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 March 31, 2024

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 COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**80-0977200**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
4009 N. Rodney Parham Road, 4th Floor **Little Rock, Arkansas**	**72212**
(Address of Principal Executive Offices)	(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 May 3, 2024, the Registrant had 89,531,651 shares of common stock, par value $0.01 per share, outstanding.

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 expectations regarding the timing and benefits of the Company's joint venture with Select Milk; 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:

- 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;
- 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 "Business" and "Risk Factors" sections in the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on March 15, 2024 ("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-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
March 31, 2024

Table of Contents

Part I. Financial Information
Item 1. Financial Statements

WESTROCK COFFEE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Thousands, except par value)	March 31, 2024	December 31, 2023
ASSETS		
Cash and cash equivalents	$ 12,571	$ 37,196
Restricted cash	1,205	644
Accounts receivable, net of allowance for credit losses of $3,356 and 2,915, respectively	90,214	99,158
Inventories	140,354	149,921
Derivative assets	15,424	13,658
Prepaid expenses and other current assets	13,457	12,473
Total current assets	273,225	313,050
Property, plant and equipment, net	400,839	344,038
Goodwill	116,111	116,111
Intangible assets, net	120,950	122,945
Operating lease right-of-use assets	64,000	67,601
Other long-term assets	8,131	7,769
Total Assets	$ 983,256	$ 971,514
LIABILITIES, CONVERTIBLE PREFERRED SHARES AND SHAREHOLDERS' EQUITY		
Current maturities of long-term debt	$ 12,118	$ 9,811
Short-term debt	34,432	43,694
Accounts payable	44,230	69,106
Supply chain finance program	78,706	78,076
Derivative liabilities	4,229	3,731
Accrued expenses and other current liabilities	46,573	35,217
Total current liabilities	220,288	239,635
Long-term debt, net	224,090	223,092
Convertible notes payable - related party, net	49,654	—
Deferred income taxes	16,722	10,847
Operating lease liabilities	60,400	63,554
Warrant liabilities	44,761	44,801
Other long-term liabilities	1,528	1,629
Total liabilities	617,443	583,558
Commitments and contingencies (Note 20)		
Series A Convertible Preferred Shares, $0.01 par value, 24,000 shares authorized, 23,512 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively, $11.50 liquidation value	274,129	274,216
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, 88,282 shares and 88,051 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	883	880
Additional paid-in-capital	473,064	471,666
Accumulated deficit	(386,297)	(362,624)
Accumulated other comprehensive income	4,034	3,818
Total shareholders' equity	91,684	113,740
Total Liabilities, Convertible Preferred Shares and Shareholders' Equity	$ 983,256	$ 971,514

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 March 31, 2024	Three Months Ended March 31, 2023
Net sales	$ 192,500	$ 205,442
Costs of sales	155,226	171,144
Gross profit	37,274	34,298
Selling, general and administrative expense	44,440	34,122
Transaction, restructuring and integration expense	2,964	6,644
Loss on disposal of property, plant and equipment	2	896
Total operating expenses	47,406	41,662
Loss from operations	(10,132)	(7,364)
Other (income) expense		
Interest expense	7,579	6,029
Change in fair value of warrant liabilities	(41)	(5,529)
Other, net	135	821
Loss before income taxes and equity in earnings from unconsolidated entities	(17,805)	(8,685)
Income tax expense (benefit)	5,815	(4,359)
Equity in (earnings) loss from unconsolidated entities	53	—
Net loss	$ (23,673)	$ (4,326)
Net income (loss) attributable to non-controlling interest	—	15
Net loss attributable to shareholders	(23,673)	(4,341)
Accretion of Series A Convertible Preferred Shares	87	(429)
Net loss attributable to common shareholders	$ (23,586)	$ (4,770)
Loss per common share:		
Basic	$ (0.27)	$ (0.06)
Diluted	$ (0.27)	$ (0.13)
Weighted-average number of shares outstanding:		
Basic	88,095	75,358
Diluted	88,095	76,693

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
(Thousands)	**2024**	**2023**
Net loss	$ (23,673)	$ (4,326)
Other comprehensive income (loss), net of tax:		
Unrealized gain (loss) on derivative instruments	186	2,240
Foreign currency translation adjustment	30	(18)
Total other comprehensive income (loss)	216	2,222
Comprehensive loss	(23,457)	(2,104)
Comprehensive income (loss) attributable to non-controlling interests	—	15
Comprehensive loss attributable to shareholders	(23,457)	(2,119)
Accretion of Series A Convertible Preferred Shares	87	(429)
Comprehensive loss attributable to common shareholders	$ (23,370)	$ (2,548)

See accompanying notes to condensed consolidated financial statements.

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

(Thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total Equity
Balance at December 31, 2022	75,020	$ 750	$ 342,664	$ (328,042)	$ (6,103)	$ 2,460	$ 11,729
Net income (loss)	—	—	—	(4,341)	—	15	(4,326)
Issuance of common shares related to acquisitions	40	2	444	—	—	—	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	6	1	62	—	—	—	63
Issuance of common shares related to conversion of Series A Convertible Preferred Shares	22	1	253	—	—	—	254
Accretion of Series A Convertible Preferred Shares	—	—	(429)	—	—	—	(429)
Other comprehensive income (loss)	—	—	—	—	2,222	—	2,222
Equity-based compensation	311	3	1,545	—	—	—	1,548
Net share settlement of equity awards	—	—	(1,841)	—	—	—	(1,841)
Balance at March 31, 2023	75,628	$ 759	$ 345,840	$ (332,383)	$ (3,881)	$ 2,475	$ 12,810
Balance at December 31, 2023	88,051	$ 880	$ 471,666	$ (362,624)	$ 3,818	$ —	$ 113,740
Net income (loss)	—	—	—	(23,673)	—	—	(23,673)
Accretion of Series A Convertible Preferred Shares	—	—	87	—	—	—	87
Other comprehensive income (loss)	—	—	—	—	216	—	216
Equity-based compensation	231	3	2,452	—	—	—	2,455
Net share settlement of equity awards	—	—	(1,141)	—	—	—	(1,141)
Balance at March 31, 2024	88,282	$ 883	$ 473,064	$ (386,297)	$ 4,034	$ —	$ 91,684

See accompanying notes to condensed consolidated financial statements.

