merged with and into Riverview, with Riverview surviving the merger as a direct wholly owned subsidiary of the Company (such merger, the “SPAC Merger”) and immediately following the consummation of the SPAC Merger, Riverview merged with and into Merger Sub II, with Merger Sub II surviving the merger as a direct wholly owned subsidiary of the Company (the “LLC Merger”, and together with the SPAC Merger, the “Mergers”). See Note 4 for additional disclosures related to the Transaction.

On June 29, 2023, the Company entered into a subscription agreement (the “Subscription Agreement”) with HF Direct Investments Pool, LLC (the “HF Investor”), an affiliate of HF Capital, LLC, pursuant to which the Company agreed to sell and issue to the HF Investor and the HF Investor agreed to purchase from the Company 5,000,000 shares (the “HF Subscription Amount”) of Common Shares of the Company at a purchase price per share of \$10.00 for aggregate gross proceeds to the Company of \$50.0 million (such transaction, the “HF Investment”). On August 3, 2023, the HF Investment closed after the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

Additionally, on June 29, 2023 and July 18, 2023, the Company entered into definitive agreements with an affiliate of the Herbert Hunt family (the “Hunt Investor”) and the Arkansas Teacher Retirement System (the “ARTRS” and together with the Hunt Investor, the “Investors”), respectively, pursuant to which the Company agreed to sell and issue to the Investors and the Investors agreed to purchase from the Company a total of 5,000,000 Common Shares of the Company at a purchase price per share of \$10.00 for aggregate gross proceeds to the Company of \$50.0 million (such transactions the “PIPE Investments”). On August 3, 2023, the Company closed on the PIPE Investments.

On July 24, 2023, affiliates of Brown Brothers Harriman & Co. (the “BBH Investors”) exercised preemptive rights (the “BBH Preemptive Rights”) to purchase approximately 1.9 million Common Shares at a purchase price per share of \$10.00, under the terms of that certain Investor Rights Agreement, dated April 4, 2022, by and among the Company, the BBH Investors, and the other parties thereto. On August 7, 2023, the Company sold and issued the Common Shares to the BBH Investors, receiving aggregate gross proceeds of approximately \$18.8 million.

Note 2. Basis of Presentation and Consolidation

The accompanying Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) using the U.S. dollar as the reporting currency. They do not include all the information and footnotes required by GAAP for complete financial statements. The Condensed Consolidated Financial Statements include the activities of the Company and its wholly owned and/or controlled subsidiaries. All intercompany balances and transactions have been eliminated. The Condensed Consolidated Balance Sheet as of December 31, 2022 was derived from the audited financial statements, but does not include all disclosures required by GAAP.

On April 3, 2023, the Company purchased the remaining 15% of the equity interests of Falcon Coffees Limited (“Falcon”) that it did not previously own, resulting in Falcon becoming a wholly owned subsidiary of the Company. Aggregate consideration paid for the interest totaled \$3.2 million and included \$2.0 million in cash and 100,000 shares of common stock, par value \$0.01 per share, of the Company (“Common Shares”). Due to the Company’s controlling financial interest in Falcon prior to the purchase, the transaction was accounted for as an equity transaction. For periods prior to April 3, 2023, equity interests not owned by us are reflected as non-controlling interests. In the Condensed Consolidated Statements of Operations, we allocate net income (loss) attributable to non-controlling interest to arrive at net income (loss) attributable to common shareholders based on their proportionate share. Falcon operates our trading business and is reported within our Sustainable Sourcing & Traceability segment.

The interim financial information is unaudited but, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair statement of results for the interim periods have been included. Operating results from any interim period are not necessarily indicative of the results that may be expected for the full fiscal year. The Condensed Consolidated Financial Statements and related notes should be read in conjunction with the audited December 31, 2022 consolidated financial statements and notes thereto included in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (“SEC”) on March 21, 2023. Accordingly, certain significant accounting policies and other disclosures normally provided have been omitted from the accompanying Condensed Consolidated Financial Statements and related notes since such items are disclosed in our audited financial statements.

Common Unit Conversion

In connection with the Transaction and pursuant to the Transaction Agreement, (a) each issued and outstanding common unit of the Converting Company (“Common Units”) was automatically converted into 0.1049203474320 Common Shares, (b) each issued and outstanding common equivalent preferred unit of the Converting Company (the “Common Equivalent Preferred Units”) for which the holder had not elected to convert such unit into shares of Series A convertible preferred stock, par value \$0.01 per share, of the Company (the “Westrock Series A Preferred Shares”), automatically converted into 0.1086138208640 Common Shares if such Common Equivalent Preferred Unit was designated a Westrock Series A Common Equivalent Preferred Unit or 0.1049203474320 Common Shares if such Common Equivalent Preferred Unit was designated a Series B Common Equivalent Preferred Unit and (c) each outstanding Common Equivalent Preferred Unit for which the holder thereof had made an election to convert such unit into Westrock Series A Preferred Shares, converted into 0.1086138208740 Westrock Series A Preferred Shares if such Common Equivalent Preferred Unit was designated a Series A Common Equivalent Preferred Unit or 0.0919280171940 Westrock Series A Preferred Shares if such Common Equivalent Preferred Unit was designated a Series B Common Equivalent Preferred Unit.

For the periods prior to the Closing, the number of outstanding units, weighted average number of outstanding units, loss per common unit, equity-based compensation and other financial amounts previously expressed on the basis of Common

Units have been retroactively adjusted on the basis of Common Shares reflecting the common unit conversion ratio, as described above.

Reclassifications

Certain reclassifications of prior years' amounts have been made to conform with the current period financial statements presentation. These reclassifications had no impact on prior years' net income as previously reported.

Note 3. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities in the consolidated financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates, including those related to the allowance for credit losses, useful lives of property, plant and equipment, incremental borrowing rates for lease liability measurement, fair values of forward purchase and sales contracts, green coffee associated with forward contracts, warrant liabilities, share-based compensation, contingencies, and income taxes, among others. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from the estimates and assumptions used in preparing the accompanying condensed consolidated financial statements.

Going Concern

In accordance with Accounting Standards Update ("ASU") 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40)*, the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its obligations as they become due within one year after the date that the financial statements are available to be issued. The Company is dependent on borrowings under its Credit Agreement and cash generated from operations to finance its operations, service its debt requirements, maintain compliance with its covenants, and to fund capital requirements. The Company believes that proceeds from the equity issuance in August 2023, projected cash flow from operations and available borrowings under its Credit Agreement will be sufficient to fund operations for at least the next twelve months. However, during the three and nine months ended September 30, 2023, the Company recognized losses from operations of \$5.4 million and \$14.1 million, respectively, and negative cash flows from operations for the nine-month period ended September 30, 2023 of \$75.1 million primarily resulting from lower than projected sales of roast and ground coffee. As a result of the lower than expected sales volumes, substantially driven by current overall market and industry conditions, the Company has reduced its full year projections. If we are unable to meet our financial targets and generate sufficient cash flows from operations, it may restrict our liquidity and capital resources and our ability to maintain compliance with our financial covenants. As management's ability to amend its financial covenants cannot be assured, management has committed to raise additional capital, delay growth capital expenditures and/or reduce operating expenses, including headcount, salary and/or bonus reductions, all of which are in the Company's control, as necessary, in order to have adequate liquidity and to remain in compliance with its debt covenants. The accompanying Condensed Consolidated Financial Statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable consist principally of amounts billed and currently due from customers and are generally unsecured and due within 30 to 60 days. A portion of our accounts receivable is not expected to be collected due to non-payment, bankruptcies and deductions. Our accounting policy for the allowance for credit losses requires us to reserve an amount based on the evaluation of the aging of accounts receivable, detailed analysis of high-risk customers' accounts, and the overall market and economic conditions of our customers. This evaluation considers the customer demographic, such as large commercial customers as compared to small businesses or individual customers. We consider our accounts

receivable delinquent or past due based on payment terms established with each customer. Accounts receivable are written off when the account is determined to be uncollectible.

Activity in the allowance for credit losses for the periods indicated was as follows:

(Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Balance at beginning of period	\$ 2,672	\$ 2,392	\$ 3,023	\$ 3,749
Charged to selling, general and administrative expense	629	364	278	1,286
Write-offs	—	(9)	—	(2,288)
Total	\$ 3,301	\$ 2,747	\$ 3,301	\$ 2,747

Inventories

Within our Sustainable Sourcing & Traceability segment, green coffee associated with our forward contracts is recorded at net realizable value, which approximates market price, consistent with our forward purchase contracts recorded at fair value in accordance with Accounting Standards Codification (“ASC”) 815, *Derivatives and Hedging* (“ASC 815”). Green coffee is a commodity with quoted market prices in active markets, may be sold without significant further processing, has predictable and insignificant disposal costs and is available for immediate delivery. We estimate the fair value of green coffee based on the quoted market price at the end of each reporting period, with changes in fair value being reported as a component of costs of sales in our Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2023, we recognized \$0.5 million of net unrealized losses and \$0.6 million of net unrealized gains, respectively, on green coffee inventory associated with our forward sales and purchase contracts. For the three and nine months ended September 30, 2022, we recognized \$0.6 million and \$8.1 million of net unrealized losses, respectively, on green coffee inventory associated with our forward sales and purchase contracts.

Capitalized Interest

We capitalize a portion of interest costs incurred related to assets that require a period of time to get them ready for their intended use. The amount of interest capitalized is based on eligible expenditures incurred during the period involved in bringing the assets to their intended use and the Company’s weighted-average interest rate during the period. For the three and nine months ended September 30, 2023, we capitalized \$1.0 million of interest costs.

Supply Chain Finance Program

The Company is party to a supply chain finance program (the “Program”) with a third-party financing provider to provide better working capital usage by deferring payments for certain raw materials. Under the Program, the financing provider remits payment to the Company’s suppliers for approved invoices, and the Company repays the financing provider the amount of the approved invoices, plus a financing charge, on 180-day terms. The Program is uncommitted and the financing provider may, at its sole discretion, cancel the Program at any time. The Company may request cancellation of the Program in whole or in respect of one or more approved suppliers. Due to the extension of payment terms beyond the original due date of approved invoices, obligations under the Program are recorded outside of accounts payable, within our supply chain finance program, on our Condensed Consolidated Balance Sheets. Amounts paid by the financing provider to suppliers are reported as cash inflows from financing activities and a corresponding cash outflow from operating activities in our Condensed Consolidated Statements of Cash Flows. Amounts paid to the financing provider are reflected as cash outflows from financing activities in our Condensed Consolidated Statements of Cash Flows. As of September 30, 2023, there were \$67.5 million obligations outstanding under the Program. There were no such obligations outstanding as of December 31, 2022.

(Thousands)	September 30, 2023
Confirmed obligations outstanding at the beginning of the year	\$ —
Invoices confirmed during the year	69,787
Confirmed invoices paid during the year	(2,321)
Confirmed obligations outstanding at the end of the quarter	\$ 67,466

Warrant Liabilities

We account for warrants assumed in connection with the Transaction (see Note 4) in accordance with the guidance contained in ASC 815, under which the warrants do not meet the criteria for equity treatment and must be recorded as liabilities.

Accordingly, we classify the warrants as liabilities at their fair value and adjust the warrants to fair value at each reporting period. The liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in the Condensed Consolidated Statements of Operations.

The Company remeasures the fair value of the Westrock Public Warrants (as defined in Note 4) based on the quoted market price of the Westrock Public Warrants. The Westrock Private Warrants (as defined in Note 4) are valued using a binomial lattice valuation model. For the three and nine months ended September 30, 2023, the Company recognized \$25.1 million and \$18.8 million of gains, respectively, related to the change in fair value of warrant liabilities, which is recognized in other (income) expense in the Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2022, the Company recognized \$5.2 million of losses related to the change in fair value of warrant liabilities.

Equity Method Investments

The equity method of accounting is used for investments in entities, partnerships and similar interests in which we have significant influence but do not control. Under the equity method, we adjust our investment in unconsolidated entities for additional contributions made, distributions received and income or losses from our pro-rata share of these unconsolidated affiliates' net income or loss. At September 30, 2023, we had a \$0.5 million investment in one unconsolidated entity, which is recorded in other long-term assets on the Condensed Consolidated Balance Sheets.

Equity Investments

The Company holds strategic investments in other companies. These investments are accounted for under the measurement alternative described in *Investments - Equity Securities* ("ASC 321") for equity investments that do not have readily determinable fair values. These investments are measured at cost, less impairment, if any. The Company does not exercise significant influence over these companies. These investments are recorded in other long-term assets on the Condensed Consolidated Balance Sheets. At September 30, 2023, the Company had an equity investment with a carrying value of approximately \$1.0 million, for which there is no readily determinable fair value.

Income Taxes

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized based on the differences between the financial statement carrying amount of assets and liabilities and their respective tax bases, using enacted income tax rates expected to apply when the deferred tax assets and liabilities are expected to be realized or settled. The Company's foreign subsidiaries file income tax returns and are subject to tax provisions in their respective foreign tax jurisdictions.

A valuation allowance is established to reduce deferred income tax assets if, on the basis of available evidence, it is more likely than not that all or a portion of any deferred tax assets will not be realized. The consideration of available evidence requires significant management judgment including an assessment of the future periods in which the deferred tax assets and liabilities are expected to be realized and projections of future taxable income. Specifically, in assessing the need for a valuation allowance, we consider the reversal of taxable temporary differences, future taxable income, the ability to carryback certain attributes and tax-planning strategies. The ultimate realization of the deferred tax assets, including net operating losses, is dependent upon the generation of future taxable income during the periods prior to their expiration. If our estimates and assumptions about future taxable income are not appropriate, the value of our deferred tax assets may not be recoverable, which may result in an increase to our valuation allowance that will impact current earnings. We re-evaluate our need for a valuation allowance on a quarterly basis.

The effective income tax rates for the nine months ended September 30, 2023 and 2022 were 18.7% and 13.0%, respectively. The Company's effective tax rate for the current period differs from the federal statutory rate primarily due

to an increase in the valuation allowance against domestic deferred tax assets and permanent differences, including nontaxable income related to a change in the fair value of warrants. The effective tax rate for the nine months ended September 30, 2023 differs from the effective tax rate for the same period in 2022 primarily due to the increase in the valuation allowance and permanent differences, including nontaxable income related to a change in the fair value of warrants and executive compensation.

There were no changes to uncertain tax benefits during the nine months ended September 30, 2023, and the Company does not expect any significant changes to uncertain tax benefits within the next twelve months.

Recently adopted accounting pronouncements

ASU 2022-04 - Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations

In September 2022, the FASB issued ASU 2022-04 “Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations”, which requires that a company that uses a supplier finance program in connection with the purchase of goods or services disclose sufficient information about the program to allow a user of financial statements to understand the program’s nature, activity during the period, changes from period to period, and potential magnitude. ASU 2022-04 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on roll forward information, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. The Company adopted the applicable amendments within ASU 2022-04 on a retrospective basis effective January 1, 2023. The amendments to ASU 2022-04 do not affect the recognition, measurement or financial statement presentation of obligations covered by supplier finance programs.

ASU 2021-08 – Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers

In October 2021, the FASB issued ASU 2021-08, “Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers”, which requires an entity to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, *Revenue from Contracts with Customers* (“ASC 606”), instead of at fair value on the acquisition date as previously required by ASC 805, *Business Combinations* (“ASC 805”). The amendments improve comparability after the business combination by providing consistent recognition and measurement guidance for acquired revenue contracts and revenue contracts not acquired in a business combination. ASU 2021-08 was effective for years beginning after December 15, 2022. The adoption of ASU 2021-08 did not have a significant impact on the Company’s financial position or results of operations.

Note 4. De-SPAC Merger Transaction

On the Closing Date, the Company completed the Transaction with Riverview. At Closing, the Company issued 12,868,151 Common Shares to public and class B shareholders of Riverview, receiving \$49.8 million of the cash held in the trust account of Riverview, which is net of \$17.1 million of Riverview transaction expenses that were either paid by Riverview prior to Closing or offset against proceeds received by the Company at Closing. The 12,868,151 shares issued at Closing include 1,910,000 shares issued to PIPE investors who elected to satisfy their PIPE commitments through the purchase of shares of Class A common stock of Riverview (“Riverview Class A Shares”) on the public market, pursuant to the terms of their respective subscription agreements.

Substantially concurrently with the Closing, the Company received \$205.9 million in cash proceeds (which amount excludes contribution to the Company of certain related party notes outstanding immediately prior to Closing) from common stock PIPE investments, issued 20,590,000 Common Shares to the PIPE investors (which share amount excludes the conversion of the related party notes), and entered into a credit agreement that includes (a) a senior secured first lien revolving credit facility in an initial aggregate principal amount of \$175.0 million and (b) a senior secured first lien term loan facility in an initial aggregate principal amount of \$175.0 million.

Prior to the Closing, the Company's ownership interests consisted of two classes of equity, referred to as Common Units and Common Equivalent Preferred Units. At inception, each Common Equivalent Preferred Unit has a liquidation preference of \$1.00 per unit, increased by an amount accruing at the rate of 10% per annum, compounding annually, based on its liquidation preference as of the time of such accrual, and reduced by the cumulative amount of any cash dividends or distributions, if any, made by the Company in respect of such Common Equivalent Preferred Unit (the "Common Equivalent Preferred Unit Liquidation Preference"). In connection with the Closing, holders of Common Equivalent Preferred Units were paid a cash dividend totaling \$4.4 million, which is equal to the accreted liquidation preference of the Common Equivalent Preferred Units from June 30, 2022 through Closing.

Pursuant to the Transaction Agreement, (a) each issued and outstanding Common Unit converted into 0.1049203474320 Common Shares, (b) each issued and outstanding Common Equivalent Preferred Unit for which the holder had not elected to convert such unit into shares of Westrock Series A Preferred Shares (see Note 13), automatically converted into 0.1086138208640 Common Shares if such Westrock Preferred Unit was designated a Series A Common Equivalent Preferred Unit or 0.1049203474320 Common Shares if such Common Equivalent Preferred Unit was designated a Series B Common Equivalent Preferred Unit and (c) each outstanding Westrock Preferred Unit, for which the holder thereof had made an election to convert such unit into Westrock Series A Preferred Shares, converted into 0.1086138208740 Westrock Series A Preferred Shares if such Common Equivalent Preferred Unit was designated a Series A Common Equivalent Preferred Unit or 0.0919280171940 Westrock Series A Preferred Shares if such Common Equivalent Preferred Unit was designated a Series B Common Equivalent Preferred Unit.

As a result, we issued 34,855,535 Common Shares to holders of Common Units, 2,220,305 Common Shares to holders of Common Equivalent Preferred Units who elected to convert their Common Equivalent Preferred Units into Common Shares, and 23,587,952 Westrock Series A Preferred Shares to holders who elected to convert their Common Equivalent Preferred Units into Westrock Series A Preferred Shares.

In addition, at Closing, (i) each outstanding share of class B common stock of Riverview (the "Riverview Class B Shares" together with the Riverview Class A Shares, the "Riverview Shares") (other than the Riverview Class B Shares held as treasury stock, which were automatically cancelled and extinguished at Closing), automatically converted into one Riverview Class A Share, (ii) each outstanding Riverview Class A Share (including the Riverview Class A Shares resulting from the conversion of Riverview Class B Shares at Closing but excluding any Riverview Class A Shares held as treasury stock, which were automatically cancelled and extinguished at Closing) were exchanged for one Common Share, (iii) each outstanding warrant to purchase Riverview Class A Shares (the "Riverview Warrants") was, by its terms, automatically converted into a comparable warrant to purchase Common Shares (the "Westrock Warrants") on the terms and subject to the conditions set forth in the warrant agreement for the Riverview Warrants and the amended and restated warrant agreement for the Westrock Warrants, (iv) each Riverview Share held immediately prior to Closing by Riverview as treasury stock was automatically canceled and extinguished and (v) each share of capital stock of Merger Sub I issued and outstanding immediately prior to Closing was automatically canceled and extinguished and converted into one share of common stock, par value \$0.01, of the surviving corporation in the SPAC Merger. In connection with obtaining the approval of the Mergers by Riverview's shareholders, Riverview provided an opportunity for its shareholders to redeem all or a portion of their outstanding Riverview Class A Shares.

The Transaction is a capital transaction in substance and not a business combination under ASC 805. As a result, Westrock is treated as the accounting acquirer and Riverview is treated as the acquired company for financial reporting purposes per ASC 805. Accordingly, for accounting purposes, the Transaction is treated similar to an equity contribution in exchange for the issuance of Common Shares.

The financial statements of the combined entity represent a continuation of the financial statements of Westrock, and the net assets of Riverview have been stated at historical cost, with no goodwill or other intangible assets recorded. The equity and net loss per unit attributable to common equity holders of the Company, prior to the Closing, have been retroactively adjusted as shares reflecting the common unit conversion ratio discussed above.

Proceeds from the Transaction and the \$175.0 million term loan facility were used to pay off and terminate our then existing term loan and asset-based lending agreements, and to pay expenses related to the Transaction and the new credit agreement.

The Company and Riverview incurred \$24.0 million and \$17.1 million, respectively, of expenses related to the Transaction. These expenses consist of underwriting fees, professional services (legal, accounting, advisory, etc.) and other direct expenses associated with the Transaction. Costs incurred by Westrock were initially capitalized as incurred in the other assets on the Condensed Consolidated Balance Sheets. As a result of the Transaction, \$24.0 million of transaction costs incurred by the Company related to the issuance of shares were recognized in additional paid-in capital as a reduction of proceeds. The \$17.1 million of expenses incurred by Riverview were either paid by Riverview prior to Closing or netted against proceeds received by the Company at Closing.

Common Stock Warrants

The Company assumed 12,500,000 publicly-traded Riverview Warrants (“Public Warrants”) and 7,400,000 private placement Riverview Warrants (“Private Warrants”), which were originally issued by Riverview in connection with its initial public offering and, as a result of the assumption by the Company, became Westrock Warrants. The Public Warrants assumed by Westrock are referred to as the “Westrock Public Warrants” and the Private Warrants assumed by Westrock are referred to as the “Westrock Private Warrants”. The Westrock Warrants are included in warrant liabilities on the Company’s Condensed Consolidated Balance Sheet. The Westrock Warrants entitle the holder to purchase one share of Common Share at an exercise price of \$11.50 per share.

The Westrock Warrants may only be exercised for a whole number of shares, and will expire on August 26, 2027 (i.e., five years following the Closing), or earlier upon redemption or liquidation. Westrock may redeem the outstanding Westrock Public Warrants (i) in whole and not in part; (ii) at a price of \$0.01 per warrant; (iii) upon not less than 30 days’ prior written notice of redemption to each warrant holder; and (iv) if, and only if, the reported last sale price of the Common Shares for any 20 trading days within a 30-trading day period ending three business days before Westrock sends the notice of redemption to the warrant holders equals or exceeds \$18.00 per share. During any period when Westrock fails to maintain an effective registration statement registering the Common Shares issuable upon the exercise of the Westrock Warrants, Westrock is required to permit holders of Westrock Warrants to exercise their Westrock Warrants on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act of 1933, as amended, or another exemption.

If and when the Westrock Public Warrants become redeemable by Westrock, Westrock may exercise its redemption right even if Westrock is unable to register or qualify the underlying securities for sale under all applicable state securities laws.

The Westrock Private Warrants, which were initially held by Riverview Sponsor Partners, LLC (the “Riverview Sponsor”), are generally identical to the Westrock Public Warrants, except they cannot be redeemable by Westrock so long as they are held by the Riverview Sponsor or its permitted transferees. Furthermore, the Riverview Sponsor, or its permitted transferees, have the option to exercise the Westrock Private Warrants on a cashless basis. During the quarter ended September 30, 2023, the Riverview Sponsor transferred ownership of its Westrock Private Warrants. At September 30, 2023, 2,026,046 warrants are held by permitted transferees and retain the rights of the Westrock Private Warrants described above, while 5,373,954 warrants are now redeemable by Westrock and exercisable by the holders on the same basis as the Westrock Public Warrants.

Note 5. Revenue

Revenue from Contracts with Customers (ASC 606)

We measure revenue based on the consideration specified in the client arrangement, and revenue is recognized when the performance obligations in the client arrangement are satisfied. Our principal source of revenue is from the procurement, trade, manufacture, and distribution of coffee, tea and extracts to customers in the United States, Europe, and Asia.

The transaction price of a contract, net of discounts and expected returns, is allocated to each distinct performance obligation based on the relative standalone selling price of the obligation and is recognized as revenue when the performance obligation is satisfied. The standalone selling price is the estimated price we would charge for the good or

service in a separate transaction with similar customers in similar circumstances. Identifying distinct performance obligations and determining the standalone selling price for each performance obligation within a contract requires management judgment.

Substantially all our client contracts require that we be compensated for services performed to date. This is upon shipment of goods or upon delivery to the customer, depending on contractual terms. Shipping and handling costs paid by the customer to us are included in revenue and costs incurred by us for shipping and handling activities that are performed after a customer obtains control of the product are accounted for as fulfillment costs. In addition, we exclude from net revenue and cost of sales taxes assessed by governmental authorities on revenue-producing transactions. Although we occasionally accept returns of products from our customers, historically returns have not been material.

At times, the Company may enter into agreements in which its Sustainable Sourcing & Traceability segment will sell inventory to a third party, from whom the Company's Beverage Solutions segment has an obligation to repurchase. Such transactions are accounted for as financing transactions in accordance with ASC 606. At September 30, 2023, the Company has \$6.0 million of such repurchase agreement obligations, collateralized by the corresponding inventory, that are recorded within accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets. Net cash flows associated with these repurchase agreements are reported as financing activities in the Condensed Consolidated Statements of Cash Flows.

Revenue from Forward Contracts (ASC 815)

A portion of the Company's revenues consist of sales from commodity contracts that are accounted for under ASC 815. Sales from commodity contracts primarily relate to forward sales of green coffee which are accounted for as derivatives at fair value under ASC 815. These forward sales meet the definition of a derivative under ASC 815 as they have an underlying, notional amount, no initial net investment and can be net settled since the commodity is readily converted to cash. The Company does not apply the normal purchase and normal sale exception under ASC 815 to these contracts.

Revenues from commodity contracts are recognized in revenues for the contractually stated amount when the contracts are settled. Settlement generally occurs upon shipment or delivery of the product when title and risks and rewards of ownership transfers to the customer. Prior to settlement, these forward sales contracts are recognized at fair value with the unrealized gains or losses recorded within costs of sales in our Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2023, we recorded \$0.7 million of net unrealized losses and \$0.4 million of net unrealized gains, respectively, within costs of sales. For the three and nine months ended September 30, 2022, we recorded a nominal amount and \$7.3 million of net unrealized gains, respectively, within costs of sales.

For the three and nine months ended September 30, 2023, the Company recognized \$42.4 million and \$101.6 million in revenues under ASC 815, respectively, and for the three and nine months ended September 30, 2022, the Company recognized \$56.6 million and \$147.0 million in revenues under ASC 815, respectively, which are reported within the Company's Sustainable Sourcing & Traceability segment.

Contract Estimates

The nature of the Company's contracts give rise to variable consideration including cash discounts, volume-based rebates, point of sale promotions, and other promotional discounts to certain customers. For all promotional programs and discounts, the Company estimates the rebate or discount that will be granted to the customer and records an accrual upon invoicing. These estimated rebates or discounts are included in the transaction price of the Company's contracts with customers as a reduction to net revenues and are included as accrued sales incentives in accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheets. Accrued sales incentives were \$1.3 million and \$1.3 million at September 30, 2023 and December 31, 2022, respectively.

We do not disclose the value of unsatisfied performance obligations for contracts (i) with an original expected length of one year or less or (ii) for which the Company recognizes revenue at the amount in which it has the right to invoice as the product is delivered.

Contract Balances

Contract balances relate primarily to advances received from the Company's customers before revenue is recognized. The Company does not have any material contract liabilities as of September 30, 2023 or December 31, 2022. Receivables from contracts with customers are included in accounts receivable, net on the Company's Condensed Consolidated Balance Sheets. At September 30, 2023 and December 31, 2022, accounts receivable, net included \$102.9 million and \$104.7 million in receivables from contracts with customers, respectively.

Contract acquisition costs for obtaining contracts that are deemed recoverable are capitalized as contract costs. Such costs result from the payment of sales incentives and are amortized over the contract life. As of September 30, 2023 and December 31, 2022, no costs were capitalized as all arrangements were less than a year.

Disaggregated Revenue

In general, the Company's business segmentation is aligned according to the nature and economic characteristics of its products and customer relationships and provides meaningful disaggregation of each business segment's results of operations.

Further disaggregation of revenues from sales to external customers by type and geographic area, based on customer location, for the periods indicated is as follows:

(Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Coffee & tea	\$ 131,819	\$ 146,689	\$ 425,241	\$ 408,914
Flavors, extracts & ingredients	44,332	26,107	121,999	81,448
Other	667	690	506	2,350
Green coffee	42,794	56,822	102,002	147,437
Net sales	<u>\$ 219,612</u>	<u>\$ 230,308</u>	<u>\$ 649,748</u>	<u>\$ 640,149</u>

(Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
United States	\$ 184,280	\$ 181,789	\$ 562,942	\$ 515,742
All other countries	35,332	48,519	86,806	124,407
Net sales	<u>\$ 219,612</u>	<u>\$ 230,308</u>	<u>\$ 649,748</u>	<u>\$ 640,149</u>

Note 6. Acquisitions*Bixby Roasting Co.*

On February 28, 2023, the Company completed the acquisition of substantially all of the assets of Bixby Roasting Co. (“Bixby”), a specialty-grade roaster that is a leader in the emerging influencer-led brand space. The transaction is accounted for as a business combination in accordance with ASC 805. Aggregate consideration paid for Bixby included 39,778 Common Shares and approximately \$2.2 million in cash, for total consideration of \$2.6 million, subject to customary adjustments. Net assets acquired totaled approximately \$0.7 million. The acquisition allows the Company to continue to expand its product marketing and development resources as it capitalizes on shifting consumer consumption trends. The acquisition includes Bixby’s roasting facility in Los Angeles, California. The acquisition was recorded by allocating the costs of the assets acquired and liabilities assumed, which consisted of accounts receivable, inventory, property, plant and equipment, and accounts payable, based on their estimated fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the net assets acquired is recorded as goodwill. The Company finalized its purchase price allocation during the second quarter of 2023, recognizing approximately \$2.0 million of goodwill, which is deductible for tax purposes, within our Beverage Solutions segment. The financial results of Bixby are included in the Beverage Solutions segment from the date of acquisition and were not material, individually or in the aggregate, to our results of operations and therefore, pro forma financial information has not been presented.

Kohana Coffee, LLC

On November 14, 2022, Westrock Beverage Solutions, LLC, a Delaware limited liability company and wholly owned subsidiary of the Company, acquired one hundred percent (100%) of the equity securities of Kohana Coffee, LLC (“Kohana Coffee”), a Texas limited liability company (“Kohana Acquisition”). Kohana Coffee is an extract and ready-to-drink focused business, based in Richmond, California, serving customers in the retail and CPG industries. The acquisition allows the Company to accelerate the development, production, and distribution of ready-to-drink products in cans and bottles. Aggregate consideration paid for Kohana Coffee included 1,852,608 Common Shares and approximately \$15.7 million in cash, subject to customary adjustments.

The fair value of the stock consideration was based on the closing price of the Company’s common stock on the date of acquisition. The total consideration paid in the Kohana Acquisition is summarized below:

(Thousands)		
Cash consideration	\$	15,682
Fair value of stock consideration		23,435
Total Consideration	\$	39,117

The assets and liabilities acquired in the Kohana Acquisition are recorded at their estimated fair values.

(Thousands)		Acquired Value
Cash and cash equivalents	\$	797
Accounts receivable		881
Inventory		2,306
Property, plant and equipment		8,387
Goodwill		17,275
Intangible assets		11,718
Accounts payable and accrued liabilities		(2,247)
Total	\$	39,117

The above purchase price allocation was finalized during the second quarter of 2023.