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

(Thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Cash flows from operating activities:		
Net loss	$ (23,673)	$ (4,326)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,548	5,874
Equity-based compensation	2,455	1,548
Provision for credit losses	441	497
Amortization of deferred financing fees included in interest expense	1,050	453
Loss on disposal of property, plant and equipment	2	896
Mark-to-market adjustments	(1,640)	(1,236)
Change in fair value of warrant liabilities	(41)	(5,529)
Foreign currency transactions	245	307
Deferred income tax expense (benefit)	5,815	(4,359)
Other	343	259
Change in operating assets and liabilities:		
Accounts receivable	8,397	(14,048)
Inventories	8,907	6,626
Derivative assets and liabilities	1,302	(76)
Prepaid expense and other assets	494	(9,510)
Accounts payable	(18,038)	(10,756)
Accrued liabilities and other	14,372	8,249
Net cash provided by (used in) operating activities	7,979	(25,131)
Cash flows from investing activities:		
Additions to property, plant and equipment	(68,914)	(19,625)
Additions to intangible assets	(43)	(41)
Acquisition of business, net of cash acquired	—	(2,392)
Proceeds from sale of property, plant and equipment	21	30
Net cash used in investing activities	(68,936)	(22,028)
Cash flows from financing activities:		
Payments on debt	(100,462)	(56,358)
Proceeds from debt	73,813	106,706
Payments on supply chain financing program	(38,980)	—
Proceeds from supply chain financing program	39,610	—
Proceeds from convertible notes payable	72,000	—
Payment of debt issuance costs	(2,934)	(405)
Net proceeds from (repayments of) repurchase agreements	(4,933)	(4,418)
Proceeds from exercise of stock options	—	63
Proceeds from exercise of Public Warrants	—	2,632
Payment for taxes for net share settlement of equity awards	(1,141)	(1,841)
Net cash provided by financing activities	36,973	46,379
Effect of exchange rate changes on cash	(80)	(55)
Net decrease in cash and cash equivalents and restricted cash	(24,064)	(835)
Cash and cash equivalents and restricted cash at beginning of period	37,840	26,405
Cash and cash equivalents and restricted cash at end of period	$ 13,776	$ 25,570
Supplemental non-cash investing and financing activities:		
Property, plant and equipment acquired but not yet paid	$ 17,508	$ 4,168

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

(Thousands)	March 31, 2024	March 31, 2023
Cash and cash equivalents	$ 12,571	$ 23,688
Restricted cash	1,205	1,882
Total	$ 13,776	$ 25,570

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.

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, 2023 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, 2023 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 15, 2024. 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.

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, liabilities, revenues 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 projected cash flow from operations, including current projections of the timing and amount of cash flows to be generated from our Conway, Arkansas extract and ready-to-drink manufacturing facility (the "Conway Facility"), and available borrowings under its Credit Agreement, as amended, will be sufficient to fund operations for at least the next twelve months. However, during the three months ended March 31, 2024, the Company incurred net losses of $23.7 million. If we are unable to achieve our profitability growth projections and maintain our minimum liquidity requirements, as a result of, for example, experiencing any adverse impact of changes or delays in the estimated timing and volume of products to be commercialized in our Conway Facility over the next twelve months, 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 March 31, 2024	2023
Balance at beginning of period	$ 2,915	$ 3,023
Charged to selling, general and administrative expense	441	497
Write-offs	—	(1,004)
Total	$ 3,356	$ 2,516

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 months ended March 31, 2024 and 2023, we recognized $0.7 million of net unrealized losses and $2.3 million of net unrealized gains, 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 months ended March 31, 2024, we capitalized $2.8 million of interest costs. No such interest was capitalized during the three months ended March 31, 2023.

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. At March 31, 2024 and December 31, 2023, there were $78.7 million and $78.1 million of obligations outstanding under the Program, respectively.

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 three months ended March 31, 2024 and 2023 were (32.6)% and 50.2%, 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 certain permanent differences, including nondeductible expenses related to executive compensation. The effective tax rate for the three months ended March 31, 2024 differs from the effective tax rate for the same period in 2023 primarily due to the Company's full year forecasted ordinary income (loss) in the periods.

On December 20, 2021, the Organization for Economic Co-operation and Development ("OECD") released Pillar Two Model Rules, which provide for a global minimum tax of 15% on multinational entities. Although the U.S. has not yet adopted the Pillar Two Model Rules, several foreign countries enacted Pillar Two legislation in 2023 with an initial effective date of January 1, 2024. The impact of Pillar Two legislation on the Company's 2024 effective tax rate is expected to be minimal. Management will continue to monitor future Pillar Two legislation in relevant jurisdictions for any impacts to the Company's effective tax rate.

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. The Company adopted the 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.

Recently issued accounting pronouncements

ASU 2023-07 – Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures". The amendments in the update are intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses. ASU 2023-07 requires disclosure to include significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and a description of other segment items by reportable segment. ASU 2023-07 also requires all annual disclosures currently required by Topic 280 to be included in interim periods. The amendments in the update are effective for fiscal years beginning after December 31, 2023, and interim periods within fiscal years beginning after December 31, 2024, with early adoption permitted. The amendments in the update require retrospective application to all prior periods presented in the financial statements. The Company is currently evaluating the impact that ASU 2023-07 will have on our consolidated financial statements.

ASU 2023-09 – Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures”. The amendments in the update relate to the rate reconciliation and income taxes paid disclosure and are intended to improve transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the tax reconciliation and (2) income taxes paid disaggregated by jurisdiction. The other amendments in the update are intended to improve comparability of disclosures by (1) adding disclosures of pretax income (or loss) and income tax expense (or benefit) and (2) removing disclosures that no longer are considered cost beneficial or relevant. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, with early adoption permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments in the update should be applied on a prospective basis, with retrospective application permitted. The Company is currently evaluating the impact that ASU 2023-09 will have on our consolidated financial statements.

The Enhancement and Standardization of Climate-Related Disclosure for Investors

In March 2024, the SEC adopted final rules requiring registrants to provide certain climate-related disclosures, including Scope 1 and Scope 2 greenhouse gas emissions to the extent they are material. These rules require certain disclosures related to severe weather events and other natural conditions in the notes to audited financial statements. These disclosures are required to phase-in over multiple years beginning with fiscal 2025 for large accelerated filers and fiscal 2026 for accelerated filers. On April 4, 2024, the SEC determined to voluntarily stay the final rules pending certain legal challenges. The Company is currently evaluating the impact of the new rules.

Note 4. 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 March 31, 2024 and December 31, 2023, the Company has $3.4 million and $8.3 million, respectively, 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 months ended March 31, 2024 and 2023, we recorded $2.3 million of net unrealized gains and $1.0 million of net unrealized losses, respectively, within costs of sales.

For the three months ended March 31, 2024 and 2023, the Company recognized $35.0 million and $24.4 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 $1.8 million and $1.5 million at March 31, 2024 and December 31, 2023, respectively. Other accrued deductions were $3.4 million and $2.7 million at March 31, 2024 and December 31, 2023, respectively, and are included as a reduction to accounts receivable, net in the Condensed Consolidated Balance Sheets.

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 March 31, 2024 or December 31, 2023. Receivables from contracts with customers are included in accounts receivable, net on the Company's Condensed Consolidated Balance Sheets. At March 31, 2024 and December 31, 2023, accounts receivable, net included $96.1 million and $104.8 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 March 31, 2024 and December 31, 2023, 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:

	Three Months Ended March 31,	
(Thousands)	2024	2023
Coffee & tea	$ 118,768	$ 146,349
Flavors, extracts & ingredients	38,416	33,862
Other	875	998
Green coffee	34,441	24,233
Net sales	$ 192,500	$ 205,442

	Three Months Ended March 31,	
(Thousands)	2024	2023
United States	$ 160,134	$ 185,561
All other countries	32,366	19,881
Net sales	$ 192,500	$ 205,442

Note 5. 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.

Note 6. Inventories

The following table summarizes inventories as of March 31, 2024 and December 31, 2023:

(Thousands)	March 31, 2024	December 31, 2023
Raw materials	$ 78,720	$ 78,882
Finished goods	30,074	26,857
Green coffee	31,560	44,182
Total inventories	$ 140,354	$ 149,921

Green coffee inventories represent green coffee held for resale. At March 31, 2024 and December 31, 2023, all green coffee held for resale was included within our Sustainable Sourcing & Traceability segment.