The cost of the acquisition in excess of the fair market value of the tangible and intangible assets acquired less liabilities assumed represents acquired goodwill, which is deductible for tax purposes. The goodwill arising from the transaction is

primarily attributable to strategic opportunities from the acquisition of Kohana, including our ability to accelerate the development, production, and distribution of ready-to-drink products in cans and bottles to our existing customers.

Note 7. Inventories

The following table summarizes inventories as of September 30, 2023 and December 31, 2022:

(Thousands)	September 30, 2023	December 31, 2022
Raw materials	\$ 81,081	\$ 66,925
Finished goods	30,205	21,232
Green coffee	50,060	57,679
Total inventories	<u>\$ 161,346</u>	<u>\$ 145,836</u>

Green coffee inventories represent green coffee held for resale. At September 30, 2023 and December 31, 2022, all green coffee held for resale was included within our Sustainable Sourcing & Traceability segment.

Note 8. Property, Plant and Equipment, Net

The following table summarizes property, plant and equipment, net as of September 30, 2023 and December 31, 2022:

(Thousands)	Depreciable Lives	September 30, 2023	December 31, 2022
Land		\$ 8,840	\$ 9,052
Buildings ⁽⁴⁾	10-40 years	35,956	35,499
Leasehold improvements ⁽¹⁾		9,452	1,651
Plant equipment ⁽⁴⁾	3-15 years	110,973	107,215
Vehicles and transportation equipment	3-5 years	676	700
IT systems	3-7 years	7,510	3,053
Furniture and fixtures ⁽⁴⁾	3-10 years	3,160	3,068
Customer beverage equipment ⁽²⁾	3-5 years	24,163	21,930
Lease right-of-use assets ⁽³⁾		51	36
Construction in progress and equipment deposits ⁽⁴⁾		164,429	70,004
		<u>365,210</u>	<u>252,208</u>
Less: accumulated depreciation		(77,447)	(67,002)
Property, plant and equipment, net		<u>\$ 287,763</u>	<u>\$ 185,206</u>

1 - Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease life.

2 - Customer beverage equipment consists of brewers held on site at customer locations.

3 - Lease right-of-use assets are amortized over the shorter of the useful life of the asset or the lease term.

4 - We identified a \$10.1 million classification error in the disclosure of buildings, plant equipment, furniture and fixtures, and construction in progress and equipment deposits for the year ended December 31, 2022. Amounts presented above reflect the corrected amounts.

Depreciation expense for the three and nine months ended September 30, 2023 was \$4.4 million and \$12.4 million, respectively, and depreciation expense for the three and nine months ended September 30, 2022 was \$4.1 million and \$12.7 million, respectively. Assets classified as construction in progress and equipment deposits are not depreciated, as they are not ready for production use. All assets classified as construction in progress and equipment deposits at September 30, 2023 are expected to be in production use.

Note 9. Goodwill

The following table reflects the carrying amount of goodwill as of September 30, 2023 and December 31, 2022:

(Thousands)	Beverage Solutions	Total
Balance at December 31, 2022		
Goodwill	\$ 190,882	\$ 190,882
Accumulated impairment loss	(76,883)	(76,883)
	113,999	113,999
Changes during the period:		
Acquisitions	2,025	2,025
Measurement period adjustments	329	329
Balance at September 30, 2023		
Goodwill	193,236	193,236
Accumulated impairment loss	(76,883)	(76,883)
	<u>\$ 116,353</u>	<u>\$ 116,353</u>

Note 10. Intangible Assets, Net

The following table summarizes intangible assets, net as of September 30, 2023 and December 31, 2022:

(Thousands)	September 30, 2023		
	Cost	Accumulated Amortization	Net
Customer relationships	\$ 148,648	\$ (24,560)	\$ 124,088
Favorable lease asset	790	(345)	445
Software	1,058	(529)	529
Intangible assets, net	<u>\$ 150,496</u>	<u>\$ (25,434)</u>	<u>\$ 125,062</u>
(Thousands)	December 31, 2022		
	Cost	Accumulated Amortization	Net
Customer relationships	\$ 148,648	\$ (18,778)	\$ 129,870
Favorable lease asset	710	(140)	570
Software	919	(473)	446
Intangible assets, net	<u>\$ 150,277</u>	<u>\$ (19,391)</u>	<u>\$ 130,886</u>

Amortization expense of intangible assets was \$2.0 million and \$6.0 million for the three and nine months ended September 30, 2023, respectively, and amortization expense of intangible assets was \$1.7 million and \$5.0 million for the three and nine months ended September 30, 2022, respectively. As of September 30, 2023, the weighted average useful life for definite-lived intangibles is approximately 20 years.

Note 11. Leases

We have operating leases for manufacturing and production facilities, distribution and warehousing facilities, vehicles and machinery and equipment. Some of our lease agreements have renewal options, tenant improvement allowances, rent holidays and rent escalation clauses. The remaining terms on our leases range from 1 year to 7 years, some of which may include options to extend the leases and some of which may include options to terminate the leases within 1 year.

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The following table summarizes the amount of right-of-use lease assets and lease liabilities included in each respective line item on the Company's Condensed Consolidated Balance Sheets:

(Thousands)	Balance Sheet Location	September 30, 2023	December 31, 2022
Right-of-use operating lease assets	Operating lease right-of-use assets	\$ 14,496	\$ 11,090
Operating lease liabilities - current	Accrued expenses and other current liabilities	3,322	2,832
Operating lease liabilities - noncurrent	Other long-term liabilities	11,770	8,424

Depending on the nature of the lease, lease costs are classified within costs of sales or selling, general and administrative expense on the Company's Condensed Consolidated Statements of Operations. The components of lease costs for the three and nine months ended September 30, 2023 and 2022, respectively, are as follows:

(Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating lease cost	\$ 1,179	\$ 878	\$ 3,609	\$ 1,720
Short-term lease cost	247	219	727	443
Total	\$ 1,426	\$ 1,097	\$ 4,336	\$ 2,163

The following table presents information about the Company's weighted average discount rate and remaining lease term as of September 30, 2023 and 2022:

	September 30, 2023	September 30, 2022
Weighted-average discount rate	8.0%	8.5%
Weighted-average remaining lease term	5.1 years	5.0 years

Supplemental cash flow information about the Company's leases as of September 30, 2023 and 2022, respectively, is as follows:

(Thousands)	Nine Months Ended September 30,	
	2023	2022
Operating cash flows from operating leases	\$ 3,195	\$ 844

During the nine months ended September 30, 2023, the Company obtained \$6.0 million of right-of-use operating lease assets in exchange for lease obligations.

Finance lease assets are recorded in property, plant and equipment, net with the corresponding lease liabilities included in accrued expenses and other current liabilities and long-term debt, net on the Condensed Consolidated Balance Sheets. There were no material finance leases as of September 30, 2023.

Future minimum lease payments under non-cancellable operating leases as of September 30, 2023 are as follows:

(Thousands)	
Remainder of 2023	\$ 1,039
2024	4,382
2025	3,277
2026	2,609
2027	2,589
Thereafter	4,239
Total future minimum lease payments	18,135
Less: imputed interest	(3,043)
Present value of minimum lease payments	\$ 15,092

Note 12. Debt

Our long-term debt at September 30, 2023 and December 31, 2022 is as follows:

(Thousands)	September 30, 2023	December 31, 2022
Term loan facility	\$ 166,250	\$ 175,000
Revolving credit facility	45,000	—
International trade finance lines	53,045	42,905
International notes payable	6,356	1,750
Other loans	17	25
Total debt	270,668	219,680
Unamortized debt costs	(2,563)	(2,769)
Current maturities of long-term debt	(9,293)	(11,504)
Short-term debt	(53,045)	(42,905)
Long-term debt, net	\$ 205,767	\$ 162,502

Credit Agreement

On August 29, 2022, we entered into a credit agreement (the “Credit Agreement”) among the Company, Westrock Beverage Solutions, LLC, as the borrower (the “Borrower”), Wells Fargo Bank, N.A., as administrative agent, collateral agent, and swingline lender, Wells Fargo Securities, LLC, as sustainability structuring agent, and each issuing bank and lender party thereto. The Credit Agreement includes (a) a senior secured first lien revolving credit facility in an initial aggregate principal amount of \$175.0 million (the “Revolving Credit Facility”) and (b) a senior secured first lien term loan facility in an initial aggregate principal amount of \$175.0 million (the “Term Loan Facility”). Proceeds from the Term Loan Facility were used for paying off existing indebtedness. The Revolving Credit Facility and the Term Loan Facility will mature on August 29, 2027. All obligations under the Credit Agreement are guaranteed by the Company and each of the Borrower’s domestic subsidiaries, which comprise our Beverage Solutions segment, and are secured by substantially all of the Company’s assets.

Borrowings under the Revolving Credit Facility and the Term Loan Facility will bear interest, at the Borrower’s option, initially at an annual rate equal to (i) Term SOFR plus a credit spread adjustment of 0.10% for loans with an interest period of one month, 0.15% for loans with an interest period of three months and 0.25% for loans with an interest period of six months, as applicable, (the “Adjusted Term SOFR”) or (ii) the base rate (determined by reference to the greatest of (i) the rate of interest last quoted by The Wall Street Journal in the U.S. as the prime rate in effect, (ii) the NYFRB Rate from time to time plus 0.50% and (iii) the Adjusted Term SOFR for a one month interest period plus 1.00%, (the “Base Rate”)), in each case plus the applicable margin. The Credit Agreement contains two financial covenants requiring the maintenance of a total net leverage ratio and an interest coverage ratio (the “Financial Covenants”). Commitment fees on the daily unused amount of commitments under the Revolving Credit Facility range from 0.20% to 0.35% depending on the total net leverage ratio. At September 30, 2023, we had \$45.0 million of outstanding borrowings under the Revolving Credit Facility, with a weighted average interest rate of 9.0%, and the interest rate applicable to our Term Loan Facility was 9.2%, and we had \$2.6 million of standby letters of credit outstanding.

On February 14, 2023, we entered into an Incremental Assumption Agreement and Amendment No. 1 to the Credit Agreement, which established a new class of incremental term loan commitments in the form of a senior secured delayed draw term loan credit facility (the “Delayed Draw Term Loan Facility”) in the aggregate principal amount of \$50.0 million, proceeds of which may be used to fund capital expenditures related to our extract and ready-to-drink facility in Conway, Arkansas, or for general corporate purposes.

The interest rates under the Delayed Draw Term Loan Facility are the same as the interest rates with respect to the initial term loans under the existing Term Loan Facility, and the commitment fees applying to the unused portion of the Delayed Draw Term Loan Facility are the same as the commitment fees with respect to the Revolving Credit Facility. Any delayed draw term loan funded under the Delayed Draw Term Loan Facility will mature on August 29, 2027. As of the date of this Quarterly Report on Form 10-Q, no borrowings have been made under the Delayed Draw Term Loan Facility.

On June 30, 2023, we entered into Amendment No. 2 (the “Second Amendment”) to the Credit Agreement. The Second Amendment established a covenant relief period (the “Covenant Relief Period”) commencing on June 30, 2023, and ending on the earlier to occur of (i) April 1, 2025 and (ii) the date following December 31, 2023, on which the Borrower delivers to the administrative agent a certificate of a responsible officer (a) electing to terminate the Covenant Relief Period, (b) demonstrating a total net leverage ratio less than 3.75x and (c) attaching projections demonstrating compliance with the total net leverage ratio financial covenant (as in effect prior to giving effect to the Covenant Relief Period) until the then-existing latest maturity date.

During the Covenant Relief Period, (i) the total net leverage ratio financial covenant will be (a) 5.00x for the test period ending June 30, 2023, (b) 5.25x for the test period ending September 30, 2023, (c) 5.50x for the test periods ending on or after December 31, 2023 to and including September 30, 2024, (d) 5.00x for the test period ending December 31, 2024 and (e) 4.50x for the test period ending March 31, 2025 and (ii) the applicable margin for any term SOFR rate loan will range from 2.50% to 3.75% and for any ABR loan will range from 1.50% to 2.75%, in each case depending on the total net leverage ratio. After the Covenant Relief Period, the total net leverage ratio financial covenant and the applicable margin for term SOFR rate loans and ABR loans will revert to the pre-amendment terms of the Credit Agreement. During and after the Covenant Relief Period, the minimum interest coverage ratio financial covenant will be 2.00x. As of September 30, 2023, we were in compliance with the Financial Covenants.

The Term Loan Facility requires quarterly principal payments during the first three years of approximately \$2.2 million (1.25% of the original principal balance). Quarterly payments increase to approximately \$3.3 million and \$4.4 million (1.875% and 2.5% of the original principal balance) during the fourth and fifth years, respectively.

We incurred a total of \$6.6 million of financing fees in connection with the Credit Agreement and related amendments. \$3.3 million of the fees were allocated to the Term Loan Facility and are being amortized utilizing the frozen effective yield method based on the interest rate in place at the issuance of the Term Loan Facility. \$3.3 million of the fees were allocated to the Revolving Credit Facility, are reported within other long-term assets on the Condensed Consolidated Balance Sheets and are being amortized ratably over the term of the Revolving Credit Facility.

International Debt and Lending Facilities

On March 21, 2023, we entered into a \$70 million working capital trade finance facility with multiple financial institutions through our subsidiary, Falcon. The facility replaced Falcon’s then existing working capital trade finance facility. The facility is uncommitted and repayable on demand, with certain of Falcon’s assets pledged as collateral against the facility. The facility will mature one year from inception. Borrowings under the facility will bear interest at the borrower’s option at a rate equal to (a) Term SOFR, as defined in the facility, plus a margin of 4.00% plus a liquidity premium set by the lender at the time of borrowing or (b) the Base Rate (determined by reference to the greatest of (i) the Prime Rate, as defined in the facility, at such time, (ii) one-half of 1.00% in excess of the Federal Funds Effective Rate, as defined in the facility, at such time, and (iii) Term SOFR for a one-month tenor in effect at such time plus 1.00%). At September 30, 2023, there was \$42.5 million of outstanding borrowings under the facility, which is recorded in short-term debt in the Condensed Consolidated Balance Sheets. Falcon’s facility contains certain restrictive financial covenants which require Falcon to maintain certain levels of working capital, debt, and net worth. Falcon was in compliance with these financial covenants as of September 30, 2023.

On September 28, 2023, we entered into a \$5.0 million unsecured working capital trade finance facility with responsAbility Climate Smart Agriculture & Food Systems Fund through our subsidiary, Falcon. The facility will mature on December 31, 2026, and requires stepped repayments of \$0.5 million on December 31, 2024, \$1.0 million on December 31, 2025 and \$3.5 million on December 31, 2026. Borrowings under the facility will bear interest at the borrower’s option at a rate equal to (a) (i) the most recent applicable Term SOFR for the longest period (for which Term SOFR is available) which is less than the applicable interest period of the loan or (ii) If no such Term SOFR is available for a period which is less than the applicable interest period, SOFR for the day which is two U.S. Government Securities Business Days before the Quotation day; or (b) the most recent applicable Term SOFR (as of Quotation Day) for the shortest period (for which Term SOFR is available) which exceeds the applicable interest period of that loan, in each case plus the applicable margin. At September 30, 2023, there was \$5.0 million of outstanding borrowings under the

facility, which is recorded in long-term debt, net on the Condensed Consolidated Balance Sheets. Falcon's facility contains certain restrictive financial covenants which require Falcon to maintain certain levels of working capital, debt, and tangible net worth. Falcon was in compliance with these financial covenants as of September 30, 2023.

Westrock Coffee International, LLC, through its subsidiary Rwanda Trading Company, maintains two mortgage and inventory-backed lending facilities with a local bank in Rwanda: (a) a short-term trade finance facility with a balance of \$8.5 million at September 30, 2023 and (b) a long-term note payable with a balance of \$1.4 million at September 30, 2023. Additionally, Rwanda Trading Company maintains three short-term futures contract-backed lending facilities from international institutions with outstanding balances of \$0.8 million, \$0.7 million and \$0.6 million at September 30, 2023.