Note 7. Property, Plant and Equipment, Net

The following table summarizes property, plant and equipment, net as of March 31, 2024 and December 31, 2023:

(Thousands)	Depreciable Lives	March 31, 2024	December 31, 2023
Land		$ 8,756	$ 8,778
Buildings	10-40 years	45,975	35,911
Leasehold improvements[1]		12,465	9,800
Plant equipment	3-15 years	130,648	128,639
Vehicles and transportation equipment	3-5 years	632	648
IT systems	3-7 years	12,576	8,909
Furniture and fixtures	3-10 years	3,289	3,294
Customer beverage equipment[2]	3-5 years	22,982	22,931
Lease right-of-use assets[3]		81	81
Construction in progress and equipment deposits		251,852	208,308
		489,256	427,299
Less: accumulated depreciation		(88,417)	(83,261)
Property, plant and equipment, net		$ 400,839	$ 344,038

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.

Depreciation expense for the three months ended March 31, 2024 and 2023 was $5.5 million and $3.9 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 March 31, 2024 are expected to be in production use.

Note 8. Goodwill

The following table reflects the carrying amount of goodwill as of March 31, 2024 and December 31, 2023:

(Thousands)	Beverage Solutions	Total
Balance at December 31, 2023		
Goodwill	$ 192,994	$ 192,994
Accumulated impairment loss	(76,883)	(76,883)
	116,111	116,111
Balance at March 31, 2024		
Goodwill	$ 192,994	$ 192,994
Accumulated impairment loss	(76,883)	(76,883)
	$ 116,111	$ 116,111

Note 9. Intangible Assets, Net

The following table summarizes intangible assets, net as of March 31, 2024 and December 31, 2023:

(Thousands)	March 31, 2024 Cost	Accumulated Amortization	Net
Customer relationships	$ 148,648	$ (28,415)	$ 120,233
Favorable lease asset	790	(481)	309
Software	1,119	(711)	408
Intangible assets, net	$ 150,557	$ (29,607)	$ 120,950

(Thousands)	December 31, 2023 Cost	Accumulated Amortization	Net
Customer relationships	$ 148,648	$ (26,487)	$ 122,161
Favorable lease asset	790	(413)	377
Software	1,079	(672)	407
Intangible assets, net	$ 150,517	$ (27,572)	$ 122,945

Amortization expense of intangible assets was $2.0 million and $2.0 million for the three months ended March 31, 2024 and 2023, respectively. As of March 31, 2024, the weighted average useful life for definite-lived intangibles is approximately 20 years.

Note 10. Leases

We have operating leases for manufacturing, production, administrative, 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 15 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.

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	March 31, 2024	December 31, 2023
Right-of-use operating lease assets	Operating lease right-of-use assets	$ 64,000	$ 67,601
Operating lease liabilities - current	Accrued expenses and other current liabilities	4,650	4,809
Operating lease liabilities - noncurrent	Operating lease liabilities	60,400	63,554

During the three months ended March 31, 2024 and 2023, the Company obtained $1.0 million and $6.0 million of right-of-use operating lease assets in exchange for lease obligations.

On February 12, 2024, following the completion of its 530,000 square foot distribution center in Conway, Arkansas, the Company entered into a lease termination agreement for the premises located at 1601 Gregory Street, North Little Rock, Arkansas, 72114, originally entered into on October 24, 2018. The lease will terminate by mutual agreement, effective June 30, 2024. As of the date of this Quarterly Report on Form 10-Q, no costs have been incurred, and no costs are expected to be incurred, by the Company as a result of the lease termination. This lease termination event does not significantly alter the Company's operational capabilities or its financial position.

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 months ended March 31, 2024 and 2023, respectively, are as follows:

	Three Months Ended March 31,	
(Thousands)	2024	2023
Operating lease cost	$ 2,792	$ 1,221
Short-term lease cost	232	234
Total	$ 3,024	$ 1,455

The following table presents information about the Company's weighted average discount rate and remaining lease term as of March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Weighted-average discount rate	7.8%	7.8%
Weighted-average remaining lease term	12.6 years	12.9 years

Supplemental cash flow information about the Company's leases as of March 31, 2024 and 2023, respectively, is as follows:

	Three Months Ended March 31,	
(Thousands)	2024	2023
Cash paid related to operating lease liabilities	$ 2,503	$ 1,065

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 March 31, 2024.

Future minimum lease payments under non-cancellable operating leases as of March 31, 2024 are as follows:

(Thousands)	
Remainder of 2024	$ 7,012
2025	8,271
2026	7,651
2027	7,698
2028	7,157
Thereafter	68,540
Total future minimum lease payments	106,329
Less: imputed interest	(41,279)
Present value of minimum lease payments	$ 65,050

Note 11. Debt

Our long-term debt at March 31, 2024 and December 31, 2023 is as follows:

(Thousands)	March 31, 2024	December 31, 2023
Term loan facility	$ 161,875	$ 164,063
Delayed draw term loan facility	50,000	—
Revolving credit facility	—	65,000
Convertible notes payable	72,000	—
International trade finance lines	34,432	43,694
International notes payable	5,985	6,179
Other loans	34	39
Total debt	324,326	278,975
Unamortized debt costs	(4,032)	(2,378)
Current maturities of long-term debt	(12,118)	(9,811)
Convertible notes payable - related party, net	(49,654)	—
Short-term debt	(34,432)	(43,694)
Long-term debt, net	$ 224,090	$ 223,092

Credit Agreement

The Company is party to 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”), (b) a senior secured first lien term loan facility in an initial aggregate principal amount of $175.0 million (the “Term Loan Facility”), and (c) 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. The Revolving Credit Facility, the Term Loan Facility and the Delayed Draw 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, the Term Loan Facility and the Delayed Draw Term Loan Facility will bear interest, at the Borrower’s option, initially at an annual rate equal to (a) 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 (b) 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 an applicable margin.

At March 31, 2024, the interest rate applicable to our Term Loan Facility was 9.2%, and the interest rate applicable to our Delayed Draw Term Loan Facility was 8.7%. At March 31, 2024, no amounts were outstanding under the Revolving Credit Facility and we had $2.6 million of standby letters of credit outstanding.

On February 15, 2024, Westrock Beverage Solutions, LLC, a Delaware limited liability company and wholly owned subsidiary of the Company (the “Borrower”), entered into Amendment No. 3 (the “Third Amendment”) to the Credit Agreement. The Third Amendment modified the existing covenant relief period (the “Covenant Relief Period”), which commenced on June 30, 2023 and will end on the earlier to occur of (i) April 1, 2026 and (ii) any date following June 30, 2024, on which the borrower elects to terminate the Covenant Relief Period subject to satisfaction of certain conditions. During the Covenant Relief Period, the Company’s ability to incur additional indebtedness and make investments, restricted payments and junior debt restricted payments will be more limited. The Third Amendment permits the Company to issue convertible notes, including the Convertible Notes (as defined below).

During the Covenant Relief Period, the Applicable Margin for any term SOFR rate loan will range from 3.00% to 4.00% and for any ABR loan will range from 2.00% to 3.00%, in each case depending on the secured net leverage ratio. After the Covenant Relief Period, the Applicable Margin for any term SOFR rate loan will range from 2.00% to 3.00% and for any ABR loan will range from 1.00% to 2.00%, in each case depending on the secured net leverage ratio.