Note 13. Series A Preferred Shares

In connection with the Transaction, the Company issued 23,587,952 Westrock Series A Preferred Shares, which rank senior to the Common Shares with respect to dividend rights and/or distribution rights upon the liquidation, winding up or dissolution, as applicable, of Westrock. Each holder of Westrock Series A Preferred Shares is entitled to vote, on an as-converted basis, as a single class with the holders of Common Shares and the holders of any other class or series of capital stock of Westrock then entitled to vote with the Common Shares on all matters submitted to a vote of the holders of Common Shares.

The initial liquidation preference of Westrock Series A Preferred Shares is \$11.50 per share, plus any declared but unpaid dividends and subject to accretion under certain circumstances. In the event of our liquidation, dissolution or winding up, holders of Westrock Series A Preferred Shares are entitled to receive, per Westrock Series A Preferred Share, the greater of (a) the liquidation preference and (b) the amount such holder would have received had they converted their Westrock Series A Preferred Shares into Common Shares immediately prior to such liquidation event.

Holders of Westrock Series A Preferred Shares may voluntarily convert their Westrock Series A Preferred Shares into a whole number of Common Shares at any time at a rate equal to the quotient of (a) the liquidation preference as of the applicable conversion date, divided by (b) the conversion price as of the applicable conversion date, which is currently \$11.50 per Westrock Series A Preferred Share, plus cash in lieu of fractional shares. The initial conversion price of \$11.50 per Westrock Series A Preferred Share is subject to customary adjustments for the issuance of Common Shares as a dividend or distribution to the holders of Common Shares, a subdivision or combination of the Common Shares, reclassification of the Common Shares into a greater or lesser number of Common Shares, certain tender or exchange offers for the Common Shares, and issuances of Common Shares below a specified price.

After February 26, 2028 (i.e., the five-and-a-half-year anniversary of the Closing), any holder of Westrock Series A Preferred Shares may require Westrock to redeem all or any whole number of such holder's Westrock Series A Preferred Shares in cash, subject to applicable law and the terms of any credit agreement or similar arrangement pursuant to which a third-party lender provides debt financing to Westrock or its subsidiaries, at a redemption price per share equal to the greater of (a) the liquidation preference and (b) the product of (i) the number of Common Shares that would have been obtained from converting one Westrock Series A Preferred Share on the redemption notice date and (ii) the simple average of the daily volume weighted average price per Common Share for the ten trading days ending on and including the trading day immediately preceding the redemption notice date.

At any time after February 26, 2028 (i.e., the five and a half year anniversary of the date of Closing), Westrock may redeem, ratably, in whole or, from time to time in part, the Westrock Series A Preferred Shares of any holder then outstanding at the redemption price in cash, equal to the greater of (i) the liquidation preference and (ii) the product of (x) the number of Common Shares that would have been obtained from converting one Westrock Series A Preferred Share on the date of the exercise of such call is notified by Westrock (including fractional shares for this purpose) and (y) the simple average of the daily volume weighted average price per Common Share for the ten trading days ending on and including the trading day immediately preceding the date of the exercise of such call by Westrock. The redemption price for the Westrock Series A Preferred Shares held by controlled affiliates of Brown Brothers Harriman & Co. (“BBH Investors”) may not be less than the \$18.50 per Westrock Series A Preferred Share (subject to adjustments); provided that, Westrock may redeem such shares in such a case if it pays an incremental price per share on the redemption date to the BBH Investors equal to the difference between \$18.50 (subject to adjustments) and the redemption price otherwise.

Upon issuance, the Westrock Series A Preferred Shares were recorded on our Condensed Consolidated Balance Sheets at fair value. Subsequently, the Company will accrete changes in the redemption value from the date of issuance to the earliest redemption date (i.e., the five-and-a-half-year anniversary of the date of Closing) using the effective interest rate method. The accretion will be recorded as a deemed dividend, which adjusts retained earnings (or in the absence of retained earnings, additional paid-in capital) and earnings attributable to common shareholders in computing basic and diluted earnings per share. However, at no time will the Westrock Series A Preferred Shares be reported at a value less than its initial carrying value. For the three and nine months ended September 30, 2023, the Company recorded \$0.1 million of amortization and \$0.2 million of accretion, respectively, with respect to the Westrock Series A Preferred Shares.

Note 14. Derivatives

We record all derivatives, whether designated in a hedging relationship or not, at fair value on the Condensed Consolidated Balance Sheets. We use various types of derivative instruments including, but not limited to, forward contracts, futures contracts, and options contracts for certain commodities. Forward and futures contracts are agreements to buy or sell a quantity of a commodity at a predetermined future date, and at a predetermined rate or price. Forward contracts are traded over the counter whereas future contracts are traded on an exchange. Option contracts are agreements to facilitate a potential transaction involving the commodity at a preset price and date.

The accounting for gains and losses that result from changes in the fair values of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the types of hedging relationships. Derivatives can be designated as fair value hedges, cash flow hedges or hedges of net investments in foreign operations. The changes in the fair values of derivatives that have not been designated and for which hedge accounting is not applied, are recorded in the same line item in our Condensed Consolidated Statements of Operations as the changes in the fair value of the hedged items attributable to the risk being hedged. The changes in fair values of derivatives that have been designated and qualify as cash flow hedges are recorded in accumulated other comprehensive income (loss) (“AOCI”) and are reclassified into the line item in the Condensed Consolidated Statements of Operations in which the hedged items are recorded in the same period the hedged items affect earnings.

For derivatives that will be accounted for as hedging instruments, we formally designate and document, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. In addition, we formally assess both at the inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are highly effective at offsetting changes in either the fair values or cash flows of the related underlying exposures.

We use cash flow hedges to minimize the variability in cash flows of assets or liabilities or forecasted transactions caused by fluctuations in commodity prices. The changes in fair values of hedges that are determined to be ineffective are immediately reclassified from AOCI into earnings. We did not discontinue any cash flow hedging relationships during the nine months ended September 30, 2023 or 2022.

Within our Beverage Solutions segment, we have entered into coffee futures contracts to hedge our exposure to price fluctuations on green coffee associated with certain price-to-be-fixed purchase contracts, which generally range from

three to twelve months in length. These derivative instruments have been designated as cash flow hedges. The objective of this hedging program is to reduce the variability of cash flows associated with future purchases of green coffee.

The notional amount for the coffee futures contracts that were designated and qualified for our commodity cash flow hedging program was 16.5 million pounds and 29.2 million pounds as of September 30, 2023 and December 31, 2022, respectively. During the three and nine months ended September 30, 2023, the Company purchased coffee futures contracts and coffee options contracts under our cash flow hedging program with aggregate notional amounts of 30.3 million pounds and 53.9 million pounds, respectively. During the three and nine months ended September 30, 2022, the Company purchased coffee futures contracts and coffee options contracts under our cash flow hedging program with aggregate notional amounts of 8.8 million pounds and 57.0 million pounds, respectively.

Approximately \$3.1 million and \$5.2 million of net realized losses, representing the effective portion of the cash flow hedge, were subsequently reclassified from AOCI to earnings and recognized in costs of sales in the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2023, respectively. Approximately \$4.3 million and \$11.1 million of net realized gains, representing the effective portion of the cash flow hedge, were subsequently reclassified from AOCI to earnings and recognized in costs of sales in the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2022, respectively. As of September 30, 2023, the estimated amount of net losses reported in AOCI that is expected to be reclassified to the Condensed Consolidated Statements of Operations within the next twelve months is \$0.1 million.

Within our Sustainable Sourcing & Traceability segment, the Company's forward sales and forward purchase contracts are for physical delivery of green coffee in a future period. While the Company considers these contracts to be effective economic hedges, the Company does not designate or account for forward sales or forward purchase contracts as hedges as defined under current accounting standards. See Note 5 for a description of the treatment of realized and unrealized gains and losses on forward sales and forward purchase contracts.

The fair value of our derivative assets and liabilities included in the Condensed Consolidated Balance Sheets are set forth below:

(Thousands)	Balance Sheet Location	September 30, 2023	December 31, 2022
Derivative assets not designated as cash flow hedging instruments:			
Forward purchase and sales contracts	Derivative assets	\$ 15,159	\$ 15,053
Total derivative assets		<u>\$ 15,159</u>	<u>\$ 15,053</u>
Derivative liabilities designated as cash flow hedging instruments:			
Coffee futures contracts ⁽¹⁾	Derivative liabilities	\$ 1,136	\$ 3,334
Total		<u>\$ 1,136</u>	<u>\$ 3,334</u>
Derivative liabilities not designated as cash flow hedging instruments:			
Forward purchase and sales contracts	Derivative liabilities	\$ 3,962	\$ 4,258
Total derivative liabilities		<u>\$ 5,098</u>	<u>\$ 7,592</u>

1 - The fair value of coffee futures excludes amounts related to margin accounts.

The following table presents the pre-tax net gains and losses for our derivative instruments for the three and nine months ended September 30, 2023 and 2022, respectively:

(Thousands)	Statement of Operations Location	Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Derivative assets designated as cash flow hedging instruments:					
Net realized gains (losses) on coffee derivatives	Costs of sales	\$ (3,147)	\$ 4,267	\$ (5,234)	\$ 11,098
Derivative assets and liabilities not designated as cash flow hedging instruments:					
Net unrealized gains (losses) on forward sales and purchase contracts	Costs of sales	\$ (669)	\$ 29	\$ 402	\$ 7,266

Note 15. Fair Value Measurements

ASC 820, *Fair Value Measurements*, defines fair value at the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company groups its assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1—Valuation is based upon quoted prices for identical instruments traded in active markets.

- Level 2—Valuation is based upon inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. interest rate and yield curves observable at commonly quoted intervals, default rates, etc.). Observable inputs include quoted prices for similar instruments in active and non-active markets. Level 2 includes those financial instruments that are valued with industry standard valuation models that incorporate inputs that are observable in the marketplace throughout the full term of the instrument or can otherwise be derived from or supported by observable market data in the marketplace. Level 2 inputs may also include insignificant adjustments to market observable inputs.
- Level 3—Valuation is based upon one or more unobservable inputs that are significant in establishing a fair value estimate. These unobservable inputs are used to the extent relevant observable inputs are not available and are developed based on the best information available. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

The following table summarizes the fair value of financial instruments at September 30, 2023:

(Thousands)	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Green coffee associated with forward contracts	\$ —	\$ 38,169	\$ —	\$ 38,169
Forward purchase and sales contracts	—	15,159	—	15,159
Total	\$ —	\$ 53,328	\$ —	\$ 53,328
Liabilities:				
Coffee futures contracts	\$ 1,136	\$ —	\$ —	\$ 1,136
Forward purchase and sales contracts	—	3,962	—	3,962
Westrock Public Warrants	31,839	—	—	31,839
Westrock Private Warrants	—	—	4,336	4,336
Total	\$ 32,975	\$ 3,962	\$ 4,336	\$ 41,273

The following table presents the change in fair value of Level 3 Westrock Private Warrant liabilities:

(Thousands)	Westrock Private Warrants
Fair value as of December 31, 2022	\$ 28,342
Transfer out of Level 3	(18,916)
Change in fair value	(5,090)
Fair value as of September 30, 2023	\$ 4,336

The following table summarizes the fair value of financial instruments at December 31, 2022:

(Thousands)	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Green coffee associated with forward contracts	\$ —	\$ 39,928	\$ —	\$ 39,928
Forward purchase and sales contracts	—	15,053	—	15,053
Total	\$ —	\$ 54,981	\$ —	\$ 54,981
Liabilities:				
Coffee futures contracts	\$ 3,334	\$ —	\$ —	\$ 3,334
Forward purchase and sales contracts	—	4,258	—	4,258
Westrock Public Warrants	27,179	—	—	27,179
Westrock Private Warrants	—	—	28,342	28,342
Total	\$ 30,513	\$ 4,258	\$ 28,342	\$ 63,113

Coffee futures contracts and coffee options are valued based on quoted market prices. The estimated fair value for green coffee inventories associated with forward contracts and forward sales and purchase contracts are based on exchange-quoted prices, adjusted for differences in origin, quantity, quality, and future delivery period, as the exchange quoted prices represent standardized terms for the commodity. These adjustments are generally determined using broker or dealer quotes or based upon observable market transactions. As a result, green coffee associated with forward contracts and forward sales and purchase contracts are classified within Level 2 of the fair value hierarchy.

Westrock Public Warrants are valued based on their quoted market price of \$1.86 and \$2.27 per warrant as of September 30, 2023 and December 31, 2022, respectively. Westrock Private Warrants price of \$2.14 and \$3.83 per warrant as of September 30, 2023 and December 31, 2022, respectively, are valued using a binomial lattice valuation model, which is considered to be a Level 3 fair value measurement. The primary unobservable inputs were as follows:

	September 30, 2023	December 31, 2022
Stock price	\$ 8.86	\$ 13.36
Exercise price	\$ 11.50	\$ 11.50
Expected term (years)	5.00	5.00
Expected volatility	34.90%	7.74%
Risk-free rate of return	4.65%	3.99%
Dividend yield	0.00%	0.00%

The most significant of these primary unobservable inputs utilized in determining the fair value of the Westrock Private Warrants is the expected volatility of the stock price, which is determined by use of an option pricing model.

Financial instruments consist primarily of cash, accounts receivable, accounts payable, a supply chain finance program and long-term debt. The carrying amount of cash, accounts receivable, accounts payable and the supply chain finance program was estimated by management to approximate fair value due to the relatively short period of time to maturity for those instruments. The Term Loan Facility and the Revolving Credit Facility are carried on the Condensed Consolidated Balance Sheets at amortized cost and are estimated by management to approximate fair value as of September 30, 2023 as the interest rate on these facilities is adjusted for changes in the market rates. The fair value of the Term Loan Facility and the Revolving Credit Facility was determined based on Level 2 inputs under the fair value hierarchy.

Non-financial assets and liabilities, including property, plant and equipment, goodwill and intangible assets are measured at fair value on a non-recurring basis. No events occurred during the three and nine months ended September 30, 2023 or 2022, requiring these non-financial assets and liabilities to be subsequently recognized at fair value.

At September 30, 2023, the Company had an equity investment with a carrying value of approximately \$1.0 million, for which there is no readily determinable fair value. This investment is recorded at cost within other long-term assets on the Condensed Consolidated Balance Sheets. As of September 30, 2023, there have been no adjustments, upward or downward, to the carrying value.

Note 16. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss), net of tax by component for the three and nine months ended September 30, 2023 and 2022 is as follows:

(Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cash flow hedge changes in fair value gain (loss):				
Balance at beginning of period	\$ (4,832)	\$ 4,474	\$ (6,355)	\$ 11,759
Other comprehensive income (loss) before reclassifications	(97)	555	1,049	(2,245)
Amounts reclassified from accumulated comprehensive income	3,147	(4,267)	5,234	(11,098)
Tax effect	106	910	(1,604)	3,256
Net other comprehensive income	(1,676)	1,672	(1,676)	1,672
Less: Other comprehensive income attributable to non-controlling interests	—	—	—	—
Balance at end of period	(1,676)	1,672	(1,676)	1,672
Foreign currency translation gain				
Balance at beginning of period	293	250	252	259
Other comprehensive income (loss) before reclassifications	86	1	127	(8)
Amounts reclassified from accumulated comprehensive income	—	—	—	—
Tax effect	—	—	—	—
Net other comprehensive income	379	251	379	251
Less: Other comprehensive income attributable to non-controlling interests	—	—	—	—
Balance at end of period	379	251	379	251
Accumulated other comprehensive income (loss) at end of period	\$ (1,297)	\$ 1,923	\$ (1,297)	\$ 1,923

Note 17. Equity-Based Compensation

During the three and nine months ended September 30, 2023, the Company granted 0.1 million and 1.3 million restricted stock units (“RSUs”), respectively, under the Westrock Coffee Company 2022 Equity Incentive Plan (the “2022 Equity Plan”). The RSUs had a grant date fair value of \$1.0 million and \$15.0 million, respectively, which was calculated using the closing price of the Common Shares on the applicable date of grant. The RSUs are amortized on a straight-line basis to expense over the vesting period, which is generally three years. As of September 30, 2023, there were 2.3 million shares available for future issuance under the 2022 Equity Plan.

The following table sets forth the RSU activity under the 2022 Equity Plan for the nine months ended September 30, 2023.