The Credit Agreement, as amended, requires the Borrower to maintain compliance with (i) a secured net leverage ratio at levels ranging from 4.50:1.00 to 6.25:1.00 and stepping down to 4.50:1.00 by April 2026 and (ii) an interest coverage ratio of at least 1.50:1.00 on and prior to September 30, 2025 and at least 2.00:1.00 on December 31, 2025 and thereafter. The Credit Agreement, as amended, also includes (i) a minimum liquidity covenant requiring the Borrower not to permit its liquidity, measured as of the last business day of each calendar month commencing March 29, 2024, to be less than $15 million and (ii) an anti-cash hoarding covenant, which shall be effective only during the Covenant Relief Period, requiring the Borrower to have no more than $20 million of unrestricted cash on the last day of each calendar month when revolving loans or letters of credit are outstanding or on the date of borrowing of a revolving loan. As of the date of this Quarterly Report on Form 10-Q, the Company was in compliance with its financial covenants.

The Term Loan Facility and Delayed Draw Term Loan Facility requires quarterly principal payments totaling approximately $2.8 million (1.25% of the original principal balance). Quarterly payments increase to approximately $4.2 million and $5.6 million (1.875% and 2.5% of the original principal balance) during the final two years of the agreements, respectively.

We incurred a total of $2.4 million in financing fees in connection with the Third Amendment. Approximately $1.3 million of the fees were allocated to the Term Loan Facility and are being amortized over the remaining term of the Term Loan Facility utilizing the frozen effective yield method based on the interest rate in place at the issuance of the Term Loan Facility. Approximately $1.0 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 remaining term of the Revolving Credit Facility.

Convertible Notes

On February 15, 2024, the Company sold and issued in a private placement $72.0 million in aggregate principal amount of 5.00% convertible senior notes due 2029 (the “Convertible Notes”), of which $50.0 million was from related parties (See Note 21). The Convertible Notes are unsecured, senior obligations of the Company and accrue interest at a rate of 5.00% per annum.

The Convertible Notes are carried at amortized cost and are recorded in long-term debt, net and convertible notes payable – related party, net on the Condensed Consolidated Balance Sheets. At March 31, 2024, the carrying value of the Convertible Notes was $71.5 million, of which $49.7 million was from related parties. We incurred a total of $0.5 million of financing fees in connection with the Convertible Notes, which were ratably allocated to the convertible notes payable and the convertible notes payable – related party, respectively, and are being amortized into interest expense over the remaining term of the Convertible Notes utilizing the effective interest rate method.

Pursuant to the terms of the Convertible Notes, noteholders may convert their Convertible Notes at their option only in the following circumstances: (i) during the period commencing on August 15, 2024, and prior to the close of business on the trading day immediately preceding August 15, 2028, if the closing price for at least 20 trading days (whether or not consecutive) during the period of any 30 consecutive trading days in the immediately preceding calendar quarter is equal to or greater than 130% of the conversion price; (ii) during the period commencing on August 15, 2028, and prior to the close of business on the second scheduled trading day immediately preceding February 15, 2029, at any time; and (iii) during the 35 trading days following the effective date of certain fundamental change transactions that occur prior to the close of business on the trading day immediately preceding August 15, 2028.

The Company will settle conversions by paying or delivering, as applicable, at the Company’s election, cash, Common Shares, or a combination of cash and Common Shares. The Company may not issue more than 19.99% of the issued and outstanding Common Shares immediately prior to the issuance of the Convertible Notes in respect of the conversion of the Convertible Notes. The initial conversion price of the Convertible Notes is $12.84, which corresponds to an initial conversion rate of approximately 77.88 Common Shares per $1,000 principal amount of Convertible Notes. The conversion price and conversion rate are subject to customary adjustments.

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 is uncommitted and repayable on demand, with certain of Falcon's assets pledged as collateral against the facility. The facility was set to mature one year from inception. Borrowings under the facility bore 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%).

On March 8, 2024, Falcon renewed its working capital trade finance facility with multiple institutions. The facility size was reduced from $70.0 million to $55.0 million and remains 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, 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 March 31, 2024, there was $27.8 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 March 31, 2024.

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 the 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 March 31, 2024, there was $5.0 million of outstanding borrowings under the facility, of which $4.5 million and $0.5 million, is recorded in long-term debt, net and current maturities of long-term debt, respectively, 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 March 31, 2024.

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 $6.7 million at March 31, 2024 and (b) a long-term note payable with a balance of $1.0 million at March 31, 2024.

Note 12. Series A Preferred Shares

The Company has 23,511,922 Westrock Series A Preferred Shares outstanding, 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, 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. 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 outstanding at March 31, 2024 remain outstanding after February 26, 2028, we estimate an aggregate redemption payment of at least approximately $270.4 million.

At any time after February 26, 2028, 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 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 months ended March 31, 2024 and 2023, the Company recorded $0.1 million of amortization and $0.4 million of accretion, respectively, with respect to the Westrock Series A Preferred Shares.

Note 13. Common Stock Warrants

The Company has 19,144,120 common stock warrants outstanding at March 31, 2024. 17,118,074 of the warrants are publicly-traded (the "Westrock Public Warrants") and 2,026,046 of the warrants are private placements warrants (the "Westrock Private Warrants" and together with the Westrock Public Warrants, the "Westrock 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 are generally identical to the Westrock Public Warrants, except they cannot be redeemable by Westrock so long as they are held by the existing holders or its permitted transferees. Furthermore, the existing holders, or their permitted transferees, have the option to exercise the Westrock Private Warrants on a cashless basis.

We account for the Westrock Warrants 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 re-measures the fair value of the Westrock Public Warrants based on the quoted market price of the Westrock Public Warrants. The Westrock Private Warrants are valued using a binomial lattice valuation model. For the three months ended March 31, 2024 and 2023, the Company recognized less than $0.1 million and $5.5 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.

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 three months ended March 31, 2024 or 2023.

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 16.1 million pounds and 11.5 million pounds as of March 31, 2024 and December 31, 2023, respectively. During the three months ended March 31, 2024 and 2023, the Company purchased coffee futures contracts and coffee options contracts under our cash flow hedging program with aggregate notional amounts of 9.9 million pounds and 8.4 million pounds, respectively.