	Units	Average Fair Market Value
Outstanding at December 31, 2022	1,127,000	\$ 11.49
Granted	1,266,935	11.82
Forfeited	(79,052)	11.64
Vested	(404,371)	11.51
Outstanding at September 30, 2023	1,910,512	\$ 11.70

Note 18. Earnings per Share

Prior to the Conversion, the Company's ownership interests consisted of two classes of equity units, referred to as Common Units and Common Equivalent Preferred Units ("CEP Units"), which have been retroactively adjusted as shares reflecting the conversion ratios discussed in Note 4.

Westrock Series A Preferred Shares and our RSUs issued under our 2022 Equity Incentive Plan are considered participating securities as they receive non-forfeitable rights to dividends at the same rate as Common Shares. As participating securities, we include these instruments in the computation of earnings per share under the two-class method described in ASC 260 *Earnings per Share* ("ASC 260"). As a result of the Company's net income position for the three months ended September 30, 2023, a portion of our undistributed earnings have been allocated to participating securities in accordance with the provisions of ASC 260. Neither the Series A Preferred Shares nor the RSUs have a contractual obligation to share in losses of the Company. However, undistributed earnings are allocated to the participating securities.

Prior to the Conversion, the dilutive effect of CEP Units was calculated by using the "if-converted" method. This assumed an add-back of dividends on the CEP Units to net income attributable to shareholders as if the securities were converted to common shares at the beginning of the reporting period (or at the time of issuance, if later), and the resulting common shares were included in the number of weighted-average units outstanding.

The dilutive effect of Westrock Series A Preferred Shares is calculated using the if-converted method, which assumes an add-back of any accretion on preferred shares to net income attributable to shareholders as if the securities were converted to common shares at the beginning of the reporting period (or at the time of issuance, if later), and the resulting common shares being included in the number of weighted-average units outstanding.

The dilutive effect of time-based option awards and RSUs is calculated using the treasury stock method, while performance-based awards are treated as contingently issuable.

The following potentially dilutive securities were excluded from the computation of diluted shares for the periods indicated because their inclusion would have an anti-dilutive effect on dilutive earnings (loss) per common share.

(Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Warrants	19,144	19,900	19,151	19,900
Restricted stock	2,142	1,105	1,906	1,105
Options	—	1,623	1,472	1,623
If-converted securities	—	23,588	23,564	23,588

The following table sets forth the computation of basic and diluted earnings per share under the two-class method for the periods indicated.

(Thousands, except per share data)	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Basic Earnings per Common Share				
Numerator:				
Net income (loss) attributable to common shareholders	\$ 12,802	\$ (20,246)	\$ (14,780)	\$ (44,717)
Denominator:				
Weighted-average common shares outstanding - basic	83,437	49,795	78,203	39,819
Basic earnings (loss) per common share	<u>\$ 0.15</u>	<u>\$ (0.41)</u>	<u>\$ (0.19)</u>	<u>\$ (1.12)</u>
Diluted Earnings per Common Share				
Numerator:				
Net income (loss) attributable to common shareholders - basic	\$ 12,802	\$ (20,246)	\$ (14,780)	\$ (44,717)
Effect of participating securities	3,493	—	—	—
Effect of non-participating securities	—	—	—	—
Net income (loss) attributable to common shareholders - diluted	<u>\$ 16,295</u>	<u>\$ (20,246)</u>	<u>\$ (14,780)</u>	<u>\$ (44,717)</u>
Denominator:				
Weighted-average common shares outstanding - basic	83,437	49,795	78,203	39,819
Effect of dilutive participating securities	23,542	—	—	—
Effect of dilutive non-participating securities	101	—	—	—
Weighted-average common shares outstanding - diluted	<u>107,080</u>	<u>49,795</u>	<u>78,203</u>	<u>39,819</u>
Dilutive earnings (loss) per common share	<u>\$ 0.15</u>	<u>\$ (0.41)</u>	<u>\$ (0.19)</u>	<u>\$ (1.12)</u>

Note 19. Segment Information

Our two operating segments, Beverage Solutions and Sustainable Sourcing & Traceability, are evaluated using Adjusted EBITDA, which is a segment performance measure we define as net income determined in accordance with GAAP, before interest expense, net, provision for income taxes, depreciation and amortization, equity-based compensation expense and the impact, which may be recurring in nature, of acquisition, transaction and integrations costs, including management services and consulting agreements entered into in connection with the acquisition of S&D Coffee, Inc., impairment charges, changes in the fair value of warrant liabilities, non-cash mark-to-market adjustments, certain costs specifically excluded from the calculation of EBITDA under our material debt agreements, such as facility start-up costs, and other similar or infrequent items (although we may not have had such charges in the periods presented).

Selected financial data related to our segments is presented below for the periods indicated:

(Thousands)	Three Months Ended September 30, 2023			
	Beverage Solutions	Sustainable Sourcing & Traceability	Intersegment Revenues	Total of Reportable Segments
Net sales	\$ 176,818	\$ 44,098	\$ (1,304)	\$ 219,612
Adjusted EBITDA	9,884	1,711	n/a	11,595
Less:				
Interest expense, net				7,803
Income tax expense (benefit)				(5,212)
Depreciation and amortization				6,364
Acquisition, restructuring and integration expense				3,137
Change in fair value of warrant liabilities				(25,105)
Equity-based compensation				2,439
Conway extract and ready-to-drink facility start-up costs				3,035
Mark-to-market adjustments				1,160
Loss on disposal of property, plant and equipment				248
Other				1,105
Net income (loss)				\$ 16,621
Total assets	801,466	89,605	n/a	891,071

(Thousands)	Three Months Ended September 30, 2022			
	Beverage Solutions	Sustainable Sourcing & Traceability	Intersegment Revenues	Total of Reportable Segments
Net sales	\$ 173,486	\$ 62,809	\$ (5,987)	\$ 230,308
Adjusted EBITDA	15,885	2,028	n/a	17,913
Less:				
Interest expense, net				13,404
Income tax expense (benefit)				(428)
Depreciation and amortization				5,816
Acquisition, restructuring and integration expense				3,959
Change in fair value of warrant liabilities				5,215
Management and consulting fees (S&D Coffee, Inc. acquisition)				834
Equity-based compensation				705
Mark-to-market adjustments				543
Loss on disposal of property, plant and equipment				459
Other				424
Net income (loss)				\$ (13,018)
Total assets	638,160	111,928	n/a	750,088

(Thousands)	Nine Months Ended September 30, 2023			
	Beverage Solutions	Sustainable Sourcing & Traceability	Intersegment Revenues	Total of Reportable Segments
Net sales	\$ 547,746	\$ 105,537	\$ (3,535)	\$ 649,748
Adjusted EBITDA	29,965	1,393	n/a	31,358
Less:				
Interest expense, net				21,216
Income tax expense (benefit)				(3,331)
Depreciation and amortization				18,419
Acquisition, restructuring and integration expense				12,682
Change in fair value of warrant liabilities				(18,833)
Management and consulting fees (S&D Coffee, Inc. acquisition)				556
Equity-based compensation				6,297
Conway extract and ready-to-drink facility start-up costs				6,615
Mark-to-market adjustments				(1,045)
Loss on disposal of property, plant and equipment				1,145
Other				2,153
Net income (loss)				<u>\$ (14,516)</u>
Total assets	801,466	89,605	n/a	891,071

(Thousands)	Nine Months Ended September 30, 2022			
	Beverage Solutions	Sustainable Sourcing & Traceability	Intersegment Revenues	Total of Reportable Segments
Net sales	\$ 492,712	\$ 169,041	\$ (21,604)	\$ 640,149
Adjusted EBITDA	38,776	3,824	n/a	42,600
Less:				
Interest expense, net				30,265
Income tax expense (benefit)				(3,511)
Depreciation and amortization				17,782
Acquisition, restructuring and integration expense				8,746
Change in fair value of warrant liabilities				5,215
Management and consulting fees (S&D Coffee, Inc. acquisition)				3,035
Equity-based compensation				1,184
Mark-to-market adjustments				793
Loss on disposal of property, plant and equipment				748
Other				1,885
Net income (loss)				<u>\$ (23,542)</u>
Total assets	638,160	111,928	n/a	750,088

Note 20. Commitments and Contingencies

We are subject to various claims and legal proceedings with respect to matters such as governmental regulations, and other actions arising out of the normal course of business. Management believes that the resolution of these matters will not have a material adverse effect on our financial position, results of operations, or cash flow.

We have future purchase obligations of \$234.0 million as of September 30, 2023 that consist of commitments for the purchase of inventory over the next 12 months. These obligations represent the minimum contractual obligations expected under the normal course of business.

In addition, at September 30, 2023, we had an obligation to repurchase \$6.0 million of inventory associated with repurchase agreements in which the Company's Sustainable Sourcing & Traceability segment has sold inventory to a third party and from whom the Company's Beverage Solutions segment has an obligation to repurchase. The liability for these obligations is recorded within accrued expenses and other current liabilities on the Company's Condensed Consolidated Balance Sheet.

Note 21. Related Party Transactions

Prior to the Conversion, the Company had subordinated debt issued to Wooster Capital, LLC, which is owned and controlled by our co-founder and Chairman, Joe T. Ford, and the estate of Jo Ellen Ford, who have or had ownership in the Company. During 2022, Brown Brothers Harriman & Co., which is a holder of Westrock Series A Preferred Shares and participant of the August 2023 equity issuance, and prior to the Conversion was a holder of Westrock Series A and Series B Preferred Units, participated in Falcon's working capital trade finance facility. As such, these persons and entities are deemed related parties.

The Consolidated Financial Statements reflect the following transactions with related parties:

(Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Interest expense, net:				
Brown Brothers Harriman	—	—	—	541
Wooster Capital, LLC	—	207	—	503
Jo Ellen Ford	—	33	—	139
Total	<u>\$ —</u>	<u>\$ 240</u>	<u>\$ —</u>	<u>\$ 1,183</u>

In connection with the acquisition of S&D Coffee, Inc. in February 2020, the Company entered into a Management Services Agreement with Westrock Group, LLC ("Westrock Group"), whose controlling manager and controlling member, Greenbrier Holdings, LLC, is owned and controlled by our co-founder and Chief Executive Officer Scott Ford. Under the terms of the agreement, which expired in February 2023, Westrock Group was paid \$10.0 million in return for financial, managerial, operational, and strategic services. The associated expense is recorded within selling, general and administrative expense in our Condensed Consolidated Statements of Operations. The Company recognized no expenses and \$0.6 million of such expenses during the three and nine months ended September 30, 2023, respectively, and \$0.8 million and \$2.5 million of such expenses during the three and nine months ended September 30, 2022, respectively. In addition, the Company reimburses Westrock Group for the usage of a corporate aircraft, and its portion of shared administrative expenses. For the three and nine months ended September 30, 2023, the Company recognized expenses of \$0.5 million and \$1.3 million, respectively, for such items, which are recorded in selling, general and administrative expenses in our Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2022, the Company recognized expenses of \$0.3 million and \$1.0 million, respectively, for such items. At September 30, 2023 and December 31, 2022, we had no amounts payable to Westrock Group.

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

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations describes the principal factors affecting the results of operations, financial condition, and changes in financial condition for the three nine months ended September 30, 2023. This discussion should be read in conjunction with the accompanying Condensed Consolidated Financial Statements, and the notes thereto set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q and our December 31, 2022 Audited Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (“SEC”) on March 21, 2023.

Overview

Westrock Coffee Company, a Delaware corporation (the “Company,” “Westrock,” “we,” “us,” or “our”), is a leading integrated coffee, tea, flavors, extracts, and ingredients solutions provider in the United States, providing coffee sourcing, supply chain management, product development, roasting, packaging, and distribution services to the retail, food service and restaurant, convenience store and travel center, non-commercial account, CPG, and hospitality industries around the world.

Our platform is built upon four fundamental pillars that enable us to positively impact the coffee, tea, flavors, extracts, and ingredients ecosystems from crop to cup: (i) we operate a fully transparent supply chain, (ii) we develop innovative beverage solutions tailored to our customers’ specific needs, (iii) we deliver a high quality and comprehensive set of products to our customers, and (iv) we leverage our scaled international presence to serve our blue-chip customer base. These four tenets comprise the backbone of our platform and position us as a leading provider of value-added beverage solutions. By partnering with Westrock, our customers also benefit from the benchmark-setting responsible sourcing policies and strong Environmental, Social, and Governance focus surrounding our products, top tier consumer insights, and a differentiated product ideation process. Leading brands choose us because we are singularly positioned to meet their needs, while simultaneously driving a new standard for sustainably and responsibly sourced products.

We operate our business in two segments: Beverage Solutions and Sustainable Sourcing & Traceability (“SS&T”).

Beverage Solutions: Through this segment, we combine our product innovation and customer insights to provide value-added beverage solutions, including coffee, tea, flavors, extracts, and ingredients. We provide products in a variety of packaging, including branded and private label coffee in bags, fractional packs, and single serve cups, as well as extract solutions to be used in products such as cold brew and ready-to-drink offerings. Currently, we serve customers in the United States, Europe, and Asia through the retail, food service and restaurant, convenience store and travel center, non-commercial account, CPG and hospitality industries.

Sustainable Sourcing & Traceability: Through this segment, we utilize our proprietary technology and digitally traceable supply chain to directly impact and improve the lives of our farming partners, tangible economic empowerment and an emphasis on environmental accountability and farmer literacy. Revenues primarily relate to the physical delivery and settlement of forward sales contracts for green coffee.

Key Business Metrics

We use Adjusted EBITDA to evaluate our performance, identify trends, formulate financial projections, and to make strategic decisions.

Adjusted EBITDA

We refer to EBITDA and Adjusted EBITDA in our analysis of our results of operations, which are not required by, or presented in accordance with, accounting principles generally accepted in the United States (“GAAP”). While we believe that net (loss) income, as defined by GAAP, is the most appropriate earnings measure, we also believe that EBITDA and Adjusted EBITDA are important non-GAAP supplemental measures of operating performance as they contribute to a meaningful evaluation of the Company’s future operating performance and comparisons to the Company’s past operating performance. Additionally, we use these non-GAAP financial measures in evaluating the

performance of our segments, to make operational and financial decisions and in our budgeting and planning process. The Company believes that providing these non-GAAP financial measures to investors helps investors evaluate the Company's operating performance, profitability and business trends in a way that is consistent with how management evaluates such performance.

We define "EBITDA" as net (loss) income, as defined by GAAP, before interest expense, net, provision for income taxes and depreciation and amortization. We define "Adjusted EBITDA" as EBITDA before equity-based compensation expense and the impact, which may be recurring in nature, of acquisition, restructuring and integration related costs, including management services and consulting agreements entered into in connection with the acquisition of S&D Coffee, Inc., impairment charges, changes in the fair value of warrant liabilities, non-cash mark-to-market adjustments, certain costs specifically excluded from the calculation of EBITDA under our material debt agreements, such as facility start-up costs, the write off of unamortized deferred financing costs, costs incurred as a result of the early repayment of debt, gains or losses on dispositions, and other similar or infrequent items (although we may not have had such charges in the periods presented). We believe EBITDA and Adjusted EBITDA are important supplemental measures to net (loss) income because they provide additional information to evaluate our operating performance on an unleveraged basis. In addition, Adjusted EBITDA is calculated similar to defined terms in our material debt agreements used to determine compliance with specific financial covenants.

Since EBITDA and Adjusted EBITDA are not measures calculated in accordance with GAAP, they should be viewed in addition to, and not be considered as alternatives for, net (loss) income determined in accordance with GAAP. Further, our computations of EBITDA and Adjusted EBITDA may not be comparable to that reported by other companies that define EBITDA and Adjusted EBITDA differently than we do.