Approximately $0.1 million of net realized gains and $0.7 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 months ended March 31, 2024 and 2023, respectively. As of March 31, 2024, the estimated amount of net gains reported in AOCI that is expected to be reclassified to the Condensed Consolidated Statements of Operations within the next twelve months is $3.6 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 4 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	March 31, 2024	December 31, 2023
Derivative assets designated as cash flow hedging instruments:			
Coffee futures contracts[1]	Derivative assets	$ 2,772	$ 3,355
Total		$ 2,772	$ 3,355
Derivative assets not designated as cash flow hedging instruments:			
Forward purchase and sales contracts	Derivative assets	$ 12,652	$ 10,303
Total		12,652	10,303
Total derivative assets		$ 15,424	$ 13,658
Derivative liabilities not designated as cash flow hedging instruments:			
Forward purchase and sales contracts	Derivative liabilities	$ 4,229	$ 3,731
Total derivative liabilities		$ 4,229	$ 3,731

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 months ended March 31, 2024 and 2023, respectively:

		Three Months Ended March 31,	
(Thousands)	Statement of Operations Location	2024	2023
Derivative assets designated as cash flow hedging instruments:			
Net realized gains (losses) on coffee derivatives	Costs of sales	$ 92	$ (721)
Derivative assets and liabilities not designated as cash flow hedging instruments:			
Net unrealized gains (losses) on forward sales and purchase contracts	Costs of sales	$ 2,340	$ (1,028)

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 March 31, 2024:

(Thousands)	March 31, 2024 Level 1	Level 2	Level 3	Total
Assets:				
Green coffee associated with forward contracts	$ —	$ 27,017	$ —	$ 27,017
Coffee futures contracts	2,772	—	—	2,772
Forward purchase and sales contracts	—	12,652	—	12,652
Total	$ 2,772	$ 39,669	$ —	$ 42,441
Liabilities:				
Forward purchase and sales contracts	—	4,229	—	4,229
Westrock Public Warrants	39,372	—	—	39,372
Westrock Private Warrants	—	—	5,389	5,389
Total	$ 39,372	$ 4,229	$ 5,389	$ 48,990

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, 2023	$ 5,430
Change in fair value	(41)
Fair value as of March 31, 2024	$ 5,389

The following table summarizes the fair value of financial instruments at December 31, 2023:

(Thousands)	December 31, 2023 Level 1	Level 2	Level 3	Total
Assets:				
Green coffee associated with forward contracts	$ —	$ 33,447	$ —	$ 33,447
Coffee futures contracts	3,355	—	—	3,355
Forward purchase and sales contracts	—	10,303	—	10,303
Total	$ 3,355	$ 43,750	$ —	$ 47,105
Liabilities:				
Forward purchase and sales contracts	—	3,731	—	3,731
Westrock Public Warrants	39,371	—	—	39,371
Westrock Private Warrants	—	—	5,430	5,430
Total	$ 39,371	$ 3,731	$ 5,430	$ 48,532

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 $2.30 per warrant as of March 31, 2024 and December 31, 2023, respectively. Westrock Private Warrants price of $2.66 and $2.68 per warrant as of March 31, 2024 and December 31, 2023, 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:

	March 31, 2024	December 31, 2023
Stock price	$ 10.33	$ 10.21
Exercise price	11.50	11.50
Expected term (years)	5.00	5.00
Expected volatility	33.40%	33.80%
Risk-free rate of return	4.31%	3.91%
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, convertible notes payable, short-term debt and long-term debt. The carrying amount of cash, accounts receivable, accounts payable, short-term debt 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, Revolving Credit Facility and Delayed Draw Term Loan Facility are carried on the Condensed Consolidated Balance Sheets at amortized cost and are estimated by management to approximate fair value as of March 31, 2024 as the interest rate on these facilities is adjusted for changes in the market rates. The Convertible Notes are carried on the Condensed Consolidated Balance Sheets at amortized cost and are estimated by management to approximate fair value as of March 31, 2024, as the Convertible Notes were issued on February 15, 2024. The fair value of the Term Loan Facility, Revolving Credit Facility, Delayed Draw Term Loan Facility and Convertible Notes 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 months ended March 31, 2024 or 2023, requiring these non-financial assets and liabilities to be subsequently recognized at fair value.

At March 31, 2024, 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 March 31, 2024, 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 months ended March 31, 2024 and 2023 is as follows:

	Three Months Ended March 31,	
(Thousands)	2024	2023
Unrealized gain (loss) on derivative instruments:		
Balance at beginning of period	$ 3,362	$ (6,355)
Other comprehensive income (loss) before reclassifications	337	2,354
Amounts reclassified from accumulated comprehensive income	(92)	721
Tax effect	(59)	(835)
Net accumulated other comprehensive income	3,548	(4,115)
Less: Other comprehensive income attributable to non-controlling interests	—	—
Balance at end of period	3,548	(4,115)
Foreign currency translation adjustment		
Balance at beginning of period	456	252
Other comprehensive income (loss) before reclassifications	30	(18)
Amounts reclassified from accumulated comprehensive income	—	—
Tax effect	—	—
Net accumulated other comprehensive income	486	234
Less: Other comprehensive income attributable to non-controlling interests	—	—
Balance at end of period	486	234
Accumulated other comprehensive income (loss) at end of period	$ 4,034	$ (3,881)

Note 17. Equity-Based Compensation

During the three months ended March 31, 2024 and 2023, the Company granted 1.3 million and 1.1 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 $12.3 million and $13.0 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. For RSUs issued during 2024, the vesting period is four years, and for RSUs issued prior to 2024, the vesting period is three years. As of March 31, 2024, there were 2.7 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 three months ended March 31, 2024.

	Units	Weighted-Average Fair Value at Grant Date
Outstanding at December 31, 2023	1,989,782	$ 11.51
Granted	1,276,276	9.60
Forfeited	(17,563)	11.63
Vested	(348,895)	11.93
Outstanding at March 31, 2024	2,899,600	$ 10.62

Note 18. Earnings per Share

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”).

The dilutive effect of Westrock Series A Preferred Shares and the Convertible Notes is calculated using the if-converted method, which assumes an add-back of any accretion on preferred shares and interest expense associated with the Convertible Notes 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.

	Three Months Ended March 31,	
(Thousands)	2024	2023
Warrants	19,144	—
Restricted stock	2,148	2,210
Options	1,328	1,517
If-converted securities	27,073	23,583

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

	Three Months Ended March 31,	
(Thousands, except per share data)	2024	2023
Basic Earnings per Common Share		
Numerator:		
Net income (loss) attributable to common shareholders	$ (23,586)	$ (4,770)
Denominator:		
Weighted-average common shares outstanding - basic	88,095	75,358
Basic earnings (loss) per common share	$ (0.27)	$ (0.06)
Diluted Earnings per Common Share		
Numerator:		
Net income (loss) attributable to common shareholders - basic	$ (23,586)	$ (4,770)
Effect of participating securities	—	—
Effect of non-participating securities	—	(5,529)
Net income (loss) attributable to common shareholders - diluted	$ (23,586)	$ (10,299)
Denominator:		
Weighted-average common shares outstanding - basic	88,095	75,358
Effect of dilutive participating securities	—	1,335
Effect of dilutive non-participating securities	—	—
Weighted-average common shares outstanding - diluted	88,095	76,693
Dilutive loss per common share	$ (0.27)	$ (0.13)

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, 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 March 31, 2024 Beverage Solutions	Sustainable Sourcing & Traceability	Intersegment Revenues	Total of Reportable Segments
Net sales	$ 158,059	$ 36,320	$ (1,879)	$ 192,500
Adjusted EBITDA	10,800	342	n/a	11,142
Less:				
Interest expense				7,579
Income tax expense (benefit)				5,815
Depreciation and amortization				7,548
Transaction, restructuring and integration expense				2,964
Change in fair value of warrant liabilities				(41)
Equity-based compensation				2,455
Conway extract and ready-to-drink facility start-up costs				9,796
Mark-to-market adjustments				(1,640)
Loss (gain) on disposal of property, plant and equipment				2
Other				337
Net income (loss)				$ (23,673)
Total assets	917,091	66,165	n/a	983,256