The reconciliation of our net loss to EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2023 and 2022 is as follows:

(Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 16,621	\$ (13,018)	\$ (14,516)	\$ (23,542)
Interest expense, net	7,803	13,404	21,216	30,265
Income tax expense (benefit)	(5,212)	(428)	(3,331)	(3,511)
Depreciation and amortization	6,364	5,816	18,419	17,782
EBITDA	25,576	5,774	21,788	20,994
Acquisition, restructuring and integration expense	3,137	3,959	12,682	8,746
Change in fair value of warrant liabilities	(25,105)	5,215	(18,833)	5,215
Management and consulting fees (S&D Coffee, Inc. acquisition)	—	834	556	3,035
Equity-based compensation	2,439	705	6,297	1,184
Conway extract and ready-to-drink facility start-up costs	3,035	—	6,615	—
Mark-to-market adjustments	1,160	543	(1,045)	793
Loss on disposal of property, plant and equipment	248	459	1,145	748
Other	1,105	424	2,153	1,885
Adjusted EBITDA	\$ 11,595	\$ 17,913	\$ 31,358	\$ 42,600
Beverage Solutions	9,884	15,885	29,965	38,776
Sustainable Sourcing & Traceability	1,711	2,028	1,393	3,824
Total of Reportable Segments	\$ 11,595	\$ 17,913	\$ 31,358	\$ 42,600

Significant Developments

On June 29, 2023, the Company entered into a subscription agreement (the “Subscription Agreement”) with HF Direct Investments Pool, LLC (the “HF Investor”), an affiliate of HF Capital, LLC, pursuant to which the Company agreed to sell and issue to the HF Investor and the HF Investor agreed to purchase from the Company 5,000,000 shares (the “HF Subscription Amount”) of common stock, par value \$0.01 per share (the “Common Shares”), of the Company at a purchase price per share of \$10.00 for aggregate gross proceeds to the Company of \$50.0 million (such transaction, the “HF Investment”).

The Subscription Agreement also provides that following the Closing, the HF Investor shall have the right to designate one (1) director to the board of directors of the Company (the “Board”), subject to the terms and conditions of the Amended and Restated Investor Rights Agreement (as defined below). As of the date of this Quarterly Report on Form 10-Q, the HF Investor has not exercised the right to designate a director to the Board.

Additionally, on June 29, 2023 and July 18, 2023, the Company entered into definitive agreements with an affiliate of the Herbert Hunt family (the “Hunt Investor”) and the Arkansas Teacher Retirement System (the “ARTRS” and together with the Hunt Investor, the “Investors”), respectively, pursuant to which the Company agreed to sell and issue to the Investors and the Investors agreed to purchase from the Company a total of 5,000,000 Common Shares of the Company at a purchase price per share of \$10.00 for aggregate gross proceeds to the Company of \$50.0 million (such transactions the “PIPE Investments”).

On August 3, 2023, the Company closed the HF Investment and PIPE Investments, issuing 10.0 million Common Shares, receiving aggregate gross proceeds of \$100.0 million.

In connection with the HF Investment, the HF Investor and the current parties to that certain Investor Rights Agreement, dated April 4, 2022 (the “Investor Rights Agreement”), by and among the Company, affiliates of Brown Brothers Harriman & Co. (the “BBH Investors”), and the other parties thereto entered into an amendment and restatement of the Investor Rights Agreement (the “Amended and Restated Investor Rights Agreement”), which became effective upon closing of the HF Investment. Among other things, the Amended and Restated Investor Rights Agreement amended the Investor Rights Agreement to provide the HF Investor with the right to designate one (1) director to Class II of the Board, subject to the HF Investor (together with certain affiliates) owning at least 5% of the capital stock of the Company and the other terms and conditions set forth therein.

The HF Investment and PIPE Investments were subject to the potential exercise of preemptive rights (the “BBH Preemptive Rights”) of the BBH Investors to subscribe up to their pro-rata ownership of the capital stock of the Company, under the terms of that certain Investor Rights Agreement. On July 24, 2023, the BBH Investors exercised the BBH Preemptive Rights to purchase approximately 1.9 million Common Shares at a purchase price per share of \$10.00, under the terms of the Investor Rights Agreement. On August 7, 2023, the Company sold and issued the Common Shares to the BBH Investors, receiving aggregate gross proceeds of approximately \$18.8 million.

The issuance of Common Shares pursuant to the HF Investment, PIPE Investments and BBH Preemptive Rights, is intended to be exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”), by virtue of the exemption provided by Rule 506(b) of Regulation D promulgated under the Securities Act.

Results of Operations

Comparison of the Three Months Ended September 30, 2023 and 2022

The following table sets forth our results of operations expressed as dollars and as a percentage of total revenues for the periods indicated:

(Thousands)	Three Months Ended September 30, 2023	% of Revenues	Three Months Ended September 30, 2022	% of Revenues
Net sales	\$ 219,612	100.0 %	\$ 230,308	100.0 %
Costs of sales	184,546	84.0 %	189,169	82.1 %
Gross profit	35,066	16.0 %	41,139	17.9 %
Selling, general and administrative expense	37,050	16.9 %	31,223	13.6 %
Acquisition, restructuring and integration expense	3,137	1.4 %	3,959	1.7 %
Loss on disposal of property, plant and equipment	248	0.1 %	459	0.2 %
Total operating expenses	40,435	18.4 %	35,641	15.5 %
Income (loss) from operations	(5,369)	(2.4)%	5,498	2.4 %
Other (income) expense				
Interest expense, net	7,803	3.6 %	13,404	5.8 %
Change in fair value of warrant liabilities	(25,105)	(11.4)%	5,215	2.3 %
Other, net	510	0.2 %	325	0.1 %
Income (loss) before income taxes and equity in earnings from unconsolidated entities	11,423	5.2 %	(13,446)	(5.8)%
Income tax expense (benefit)	(5,212)	(2.4)%	(428)	(0.2)%
Equity in (earnings) loss from unconsolidated entities	14	0.0 %	—	0.0 %
Net income (loss)	\$ 16,621	7.6 %	\$ (13,018)	(5.7)%
Net income (loss) attributable to non-controlling interest	—	0.0 %	(22)	(0.0)%
Net income (loss) attributable to shareholders	16,621	7.6 %	(12,996)	(5.6)%
Participating securities' share in earnings	(3,912)	(1.8)%	—	0.0 %
Accretion of Series A Convertible Preferred Shares	93	0.0 %	—	0.0 %
Loss on extinguishment of Redeemable Common Equivalent Preferred Units, net	—	0.0 %	(2,870)	(1.2)%
Common equivalent preferred dividends	—	0.0 %	(4,380)	(1.9)%
Accumulating preferred dividends	—	0.0 %	—	0.0 %
Net income (loss) attributable to common shareholders	\$ 12,802	5.8 %	\$ (20,246)	(8.8)%

The following table sets forth selected financial information of our reportable segments for the three months ended September 30, 2023 and 2022:

(Thousands)	Beverage Solutions	Sustainable Sourcing & Traceability	Intersegment Revenues ⁽¹⁾	Total of Reportable Segments
Segment Revenues:				
2023	\$ 176,818	\$ 44,098	\$ (1,304)	\$ 219,612
2022	173,486	62,809	(5,987)	230,308
Segment Costs of Sales:				
2023	144,920	39,626	n/a	184,546
2022	136,366	52,803	n/a	189,169
Segment Gross Profit:				
2023	31,898	3,168	n/a	35,066
2022	37,120	4,019	n/a	41,139
Segment Adjusted EBITDA:				
2023	9,884	1,711	n/a	11,595
2022	15,885	2,028	n/a	17,913
Segment Adjusted EBITDA Margin:				
2023	5.6 %	4.0 %	n/a	5.3 %
2022	9.2 %	3.6 %	n/a	7.8 %

(1) Intersegment revenues represent sales of green coffee from our SS&T segment to our Beverage Solutions segment.

Net Sales

Net Sales from our Beverage Solutions segment were \$176.8 million for the three months ended September 30, 2023, compared to \$173.5 million for the three months ended September 30, 2022, an increase of approximately 1.9%. The increase was primarily due to an \$18.2 million increase in the sale of flavors, extracts and ingredients products, which was primarily driven by the acquisition of Kohana Coffee, LLC (“Kohana”) and a 43.6% increase in non-Kohana manufactured extracts volumes, partially offset by a \$14.9 million decrease in the sale of coffee and tea products, which was driven by a 10.8% decrease in roast and ground coffee volumes and a 12.9% decrease in single serve cup volumes compared to the three months ended September 30, 2022.

Net Sales from our SS&T segment, net of intersegment revenues, totaled \$42.8 million for the three months ended September 30, 2023, decreasing 24.7% compared to \$56.8 million for the three months ended September 30, 2022. The decrease is driven by a decrease in sales volume, as a result of a decrease in customer demand, which decreased 19.0% for the three months ended September 30, 2023 compared to the three months ended September 30, 2022.

Costs of Sales

In our Beverage Solutions segment, costs of sales increased to \$144.9 million for the three months ended September 30, 2023, from \$136.4 million for the three months ended September 30, 2022. The increase in costs of sales was primarily driven by an increase in costs related to the acquisition of Kohana for the three months ended September 30, 2023 compared to the three months ended September 30, 2022.

In our SS&T segment, costs of sales decreased \$13.2 million to \$39.6 million for the three months ended September 30, 2023 compared to the three months ended September 30, 2022. This decrease is primarily due to a decrease in green coffee sales volume. Costs of sales in our SS&T segment for the three months ended September 30, 2023 included \$1.2 million of net unrealized losses on forward sales and purchase contracts and mark-to-market adjustments on green coffee inventory compared to \$0.5 million of net unrealized losses for the three months ended September 30, 2022.

Selling, General and Administrative Expense

(Thousands)	Three Months Ended September 30,			
	2023		2022	
	Amount	% of Segment Revenues	Amount	% of Segment Revenues
Beverage Solutions	\$ 34,577	19.6 %	\$ 28,823	16.6 %
Sustainable Sourcing & Traceability	2,473	5.8 %	2,400	4.2 %
Total selling, general and administrative expense	\$ 37,050	16.9 %	\$ 31,223	13.6 %

Total selling, general and administrative expenses in our Beverage Solutions segment increased \$5.8 million to \$34.6 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The increase is primarily due to a \$3.0 million increase in expenses associated with the start-up of our extract and ready-to-drink facility in Conway, Arkansas compared to no such expenses during the three months ended September 30, 2022. Additionally, during the three months ended September 30, 2023, the Company incurred approximately \$2.4 million in expenses related to equity-based compensation compared to \$0.7 million of such expenses during the three months ended September 30, 2022. In our SS&T segment, selling, general and administrative costs were relatively unchanged compared to the three months ended September 30, 2022.

Acquisition, Restructuring and Integration Expense

Acquisition, restructuring and integration expenses for the three months ended September 30, 2023 were \$3.1 million, approximately \$1.2 million of which related to the costs associated with the integration of our new enterprise resource planning system, including internal and external costs related to post go-live system support and duplicative systems costs and \$1.0 million of which primarily related to non-capitalizable costs associated with registration statements. During the three months ended September 30, 2022, we incurred \$4.0 million of acquisition, restructuring and integration expenses, of which approximately \$1.3 million related to the integration of our new enterprise resource planning system, \$1.2 million related to public-company preparedness costs and \$0.9 million related to startup costs for our Conway, Arkansas manufacturing facility.

Interest Expense, net

(Thousands)	Three Months Ended September 30,	
	2023	2022
Interest expense, net		
Cash:		
Term loan facility	\$ 4,276	\$ 1,020
Prior term loan facility	—	3,215
Prior term loan facility early termination fee	—	1,580
Revolving credit facility	684	—
Supply chain finance program	969	—
Prior ABL facility	—	966
Subordinated related party debt	—	241
International trade finance lines	1,195	1,065
International notes payable	33	260
Other	1,110	455
Total cash interest	8,267	8,802
Non-cash:		
Amortization of deferred financing costs	571	304
Write-off of deferred financing costs	—	4,296
Payments-in-kind interest	—	2
Capitalized interest	(1,035)	—
Total non-cash interest	(464)	4,602
Total interest expense, net	\$ 7,803	\$ 13,404

Interest expense, net for the three months ended September 30, 2023 was \$7.8 million compared to \$13.4 million for the three months ended September 30, 2022. The decrease is primarily due to the \$4.3 million of unamortized deferred financing fees associated with the termination of our prior term loan facility and our prior ABL facility, and \$1.6 million of early termination payments associated with the prior term loan facility that were incurred during the three months ended September 30, 2022. No such costs were incurred in the three months ended September 30, 2023. These decreases were partially offset by interest on the outstanding revolving credit facility and supply chain finance program borrowings. Furthermore, during the three months ended September 30, 2023, the Company capitalized approximately \$1.0 million of interest costs associated with the build-out of our extract and ready-to-drink facility in Conway, Arkansas, while no such interest was capitalized during the three months ended September 30, 2022.

Change in Fair Value of Warrant Liabilities

Warrant liabilities are adjusted to fair value at each reporting period, with any change in fair value recognized in the Condensed Consolidated Statement of Operations. The change in fair value of warrant liabilities for the three months ended September 30, 2023 resulted in recognition of \$25.1 million of gains compared to recognition of \$5.2 million of losses during the three months ended September 30, 2022.

Income Tax Expense (Benefit)

Income tax benefit for the three months ended September 30, 2023 was \$5.2 million, resulting in an effective tax rate of (45.7%). The effective tax rate for the current period differs from the federal statutory rate primarily due to an increase in the valuation allowance against domestic deferred tax assets and permanent differences, including nontaxable income related to a change in the fair value of warrants. Income tax benefit for the three months ended September 30, 2022 was \$0.4 million, resulting in an effective tax rate of 3.2%.

Comparison of the Nine Months Ended September 30, 2023 and 2022

The following table sets forth our results of operations expressed as dollars and as a percentage of total revenues for the periods indicated:

(Thousands)	Nine Months Ended September 30, 2023	% of Revenues	Nine Months Ended September 30, 2022	% of Revenues
Net Sales	\$ 649,748	100.0 %	\$ 640,149	100.0 %
Costs of sales	544,707	83.8 %	521,681	81.5 %
Gross profit	105,041	16.2 %	118,468	18.5 %
Selling, general and administrative expense	105,275	16.2 %	101,332	15.8 %
Acquisition, restructuring and integration expense	12,682	2.0 %	8,746	1.4 %
Loss on disposal of property, plant and equipment	1,145	0.2 %	748	0.1 %
Total operating expenses	119,102	18.3 %	110,826	17.3 %
Income (loss) from operations	(14,061)	(2.2)%	7,642	1.2 %
Other (income) expense				
Interest expense, net	21,216	3.3 %	30,265	4.7 %
Change in fair value of warrant liabilities	(18,833)	(2.9)%	5,215	0.8 %
Other, net	1,323	0.2 %	(785)	(0.1)%
Income (loss) before income taxes and equity in earnings from unconsolidated entities	(17,767)	(2.7)%	(27,053)	(4.2)%
Income tax expense (benefit)	(3,331)	(0.5)%	(3,511)	(0.5)%
Equity in (earnings) loss from unconsolidated entities	80	0.0 %	—	0.0 %
Net income (loss)	\$ (14,516)	(2.2)%	\$ (23,542)	(3.7)%
Net income (loss) attributable to non-controlling interest	15	0.0 %	43	0.0 %
Net income (loss) attributable to shareholders	(14,531)	(2.2)%	(23,585)	(3.7)%
Accretion of Series A Convertible Preferred Shares	(249)	(0.0)%	—	0.0 %
Loss on extinguishment of Redeemable Common Equivalent Preferred Units, net	—	0.0 %	(2,870)	(0.4)%
Common equivalent preferred dividends	—	0.0 %	(4,380)	(0.7)%
Accumulating preferred dividends	—	0.0 %	(13,882)	(2.2)%
Net income (loss) attributable to common shareholders	\$ (14,780)	(2.3)%	\$ (44,717)	(7.0)%

The following table sets forth selected financial information of our reportable segments for the nine months ended September 30, 2023 and 2022:

(Thousands)	Beverage Solutions	Sustainable Sourcing & Traceability	Intersegment Revenues ⁽¹⁾	Total of Reportable Segments
Segment Revenues:				
2023	\$ 547,746	\$ 105,537	\$ (3,535)	\$ 649,748
2022	492,712	169,041	(21,604)	640,149
Segment Costs of Sales:				
2023	452,878	91,829	n/a	544,707
2022	384,317	137,364	n/a	521,681
Segment Gross Profit:				
2023	94,868	10,173	n/a	105,041
2022	108,395	10,073	n/a	118,468
Segment Adjusted EBITDA:				
2023	29,965	1,393	n/a	31,358
2022	38,776	3,824	n/a	42,600
Segment Adjusted EBITDA Margin:				
2023	5.5 %	1.4 %	n/a	4.8 %
2022	7.9 %	2.6 %	n/a	6.7 %

(1) Intersegment revenues represent sales of green coffee from our SS&T segment to our Beverage Solutions segment.

Net Sales

Net Sales from our Beverage Solutions segment were \$547.7 million for the nine months ended September 30, 2023, compared to \$492.7 million for the nine months ended September 30, 2022, an increase of approximately 11.2%. The increase was primarily due to a \$40.6 million increase in the sale of flavors, extracts and ingredients products, which was primarily driven by the acquisition of Kohana and a 16.6% increase in non-Kohana manufactured extracts volumes, a \$16.3 million increase in the sale of coffee and tea products, driven by an 8.3% increase in single serve cup volumes, and increased pricing from the pass through of higher underlying green coffee prices during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022.

Net Sales from our SS&T segment, net of intersegment revenues, totaled \$102.0 million during the nine months ended September 30, 2023, decreasing 30.8% compared to \$147.4 million during the nine months ended September 30, 2022. The decrease is driven by a 32% decrease in sales volume, as a result of a decrease in customer demand, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022.

Costs of Sales

In our Beverage Solutions segment, costs of sales increased \$68.6 million to \$452.9 million for the nine months ended September 30, 2023, compared to \$384.3 million for the nine months ended September 30, 2022. The increase in costs of sales was primarily driven by an increase in costs related to the acquisition of Kohana, increases in materials costs, and an increase in flavors, extracts and ingredients volume for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022.

In our SS&T segment, costs of sales decreased \$45.5 million to \$91.8 million for the nine months ended September 30, 2023 compared to \$137.4 million for the nine months ended September 30, 2022. This decrease is primarily due to a decrease in green coffee sales volume. Costs of sales in our SS&T segment for the nine months ended September 30, 2023 included \$1.0 million of net unrealized gains on forward sales and purchase contracts and mark-to-market adjustments on green coffee inventory compared to \$0.8 million of net unrealized losses for the nine months ended September 30, 2022.

Selling, General and Administrative Expense

(Thousands)	Nine Months Ended September 30,			
	2023		2022	
	Amount	% of Segment Revenues	Amount	% of Segment Revenues
Beverage Solutions	\$ 97,798	17.9 %	\$ 93,754	19.0 %
Sustainable Sourcing & Traceability	7,477	7.3 %	7,578	5.1 %
Total selling, general and administrative expense	\$ 105,275	16.2 %	\$ 101,332	15.8 %

Total selling, general and administrative expenses in our Beverage Solutions segment increased \$4.0 million to \$97.8 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The increase is primarily due to a \$6.6 million increase in expenses associated with the start-up of our extract and ready-to-drink facility in Conway, Arkansas and a \$5.1 million increase in equity-based compensation costs, partially offset by a \$3.1 million decrease in freight costs, a \$2.5 million decrease in management and consulting fees associated with the S&D Coffee, Inc. acquisition and a \$1.5 million decrease in personnel-related expenses. In our SS&T segment, selling, general and administrative costs decreased \$0.1 million, primarily due to a \$0.2 million decrease in professional fees.

Acquisition, Restructuring and Integration Expense

Acquisition, restructuring and integration expenses for the nine months ended September 30, 2023 were \$12.7 million, approximately \$9.7 million of which related to the costs associated with the integration of our new enterprise resource planning system, including internal and external costs related to post go-live system support and duplicative systems costs and \$2.0 million of non-capitalizable costs associated with acquisitions and registration statements. During the nine months ended September 30, 2022, we incurred \$8.7 million of acquisition, restructuring and integration expenses, of which approximately \$3.7 million related to public-company preparedness costs, \$2.9 million related to the integration of our new enterprise resource planning system and \$1.6 million related to equity-funded startup costs.

Interest Expense, net

(Thousands)	Nine Months Ended September 30,	
	2023	2022
Interest expense, net		
Cash:		
Term loan facility	\$ 10,180	\$ 1,020
Prior term loan facility	—	14,735
Prior term loan facility early termination fee	—	1,580
Revolving credit facility	2,841	—
Supply chain finance program	1,189	—
Prior ABL facility	—	2,414
Short-term related party debt	—	428
Subordinated related party debt	—	642
International trade finance lines	3,391	2,253
International notes payable	87	468
Other	3,003	784
Total cash interest	20,691	24,324
Non-cash:		
Amortization of deferred financing costs	1,560	1,350
Write-off of deferred financing costs	—	4,296
Payments-in-kind interest	—	295
Capitalized interest	(1,035)	—
Total non-cash interest	525	5,941
Total interest expense, net	\$ 21,216	\$ 30,265

Interest expense, net for the nine months ended September 30, 2023 was \$21.2 million compared to \$30.3 million for the nine months ended September 30, 2022. The decrease is primarily due to lower cash interest of \$3.6 million on our outstanding borrowings, as well as the \$4.3 million of unamortized deferred financing fees associated with the termination of the prior term loan facility and prior ABL facility, and \$1.6 million of early termination payments associated with the prior term loan facility that were incurred during the three months ended September 30, 2022. No such costs were incurred in the three months ended September 30, 2023. The decrease in cash interest is due to a decrease in the amount of outstanding term loans under the Term Loan Facility (as defined below) compared to the prior term loan facility that was in place during the prior year. This decrease was partially offset by interest on the outstanding revolving credit facility and supply chain finance program borrowings for the nine months ended September 30, 2023 compared to no such interest during the nine months ended September 30, 2022. Furthermore, during the nine months ended September 30, 2023, the Company capitalized approximately \$1.0 million of interest costs associated with the build-out of our extract and ready-to-drink facility in Conway, Arkansas, while no such interest was capitalized during the nine months ended September 30, 2022.

Change in Fair Value of Warrant Liabilities

The change in fair value of warrant liabilities for the nine months ended September 30, 2023 resulted in recognition of \$18.8 million of gains compared to recognition of \$5.2 million of losses during the nine months ended September 30, 2022.

Income Tax Expense (Benefit)

Income tax benefit for the nine months ended September 30, 2023 was \$3.3 million, resulting in an effective tax rate of (18.7%). The effective tax rate for the current period differs from the federal statutory rate primarily due to an increase in the valuation allowance against domestic deferred tax assets and permanent differences, including nontaxable income related to a change in the fair value of warrants. Income tax benefit for the nine months ended September 30, 2022 was \$3.5 million, resulting in an effective tax rate of 13.0%.

Critical Accounting Estimates

We make certain judgements and use certain estimates and assumptions when applying accounting principles in the preparation of our financial statements. The nature of those estimates and assumptions are material due to the levels of subjectivity and judgment necessary to account for highly uncertain factors or the susceptibility of such factors to change.

We believe the current assumptions and other considerations used to estimate amounts reflected in our financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our financial statements, the resulting changes could have a material adverse effect on our results of operations and, in certain situations, could have a material adverse effect on our financial condition.

For further information on our critical accounting estimates, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the notes to our audited financial statements included in our Annual Report on Form 10-K filed with the SEC on March 21, 2023. As of September 30, 2023, there have been no material changes to these estimates.

Liquidity and Capital Resources

Our principal liquidity needs are to fund operating expenses, meet debt service obligations, and fund investment activities, which include capital expenditures. Our primary sources of liquidity and capital resources are cash on hand, cash provided by operating activities, and available borrowings under our Revolving Credit Facility.

Our ability to generate cash provided by operating activities is dependent on several factors, including our ability to generate net sales and manage costs in-line with our expectations. Failure to meet our financial targets may restrict our liquidity and capital resources and our ability to maintain compliance with our financial covenants and may require us to

modify, delay, or abandon some of our planned future expansion or development, or to otherwise enact operating cost reductions, which could have a material adverse effect on our business, operating results, financial condition, covenant compliance and ability to achieve our intended business objectives. Where possible, we seek to recover inflation-impacted costs by passing these costs onto our customers through periodic pricing increases. However, our pricing increases often lag our cost increases, including increases in commodity costs. The persistence of these negative effects on our business could adversely impact our ability to reach our revenue and other financial targets.

Credit Agreement

On August 29, 2022, we entered into a credit agreement (the “Credit Agreement”) among the Company, Westrock Beverage Solutions, LLC, as the borrower (the “Borrower”), Wells Fargo Bank, N.A., as administrative agent, collateral agent, and swingline lender, Wells Fargo Securities, LLC, as sustainability structuring agent, and each issuing bank and lender party thereto. The Credit Agreement includes (a) a senior secured first lien revolving credit facility in an initial aggregate principal amount of \$175.0 million (the “Revolving Credit Facility”) and (b) a senior secured first lien term loan facility in an initial aggregate principal amount of \$175.0 million (the “Term Loan Facility”). Proceeds from the Term Loan Facility were used for paying off existing indebtedness. The Revolving Credit Facility and the Term Loan Facility will mature on August 29, 2027. All obligations under the Credit Agreement are guaranteed by the Company and each of the Borrower’s domestic subsidiaries, which comprise our Beverage Solutions segment, and are secured by substantially all of the Company’s assets.

Borrowings under the Revolving Credit Facility and the Term Loan Facility will bear interest, at the Borrower’s option, initially at an annual rate equal to (i) Term SOFR plus a credit spread adjustment of 0.10% for loans with an interest period of one month, 0.15% for loans with an interest period of three months and 0.25% for loans with an interest period of six months, as applicable, (the “Adjusted Term SOFR”) or (ii) the base rate (determined by reference to the greatest of (i) the rate of interest last quoted by The Wall Street Journal in the U.S. as the prime rate in effect, (ii) the NYFRB Rate from time to time plus 0.50% and (iii) the Adjusted Term SOFR for a one month interest period plus 1.00%, (the “Base Rate”)), in each case plus the applicable margin. The Credit Agreement contains two financial covenants requiring the maintenance of a total net leverage ratio and an interest coverage ratio (the “Financial Covenants”). Commitment fees on the daily unused amount of commitments under the Revolving Credit Facility range from 0.20% to 0.35% depending on the total net leverage ratio. At September 30, 2023, we had \$45.0 million of outstanding borrowings under the Revolving Credit Facility, with a weighted average interest rate of 9.0%, and the interest rate applicable to our Term Loan Facility was 9.2%, and we had \$2.6 million of standby letters of credit outstanding.

On February 14, 2023, we entered into an Incremental Assumption Agreement and Amendment No. 1 to the Credit Agreement, which established a new class of incremental term loan commitments in the form of a senior secured delayed draw term loan credit facility (the “Delayed Draw Term Loan Facility”) in the aggregate principal amount of \$50.0 million, proceeds of which may be used to fund capital expenditures related to our extract and ready-to-drink facility in Conway, Arkansas, or for general corporate purposes.

The interest rates under the Delayed Draw Term Loan Facility are the same as the interest rates with respect to the initial term loans under the existing Term Loan Facility, and the commitment fees applying to the unused portion of the Delayed Draw Term Loan Facility are the same as the commitment fees with respect to the Revolving Credit Facility. Any delayed draw term loan funded under the Delayed Draw Term Loan Facility will mature on August 29, 2027. As of the date of this Quarterly Report on Form 10-Q, no borrowings have been made under the Delayed Draw Term Loan Facility.

On June 30, 2023, we entered into Amendment No. 2 (the “Second Amendment”) to the Credit Agreement. The Second Amendment established a covenant relief period (the “Covenant Relief Period”) commencing on June 30, 2023, and ending on the earlier to occur of (i) April 1, 2025 and (ii) the date following December 31, 2023, on which the Borrower delivers to the administrative agent a certificate of a responsible officer (a) electing to terminate the Covenant Relief Period, (b) demonstrating a total net leverage ratio less than 3.75x and (c) attaching projections demonstrating compliance with the total net leverage ratio financial covenant (as in effect prior to giving effect to the Covenant Relief Period) until the then-existing latest maturity date.

During the Covenant Relief Period, (i) the total net leverage ratio financial covenant will be (a) 5.00x for the test period ending June 30, 2023, (b) 5.25x for the test period ending September 30, 2023, (c) 5.50x for the test periods ending on or after December 31, 2023 to and including September 30, 2024, (d) 5.00x for the test period ending December 31, 2024 and (e) 4.50x for the test period ending March 31, 2025 and (ii) the applicable margin for any term SOFR rate loan will range from 2.50% to 3.75% and for any ABR loan will range from 1.50% to 2.75%, in each case depending on the total net leverage ratio. After the Covenant Relief Period, the total net leverage ratio financial covenant and the applicable margin for term SOFR rate loans and ABR loans will revert to the pre-amendment terms of the Credit Agreement. During and after the Covenant Relief Period, the minimum interest coverage ratio financial covenant will be 2.00x. As of September 30, 2023, we were in compliance with the Financial Covenants.

The Term Loan Facility requires quarterly principal payments during the first three years of approximately \$2.2 million (1.25% of the original principal balance). Quarterly payments increase to approximately \$3.3 million and \$4.4 million (1.875% and 2.5% of the original principal balance) during the fourth and fifth years, respectively.

International Debt and Lending Facilities

On March 21, 2023, we entered into a \$70 million working capital trade finance facility with multiple financial institutions through our subsidiary, Falcon Coffees Limited (“Falcon”). The facility replaced Falcon’s then existing working capital trade finance facility. The facility is uncommitted and repayable on demand, with certain of Falcon’s assets pledged as collateral against the facility. The facility will mature one year from inception. Borrowings under the facility will bear interest at the borrower’s option at a rate equal to (a) Term SOFR plus a margin of 4.00% plus a liquidity premium set by the lender at the time of borrowing or (b) the Base Rate (determined by reference to the greatest of (i) the Prime Rate at such time, (ii) one-half of 1.00% in excess of the Federal Funds Effective Rate at such time, and (iii) Term SOFR for a one-month tenor in effect at such time plus 1.00%). At September 30, 2023, there was \$42.5 million of outstanding borrowings under the facility, which is recorded in short-term debt in the Condensed Consolidated Balance Sheets. Falcon’s facility contains certain restrictive financial covenants which require Falcon to maintain certain levels of working capital, debt, and net worth. Falcon was in compliance with these financial covenants as of September 30, 2023.

On September 28, 2023, we entered into a \$5.0 million unsecured working capital trade finance facility with responsAbility Climate Smart Agriculture & Food Systems Fund through our subsidiary, Falcon. The facility will mature on December 31, 2026, and requires stepped repayments of \$0.5 million on December 31, 2024, \$1.0 million on December 31, 2025 and \$3.5 million on December 31, 2026. Borrowings under the facility will bear interest at the borrower’s option at a rate equal to (a) (i) the most recent applicable Term SOFR for the longest period (for which Term SOFR is available) which is less than the applicable interest period of the loan or (ii) If no such Term SOFR is available for a period which is less than the applicable interest period, SOFR for the day which is two U.S. Government Securities Business Days before the Quotation day; or (b) the most recent applicable Term SOFR (as of Quotation Day) for the shortest period (for which Term SOFR is available) which exceeds the applicable interest period of that loan, in each case plus the applicable margin. At September 30, 2023, there was \$5.0 million of outstanding borrowings under the facility, which is recorded in long-term debt, net on the Condensed Consolidated Balance Sheets. Falcon’s facility contains certain restrictive financial covenants which require Falcon to maintain certain levels of working capital, debt, and tangible net worth. Falcon was in compliance with these financial covenants as of September 30, 2023.

Westrock Coffee International, LLC, through its subsidiary Rwanda Trading Company, maintains two mortgage and inventory-backed lending facilities with a local bank in Rwanda: (a) a short-term trade finance facility with a balance of \$8.5 million at September 30, 2023 and (b) a long-term note payable with a balance of \$1.4 million at September 30, 2023. Additionally, Rwanda Trading Company maintains three short-term futures contract-backed lending facilities from international institutions with outstanding balances of \$0.8 million, \$0.7 million and \$0.6 million at September 30, 2023.