(Thousands)	Three Months Ended March 31, 2023 Beverage Solutions	Sustainable Sourcing & Traceability	Intersegment Revenues	Total of Reportable Segments
Net sales	$ 181,209	$ 25,391	$ (1,158)	$ 205,442
Adjusted EBITDA	8,421	32	n/a	8,453
Less:				
Interest expense				6,029
Income tax expense (benefit)				(4,359)
Depreciation and amortization				5,874
Transaction, restructuring and integration expense				6,644
Change in fair value of warrant liabilities				(5,529)
Management and consulting fees (S&D Coffee, Inc. acquisition)				556
Equity-based compensation				1,548
Conway extract and ready-to-drink facility start-up costs				1,869
Mark-to-market adjustments				(1,236)
Loss (gain) on disposal of property, plant and equipment				896
Other				487
Net loss				$ (4,326)
Total assets	688,403	84,898	n/a	773,301

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 $160.1 million as of March 31, 2024 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 March 31, 2024, we had an obligation to repurchase $3.4 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

In February 2024, the Company sold and issued Convertible Notes to Westrock Group, LLC (a holder of more than 5% of the outstanding Common Shares and affiliate of Scott Ford, the Company's Chief Executive Officer and a member of the board of directors of the Company, "Westrock Group"), Wooster Capital, LLC (an affiliate of Joe Ford, chairman of the board of directors) and HF Direct Investments Pool, LLC (a holder of more than 10% of the outstanding Common Shares), each a related party.

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

(Thousands)	March 31, 2024	December 31, 2023
Accrued expenses and other current liabilities		
Westrock Group	$ 125	$ —
Wooster Capital	31	—
HF Direct Investment Pool, LLC	156	—
Total	$ 312	$ —

(Thousands)	March 31, 2024	December 31, 2023
Convertible notes payable - related party, net:		
Westrock Group	$ 20,000	$ —
Wooster Capital	5,000	—
HF Direct Investment Pool, LLC	25,000	—
Total	50,000	—
Unamortized debt costs	(346)	—
Total	$ 49,654	$ —

	Three Months Ended March 31,	
(Thousands)	2024	2023
Interest expense:		
Westrock Group	$ 125	$ —
Wooster Capital	31	—
HF Direct Investment Pool, LLC	156	—
Total	$ 312	$ —

In connection with the acquisition of S&D Coffee, Inc. in February 2020, the Company entered into a Management Services Agreement with 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 $0.6 million of such expenses during the three months ended March 31, 2023 and no such expenses during the three months ended March 31, 2024. In addition, the Company reimburses Westrock Group for the usage of a corporate aircraft, and its portion of shared administrative expenses. For the three months ended March 31, 2024 and 2023, the Company recognized expenses of $0.3 million and $0.3 million, respectively, for such items, which are recorded in selling, general and administrative expenses in our Condensed Consolidated Statements of Operations. At March 31, 2024 and December 31, 2023, we had $0.1 million and $0.2 million payable to Westrock Group, respectively, related to such items.

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 months ended March 31, 2024. 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, 2023 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 15, 2024.

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, 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 transaction, 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 months ended March 31, 2024 and 2023 is as follows:

	Three Months Ended March 31,	
(Thousands)	**2024**	**2023**
Net loss	$ (23,673)	$ (4,326)
Interest expense	7,579	6,029
Income tax expense (benefit)	5,815	(4,359)
Depreciation and amortization	7,548	5,874
EBITDA	(2,731)	3,218
Transaction, restructuring and integration expense	2,964	6,644
Change in fair value of warrant liabilities	(41)	(5,529)
Management and consulting fees (S&D Coffee, Inc. acquisition)	—	556
Equity-based compensation	2,455	1,548
Conway extract and ready-to-drink facility start-up costs	9,796	1,869
Mark-to-market adjustments	(1,640)	(1,236)
Loss on disposal of property, plant and equipment	2	896
Other	337	487
Adjusted EBITDA	$ 11,142	$ 8,453
Beverage Solutions	10,800	8,421
Sustainable Sourcing & Traceability	342	32
Total of Reportable Segments	$ 11,142	$ 8,453

Significant Developments

Select Milk Joint Venture

On February 15, 2024, the Company entered into a non-binding letter of intent with Select Milk Producers ("Select Milk") to establish a joint venture that will construct and operate an extended shelf life and aseptic multi-serve bottle line facility to be co-located at Select Milk's factory in Littlefield, Texas. Westrock will produce and provide the joint venture with coffee extract from its extract and ready-to-drink facility in Conway, Arkansas and Select Milk will provide the joint venture with milk from its Littlefield facility. The Company and Select Milk expect to ship the first product from these lines in the first quarter of 2026.

Convertible Notes Offering

On February 15, 2024, the Company sold and issued in a private placement $72.0 million in aggregate principal amount of 5.00% convertible senior notes due 2029 (the "Convertible Notes"). The Convertible Notes will be unsecured and senior obligations of the Company and will accrue interest at a rate of 5.00% per annum.

The purchasers of the Convertible Notes are Westrock Group, LLC (a holder of more than 5% of the outstanding Common Shares and an affiliate of Scott Ford, the Company's Chief Executive Officer and a member of the board of directors of the Company), Wooster Capital, LLC (an affiliate of Joe Ford, chairman of the board of directors), an affiliate of The Stephens Group, LLC (a holder of more than 5% of the outstanding Common Shares), an affiliate of Sowell Westrock, L.P. (a holder of more than 5% of the outstanding Common Shares), HF Direct Investments Pool, LLC (a holder of more than 10% of the outstanding Common Shares), an affiliate of the Herbert Hunt family and an individual investor. The offer and sale of the Convertible Notes was authorized and approved unanimously by the Audit & Finance Committee of the board of directors in accordance with the Company's Related Party Transactions Policy. See Note 11 to our Condensed Consolidated Financial Statements for additional discussion related to the Convertible Notes offering.

Credit Agreement Amendment

On February 14, 2023, the Company entered into an Incremental Assumption Agreement and Amendment No. 1 (the "First Amendment") to its Credit Agreement, which established a new class of incremental term loan commitments in the form of a senior secured delayed draw term loan facility (the "Delayed Draw Term Loan Facility") in the aggregate principal amount of $50.0 million. In January 2024, the Company borrowed the $50.0 million available to it under the terms of the Delayed Draw Term Loan Facility.

On February 15, 2024, Westrock Beverage Solutions, LLC, a Delaware limited liability company and wholly-owned subsidiary of the Company (the "Borrower"), entered into Amendment No. 3 (the "Third Amendment") to the Credit Agreement. The Third Amendment modified the existing covenant relief period (the "Covenant Relief Period"), which commenced on June 30, 2023 and will end on the earlier to occur of (i) April 1, 2026 and (ii) any date following June 30, 2024, on which the borrower elects to terminate the Covenant Relief Period subject to satisfaction of certain conditions. During the Covenant Relief Period, the Company's ability to incur additional indebtedness and make investments, restricted payments and junior debt restricted payments will be more limited. The Third Amendment permits the Company to issue convertible notes, including the Convertible Notes.