Current and Long-Term Liquidity

Our liquidity needs are to fund operating expenses, meet debt service obligations, and fund both current and long-term investment activities, which include capital expenditures. We expect to use proceeds from the equity issuance in August

2023, cash from operations and borrowings available under the Credit Agreement, as amended, to fund our near-term growth strategies, which include, (i) extending and enhancing product offerings through innovation, (ii) expanding our customer base, (iii) expanding geographically, (iv) funding accretive acquisitions, and (v) continuing to drive margin expansion.

A key component of our long-term growth strategy will be to complete the build-out of our extract and ready-to-drink manufacturing facility in Conway, Arkansas, which will utilize state-of-the-art equipment specifically designed to efficiently manufacture and package a wide range of beverages, such as canned or bottled cold brew coffees, lattes, assorted teas, and juice-based products.

We believe proceeds from the HF Investment, PIPE Investments and BBH Preemptive Rights, cash from operations and available borrowings under our Revolving Credit Facility and Delayed Draw Down Term Loan Facility will provide sufficient cash on-hand to complete the build-out. However, the Company will continuously evaluate its liquidity needs, and may seek to opportunistically access additional liquidity, including through either the debt or equity capital markets. If it is determined that we have insufficient liquidity to fund the Conway facility build-out or fund our acquisition strategy, we may delay the build-out of the Conway facility and/or modify the scope of the build-out and we may reprioritize our strategy to focus on organic growth opportunities, which may have an adverse impact on our ability to achieve our growth objectives.

Warrant Proceeds

As of September 30, 2023, we had 19,144,120 outstanding warrants to purchase 19,144,120 Common Shares, exercisable at an exercise price of \$11.50 per share, which expire on the earliest to occur of August 26, 2027 (i.e. the five year anniversary of the Closing), redemption or liquidation. The exercise of warrants, and any proceeds we may receive from their exercise, are highly dependent on the price of our Common Shares and the spread between the exercise price of the warrant and the price of our Common Shares at the time of exercise. For example, to the extent that the price of our Common Shares exceeds \$11.50 per share, it is more likely that holders of our warrants will exercise their warrants. If the price of our Common Shares is less than \$11.50 per share, it is unlikely that such holders will exercise their warrants. Even if our warrants are in the money, there can be no assurance that warrant holders will exercise their warrants prior to their expiration. Our Westrock Public Warrants under certain conditions, as described in their warrant agreement, are redeemable by the Company at a price of \$0.01 per warrant or on a cashless basis. Our Westrock Private Placement Warrants are not redeemable so long as they are held by the Riverview Sponsor or its permitted transferees. As such, it is possible that we may never generate any or only very limited cash proceeds from the exercise of our warrants.

As of the date of this Quarterly Report on Form 10-Q, we have neither included nor intend to include any potential cash proceeds from the exercise of our warrants in our short-term or long-term liquidity sources or capital resource planning. We do not expect to rely on the cash exercise of warrants to fund our operations. Instead, we intend to rely on our primary sources of cash discussed above to continue to support our operations. Therefore, the availability or unavailability of any proceeds from the exercise of our warrants is not expected to affect our ability to fund our operations. We will continue to evaluate the probability of warrant exercise over the life of our warrants and the merit of including potential cash proceeds from the exercise thereof in our liquidity sources and capital resources planning.

To the extent such warrants are exercised, additional Common Shares will be issued, which will result in dilution to the holders of our Common Shares and increase the number of Common Shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our Common Shares, which increases the likelihood of periods when our warrants will not be in the money prior to their expiration.

Redemptions of Series A Preferred Shares

After February 26, 2028 (i.e. the five-and-half year anniversary of the Closing), any holder of Series A Preferred Shares may require Westrock to redeem all or any whole number of such holder's Series A Preferred Shares in cash, subject to applicable law and the terms of any credit agreement or similar arrangement pursuant to which a third-party lender provides debt financing to Westrock or its subsidiaries, at a redemption price per share equal to the greater of (a) the

liquidation preference and (b) the product of (i) the number of Common Shares that would have been obtained from converting one Series A Preferred Share on the redemption notice date and (ii) the simple average of the daily volume-weighted average price per Common Share for the ten (10) trading days ending on and including the trading day immediately preceding the redemption notice date. Assuming that the liquidation preference of the Series A Preferred Shares remains \$11.50 per share and all 23,511,922 Series A Preferred Shares remain outstanding after February 26, 2028, we estimate an aggregate redemption payment of at least approximately \$270.0 million. If Westrock was required by the holders to redeem a significant number of Series A Preferred Shares, Westrock may not have enough cash available (including through draws on its credit facility) for other purposes such as paying dividends on the Common Shares, repurchases of Common Shares, financing acquisitions or other expansions, paying employee incentives and executing its business strategy. An outflow of a significant amount of cash from Westrock as a result of redemptions of the Series A Preferred Shares may cause a deterioration in the financial condition of Westrock and our ability to pay our other obligations and/or execute our business strategy. The impact of such redemptions on Westrock will depend, among other things, on the financial condition of Westrock at the time of such redemptions, including the amount of available cash on hand and ability to draw on Westrock's credit facilities or obtain other sources of financing, the business strategies and objectives of Westrock at that time and the magnitude of such redemptions. Additionally, we may reserve cash, refrain from pursuing other business objectives and/or direct cash away from other business objectives to ensure that we have sufficient available cash to satisfy holder redemptions and this may adversely affect our business and financial condition and ability to execute on our business strategy.

Contractual and Other Obligations

Our material contractual and other obligations include the payment of principal and interest under our debt obligations and future purchase of inventory obligations. Our Term Loan Facility requires quarterly principal payments during the first three years of approximately \$2.2 million (1.25% of the original principal balance). Quarterly payments increase to approximately \$3.3 million and \$4.4 million (1.875% and 2.5% of the original principal balance) during the fourth and fifth years, respectively. We have no other material obligations to pay principal amounts of our long-term debt obligations prior to their maturity.

Future purchase obligations of \$234.0 million as of September 30, 2023 consist of commitments for the purchase of inventory over the next 12 months. These obligations represent the minimum contractual obligations expected under the normal course of business. There are no material purchase obligations beyond 12 months.

We have future obligations to repurchase \$6.0 million of inventory associated with repurchase agreements in which the Company's SS&T segment has sold inventory to a third party and from whom the Company's Beverage Solution segment has an obligation to repurchase.

Capital Expenditures

We categorize our capital expenditures as (i) growth, (ii) maintenance, (iii) customer beverage equipment or (iv) other.

We define growth capital expenditures as investments in our manufacturing facilities that will contribute to revenue growth by increasing production capacity, improving production efficiencies, or related to production of new products. Maintenance capital expenditures are those necessary to keep our existing manufacturing equipment fully operational. Customer beverage equipment represents Company-owned equipment that is deployed in our customers' locations.

Capital expenditures for the nine months ended September 30, 2023 and 2022 were as follows:

<u>(Thousands)</u>	<u>Growth</u>	<u>Maintenance</u>	<u>Customer Beverage Equipment</u>	<u>Other</u>	<u>Total</u>
Nine months ended September 30, 2023	\$ 113,594	\$ 2,531	\$ 1,533	\$ 3,887	\$ 121,545
Nine months ended September 30, 2022	\$ 15,779	\$ 2,099	\$ 3,544	\$ 1,544	\$ 22,966

We expect to continue to invest to expand our extract and ready-to-drink product manufacturing capacity in Conway, Arkansas.

If circumstances warrant, we may need to take measures to conserve cash, which may include a suspension, delay, or reduction in growth and/or maintenance capital expenditures. We continually assess our capital expenditure plans in light of developments impacting our business, including the needs of our customers.

Off-Balance Sheet Arrangements

As of the date of this Quarterly Report on Form 10-Q, we do not have any off-balance sheet arrangements.

Recent Accounting Pronouncements

See Note 3, Summary of Significant Accounting Policies, to the Condensed Consolidated Financial Statements included in Item I of Part 1 of this Quarterly Report on Form 10-Q for a detailed discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the market risks discussed in Item 7A “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K filed with the SEC on March 21, 2023.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain 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”) that are designed to ensure that information required to be disclosed by us 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 to ensure that information required to be disclosed is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023, the end of the period covered by this Quarterly Report. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 2023 due to the material weaknesses in our internal control over financial reporting, described below.

However, after giving full consideration to the material weaknesses, management believes that our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q have been prepared in accordance with US GAAP. Our Principal Executive Officer and Principal Financial Officer have certified that, based on such officer’s knowledge, the condensed consolidated 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 Company as of, and for, the periods presented in this report.

Material Weaknesses in Internal Control Over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. We have identified the following material weaknesses in our internal control over financial reporting, which remain outstanding as of September 30, 2023.

Westrock did not design and maintain effective controls in response to the risks of material misstatement as changes to existing controls or the implementation of new controls were not sufficient to respond to changes to the risks of material misstatement to financial reporting. This material weakness in risk assessment contributed to the following material weaknesses:

- Westrock did not design and maintain effective controls over the period-end financial reporting process to achieve complete and accurate financial accounting, reporting and disclosures, including the presentation and classification of various accounts in the financial statements, which resulted in immaterial adjustments to product revenues; product costs of sales; selling, general and administrative expense; loss on disposal of property, plant and equipment; other (income) expense, net; accounts receivable, net; inventories; derivative assets, net; prepaid expenses and other current assets; property, plant, and equipment, net; goodwill; intangible assets, net; other long term assets; accounts payable; accrued expenses and other current liabilities and the cash flow presentation of debt payments and proceeds within financing activities within the consolidated financial statements as of and for the year ended December 31, 2020, and adjustments to the cash flow presentation of net repayments from repurchase agreements within financing activities within the consolidated financial statements as of and for the period ended June 30, 2023.

- Westrock did not design and maintain effective controls related to ensuring appropriate segregation of duties as it relates to the preparation and review of journal entries and account reconciliations, which did not result in adjustments to the consolidated financial statements.
- Westrock did not design and maintain effective controls over certain information technology (“IT”) or general computer controls for information systems that are relevant to the preparation of the consolidated financial statements. Specifically, Westrock did not design and maintain: (i) program change management controls to ensure that IT program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately; (ii) user access controls to ensure appropriate segregation of duties and adequate restricted user and privileged access to financial applications, data and programs to the appropriate personnel; (iii) computer operations controls to ensure that data backups are authorized and monitored; and (iv) testing and approval controls for program development to ensure that new software development is aligned with business and IT requirements. These IT deficiencies did not result in adjustments to the consolidated financial statements. However, the deficiencies, when aggregated, could impact Westrock’s ability to maintain effective segregation of duties, as well as the effectiveness of IT-dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports) that could result in misstatements potentially impacting all financial statement accounts and disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected. Accordingly, it was determined these deficiencies in the aggregate constitute a material weakness.

Additionally, the material weaknesses could result in a misstatement of substantially all of Westrock’s accounts or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Remediation Plans

Westrock has taken and is taking certain measures to remediate the material weaknesses described above, including the following:

- Hired additional accounting and IT personnel, including a new chief accounting officer hired in May 2021, a new technical accounting resource hired in April 2022, a new IT compliance resource hired in March 2023, and a new internal controls resource hired in April 2023 with the appropriate level of knowledge, training, and experience to improve our internal control over financial reporting and IT capabilities.
- Developing and formalizing a risk assessment process across the organization to identify risks and design new controls or enhance existing controls responsive to such risks to ensure timely and accurate financial reporting based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (“COSO Framework”). Entity level controls necessary to support management’s risk assessment and a process to evaluate the control environment in accordance with the COSO Framework were improved or implemented throughout 2023. Management is at various stages of designing or implementing additional controls that would further improve risk assessment.
- Engaged a third party to assist in designing and implementing controls related to period-end financial reporting, segregation of duties and IT general controls.
- Designed and implemented controls during the quarters ended June 30, and September 30, 2023 to formalize roles and review responsibilities to align with Westrock’s team’s skills and experience and designing and implementing controls over segregation of duties that include workflow automation and documentation, task reassignment, and policies and procedures enhancement around the preparation, review and oversight of account reconciliations and journal entries. Management is at various stages of

designing and implementing other controls that would further enhance segregation of duties around month-end close procedures.

- Designed and implemented formal accounting procedures and controls during the quarter ended September 30, 2023 that support Westrock's period-end financial reporting process, including controls over close procedures workflow, the preparation, review and oversight of account reconciliations and journal entries, evaluation of internal information for disclosure, and controls to reconcile financial statement and disclosure information to source documentation. Management is in the initial stages of designing other controls that would further improve period-end financial reporting.
- During the quarter ended September 30, 2023, enhanced policies and procedures related to the management and approval of (i) changes in our IT environment, including procedures to review changes in IT data and the configuration of systems, (ii) system implementations and projects to ensure adequate governance, development, change management, and implementation controls, (iii) security access, including policies and procedures to set up or remove users to our IT systems, (iv) periodic security access reviews of our key financial systems' users to ensure the appropriateness of their roles and security access levels, and (v) review of service organization reports and related end-user control considerations.
- Designed and implemented IT general controls, including controls over change management, the review and update of user access rights and privileges, controls over batch jobs and data backups, and program development approvals and testing for most IT systems during the quarter ended September 30, 2023. Enhancements of IT general controls around remaining IT systems are in various stages of design and implementation.

The enhancements are expected to remediate the material weaknesses described above when each is fully implemented and operating effectively.

Changes in Internal Control Over Financial Reporting

As described above in the Remediation Plans section, there were changes during the quarter ended September 30, 2023, in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

We are subject to various claims and legal proceedings with respect to matters such as governmental regulations, and other actions arising out of the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

Item 1A. Risk Factors

There have been no material changes to the risk factors affecting our business that were described under Item 1A “Risk Factors” discussed in our Annual Report on Form 10-K filed with the SEC on March 21, 2023.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

- (a) None.
- (b) None.
- (c) During the three months ended September 30, 2023, none of the Company’s directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

Item 6. Exhibits

Exhibit Number	Exhibit Description	Exhibit Index		Incorporated by Reference		Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Certificate of Incorporation of Westrock Coffee Company	10-Q	001-41485	3.1	August 29, 2022	
3.2	Bylaws of Westrock Coffee Company	10-Q	001-41485	3.2	August 29, 2022	
4.1	Amended and Restated Investor Rights Agreement, dated as of June 29, 2023, by and among Westrock Coffee Company, Westrock Group, LLC, The Stephens Group, LLC, Sowell Westrock, L.P., BBH Capital Partners V, L.P., BBH Capital Partners V-A, L.P., BBH CPV WCC Co-Investment LLC, Riverview Sponsor Partners, LLC and HF Direct Investments Pool, LLC	8-K	001-41485	4.2	June 30, 2023	
10.1	Subscription Agreement, dated June 29, 2023, by and between Westrock Coffee Company and HF Direct Investments Pool, LLC	8-K	001-41485	10.1	June 30, 2023	
10.2	Amendment No. 2, dated as of June 30, 2023, among Westrock Beverage Solutions, LLC, as the borrower, the lenders party thereto and Wells Fargo Bank, N.A., as administrative agent.	8-K	001-41485	10.2	June 30, 2023	
31.1	Chief Executive Officer—Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
31.2	Chief Financial Officer—Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
32.1	Chief Executive Officer—Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**
32.2	Chief Financial Officer—Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**

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101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	*
101.SCH	XBRL Taxonomy Extension Schema Document.	*
101.CAL	XBRL Taxonomy Calculation Linkbase Document.	*
101.DEF	XBRL Definition Linkbase Document.	*
101.LAB	XBRL Taxonomy Label Linkbase Document.	*
101.PRE	XBRL Taxonomy Presentation Linkbase Document.	*
104	Cover Page Interactive Data File – The Cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	

* Filed herewith.

** Furnished herewith.

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.

Date: November 9, 2023

Westrock Coffee Company

By: /s/ T. Christopher Pledger

Name: T. Christopher Pledger

Title: Chief Financial Officer
(Principal Financial Officer)

Date: November 9, 2023

By: /s/ Blake Schuhmacher

Name: Blake Schuhmacher

Title: Senior Vice President – Chief Accounting Officer
(Principal Accounting Officer)