During the Covenant Relief Period, the applicable margin for any term SOFR rate loan will range from 3.00% to 4.00% and for any ABR loan will range from 2.00% to 3.00%, in each case depending on the secured net leverage ratio. After the Covenant Relief Period, the applicable margin for any term SOFR rate loan will range from 2.00% to 3.00% and for any ABR loan will range from 1.00% to 2.00%, in each case depending on the secured net leverage ratio. The Credit Agreement, as amended, requires the Borrower to maintain compliance with (i) a secured net leverage ratio at levels ranging from 4.50:1.00 to 6.25:1.00 and stepping down to 4.50:1.00 by April 2026 and (ii) an interest coverage ratio of at least 1.50:1.00 on and prior to September 30, 2025 and at least 2.00:1.00 on December 31, 2025 and thereafter. The Credit Agreement, as amended, also includes (i) a minimum liquidity covenant requiring the Borrower not to permit its liquidity, measured as of the last business day of each calendar month commencing March 29, 2024, to be less than $15 million and (ii) an anti-cash hoarding covenant, which shall be effective only during the Covenant Relief Period, requiring the Borrower to have no more than $20 million of unrestricted cash on the last day of each calendar month when revolving loans or letters of credit are outstanding or on the date of borrowing of a revolving loan. See Note 11 to our Condensed Consolidated Financial Statements for additional discussion related to the Third Amendment.

Equity Distribution Agreement

On March 15, 2024, the Company entered into an Equity Distribution Agreement (the “Equity Distribution Agreement”) with Wells Fargo Securities, LLC and Truist Securities, Inc. (the “Agents”), pursuant to which the Company may from time to time offer and sell shares of the Company’s common stock, par value $0.01 per share (the “Common Shares”), not to exceed 5,000,000 Common Shares in the aggregate (the “Placement Securities”) through the Agents as part of an “at the market” offering program.

The offer and sale of the Placement Securities will be made pursuant to the Company’s shelf registration statement on Form S-3 (File No. 333-274827) that was declared effective by the SEC on November 17, 2023, and a related prospectus supplement, which the Company filed with the SEC on March 15, 2024.

The Company is not obligated to sell any Placement Securities pursuant to the Equity Distribution Agreement. Subject to the terms and conditions of the Equity Distribution Agreement, the Agents have agreed to use commercially reasonable efforts, consistent with their normal trading and sales practices, to sell Placement Securities from time to time in accordance with the Company’s placement notice, including any price, time or size limits or other customary parameters or conditions the Company may deem appropriate.

Under the Equity Distribution Agreement and subject to the terms of the placement notice delivered by the Company, an Agent may sell Placement Securities by (x) any method permitted by law and deemed to be an “at-the-market offering” as defined in Rule 415 of the Securities Act and the rules and regulations thereunder, including, without limitation, sales made directly on the Nasdaq Global Select Market at market prices prevailing at the time of sale or at prices related to prevailing market prices, on any other existing trading market for the Common Shares or to or through a market maker, and (y) any other method permitted by law, including but not limited to in privately negotiated transactions. Subject to the terms and conditions of the Equity Distribution Agreement, the Company may also from time to time sell Placement Securities to an Agent as principal.

The Equity Distribution Agreement may be terminated for any reason, at any time by either the Company or any of the Agents upon ten days’ prior written notice to the other parties, or by the Agents at any time in certain circumstances, including the occurrence of a material adverse change in the Company. In addition, the Equity Distribution Agreement will automatically terminate upon the earlier of (1) two years from the date of the Equity Distribution Agreement and (2) the issuance and sale of all of the Placement Securities through the Agents.

The Company will pay each Agent a commission of 1.5% of the gross proceeds from the sales of Common Shares sold by such Agent pursuant to the Equity Distribution Agreement. The Company has agreed to provide the Agents with customary indemnification and contribution rights. The Company has agreed to pay certain specified expenses incurred by the Agents in connection with the offering. The Equity Distribution Agreement contains customary representations and warranties and conditions to the placements of the Placement Securities pursuant thereto.

Results of Operations

Comparison of the Three Months Ended March 31, 2024 and 2023

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 March 31, 2024	% of Revenues	Three Months Ended March 31, 2023	% of Revenues
Net sales	$ 192,500	100.0 %	$ 205,442	100.0 %
Costs of sales	155,226	80.6 %	171,144	83.3 %
Gross profit	37,274	19.4 %	34,298	16.7 %
Selling, general and administrative expense	44,440	23.1 %	34,122	16.6 %
Transaction, restructuring and integration expense	2,964	1.5 %	6,644	3.2 %
Loss on disposal of property, plant and equipment	2	0.0 %	896	0.4 %
Total operating expenses	47,406	24.6 %	41,662	20.3 %
Loss from operations	(10,132)	(5.3)%	(7,364)	(3.6)%
Other (income) expense				
Interest expense	7,579	3.9 %	6,029	2.9 %
Change in fair value of warrant liabilities	(41)	(0.0)%	(5,529)	(2.7)%
Other, net	135	0.1 %	821	0.4 %
Loss before income taxes and equity in earnings from unconsolidated entities	(17,805)	(9.2)%	(8,685)	(4.2)%
Income tax expense (benefit)	5,815	3.0 %	(4,359)	(2.1)%
Equity in (earnings) loss from unconsolidated entities	53	0.0 %	—	0.0 %
Net loss	$ (23,673)	(12.3)%	$ (4,326)	(2.1)%
Net (loss) income attributable to non-controlling interest	—	0.0 %	15	0.0 %
Net loss attributable to shareholders	(23,673)	(12.3)%	(4,341)	(2.1)%
Accretion of Series A Convertible Preferred Shares	87	0.0 %	(429)	(0.2)%
Net loss attributable to common shareholders	$ (23,586)	(12.3)%	$ (4,770)	(2.3)%

The following table sets forth selected financial information of our reportable segments for the three months ended March 31, 2024 and 2023:

(Thousands)	Beverage Solutions	Sustainable Sourcing & Traceability	Intersegment Revenues(1)	Total of Reportable Segments
Segment Revenues:				
2024	$ 158,059	$ 36,320	$ (1,879)	$ 192,500
2023	181,209	25,391	(1,158)	205,442
Segment Costs of Sales:				
2024	125,060	30,166	n/a	155,226
2023	150,714	20,430	n/a	171,144
Segment Gross Profit:				
2024	32,999	4,275	n/a	37,274
2023	30,495	3,803	n/a	34,298
Segment Adjusted EBITDA:				
2024	10,800	342	n/a	11,142
2023	8,421	32	n/a	8,453
Segment Adjusted EBITDA Margin:				
2024	6.8 %	1.0 %	n/a	5.8 %
2023	4.6 %	0.1 %	n/a	4.1 %

(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 $158.1 million for the three months ended March 31, 2024, compared to $181.2 million for the three months ended March 31, 2023, a decrease of approximately 12.8%. The decrease was primarily due to a $27.6 million decrease in the sale of coffee and tea products, driven by a 23.8% decrease in roast and ground coffee volumes, partially offset by a $4.6 million increase in the sale of flavors, extracts and ingredients products, driven by a 41.5% increase in flavors, extracts and ingredients volumes.

Net Sales from our SS&T segment, net of intersegment revenues, totaled $34.4 million for the three months ended March 31, 2024, increasing 42.1% compared to $24.2 million for the three months ended March 31, 2023. The increase is driven by an increase in sales volume, which increased 100.9%, partially offset by a 27.9% decrease in average sales price per pound for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The decrease in the average sales price per pound is directly correlated to the global commodities price.

Costs of Sales

In our Beverage Solutions segment, costs of sales decreased to $125.1 million for the three months ended March 31, 2024, from $150.7 million for the three months ended March 31, 2023. The decrease in costs of sales was primarily driven by a decrease in the sale of coffee and tea products for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

In our SS&T segment, costs of sales increased $9.7 million to $30.2 million for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. This increase is primarily due to an increase in green coffee sales volume. Costs of sales in our SS&T segment for the three months ended March 31, 2024 included $1.6 million of net unrealized gains on forward sales and purchase contracts and mark-to-market adjustments on green coffee inventory compared to $1.2 million of net unrealized gains for the three months ended March 31, 2023.

Selling, General and Administrative Expense

	Three Months Ended March 31,			
	2024		2023	
(Thousands)	Amount	% of Segment Revenues	Amount	% of Segment Revenues
Beverage Solutions	$ 42,028	26.6 %	$ 31,802	17.5 %
Sustainable Sourcing & Traceability	2,412	7.0 %	2,320	9.6 %
Total selling, general and administrative expense	$ 44,440	23.1 %	$ 34,122	16.6 %

Total selling, general and administrative expenses in our Beverage Solutions segment increased $10.2 million to $42.0 million for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. The increase is primarily due to a $7.9 million increase in expenses associated with the start-up of our extract and ready-to-drink facility in Conway, Arkansas. In our SS&T segment, selling, general and administrative costs were relatively unchanged compared to the three months ended March 31, 2023.

Transaction, Restructuring and Integration Expense

Transaction, restructuring and integration expenses for the three months ended March 31, 2024 were $3.0 million, approximately $2.2 million of which related to the Equity Distribution Agreement. During the three months ended March 31, 2023, we incurred $6.6 million of transaction, restructuring and integration expenses, approximately $6.1 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 $0.5 million of which related to the acquisition of Bixby Roasting Co.

Interest Expense

	Three Months Ended March 31,	
(Thousands)	2024	2023
Interest expense		
Cash:		
Term loan and delayed draw term loan facilities	$ 4,654	$ 2,750
Revolving credit facility	752	718
Convertible notes payable	138	—
Convertible notes payable - related party	313	—
Supply chain finance program	2,008	—
International trade finance lines	865	1,212
International notes payable	186	31
Other	441	865
Total cash interest	9,357	5,576
Non-cash:		
Amortization of deferred financing costs	1,050	453
Capitalized interest	(2,828)	—
Total non-cash interest	(1,778)	453
Total interest expense	$ 7,579	$ 6,029

Interest expense for the three months ended March 31, 2024 was $7.6 million compared to $6.0 million for the three months ended March 31, 2023. $1.9 million of the increase is attributable to interest expense associated with our term loan and delayed draw term loan facilities, primarily due to an increase in interest rates. In addition, we incurred $2.0 million in interest on our supply chain finance program borrowings for the three months ended March 31, 2024 compared to no such interest for the three months ended March 31, 2023. Furthermore, during the three months ended March 31, 2024, the Company capitalized approximately $2.8 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 March 31, 2023.

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 March 31, 2024 resulted in recognition of $0.1 million of gains compared to recognition of $5.5 million of gains during the three months ended March 31, 2023.

Income Tax Expense (Benefit)

Income tax expense for the three months ended March 31, 2024 was $5.8 million, resulting in an effective tax rate of (32.6)%. 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 certain permanent differences, including nondeductible expenses related to executive compensation. Income tax benefit for the three months ended March 31, 2023 was $4.4 million, resulting in an effective tax rate of 50.2%.

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 15, 2024. As of March 31, 2024, 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 Credit Agreement.

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, including any adverse impact from changes or delays in the estimated timing and volume of products to be commercialized in our extract and ready-to-drink manufacturing facility in Conway, Arkansas, 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

The Company is party to 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”), (b) a senior secured first lien term loan facility in an initial aggregate principal amount of $175.0 million (the “Term Loan Facility”), and (c) 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. The Revolving Credit Facility, the Term Loan Facility and the Delayed Draw 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, the Term Loan Facility and the Delayed Draw Term Loan Facility will bear interest, at the Borrower’s option, initially at an annual rate equal to (a) 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 (b) 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 an applicable margin.

At March 31, 2024, the interest rate applicable to our Term Loan Facility was 9.2%, and the interest rate applicable to our Delayed Draw Term Loan Facility was 8.7%. At March 31, 2024, no amounts were outstanding under the Revolving Credit Facility and we had $2.6 million of standby letters of credit outstanding.

On February 15, 2024, Westrock Beverage Solutions, LLC, a Delaware limited liability company and wholly owned subsidiary of the Company (the “Borrower”), entered into Amendment No. 3 (the “Third Amendment”) to the Credit Agreement. The Third Amendment modified the existing covenant relief period (the “Covenant Relief Period”), which commenced on June 30, 2023 and will end on the earlier to occur of (i) April 1, 2026 and (ii) any date following June 30, 2024, on which the borrower elects to terminate the Covenant Relief Period subject to satisfaction of certain conditions. During the Covenant Relief Period, the Company’s ability to incur additional indebtedness and make investments, restricted payments and junior debt restricted payments will be more limited. The Third Amendment permits the Company to issue convertible notes, including the Convertible Notes.

During the Covenant Relief Period, the Applicable Margin for any term SOFR rate loan will range from 3.00% to 4.00% and for any ABR loan will range from 2.00% to 3.00%, in each case depending on the secured net leverage ratio. After the Covenant Relief Period, the Applicable Margin for any term SOFR rate loan will range from 2.00% to 3.00% and for any ABR loan will range from 1.00% to 2.00%, in each case depending on the secured net leverage ratio.

The Credit Agreement, as amended, requires the Borrower to maintain compliance with (i) a secured net leverage ratio at levels ranging from 4.50:1.00 to 6.25:1.00 and stepping down to 4.50:1.00 by April 2026 and (ii) an interest coverage ratio of at least 1.50:1.00 on and prior to September 30, 2025 and at least 2.00:1.00 on December 31, 2025 and thereafter. The Credit Agreement, as amended, also includes (i) a minimum liquidity covenant requiring the Borrower not to permit its liquidity, measured as of the last business day of each calendar month commencing March 29, 2024, to be less than $15 million and (ii) an anti-cash hoarding covenant, which shall be effective only during the Covenant Relief Period, requiring the Borrower to have no more than $20 million of unrestricted cash on the last day of each calendar month when revolving loans or letters of credit are outstanding or on the date of borrowing of a revolving loan. As of the date of this Quarterly Report on Form 10-Q, the Company was in compliance with its financial covenants.

The Term Loan Facility and Delayed Draw Term Loan Facility requires quarterly principal payments totaling approximately $2.8 million (1.25% of the original principal balance). Quarterly payments increase to approximately $4.2 million and $5.6 million (1.875% and 2.5% of the original principal balance) during the final two years of the agreements, respectively.

We incurred a total of $2.4 million in financing fees in connection with the Third Amendment. Approximately $1.3 million of the fees were allocated to the Term Loan Facility and are being amortized over the remaining term of the Term Loan Facility utilizing the frozen effective yield method based on the interest rate in place at the issuance of the

Term Loan Facility. Approximately $1.0 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 remaining term of the Revolving Credit Facility.

Convertible Notes

On February 15, 2024, the Company sold and issued in a private placement $72.0 million in aggregate principal amount of 5.00% convertible senior notes due 2029 (the "Convertible Notes"), of which $50.0 million was from related parties. The Convertible Notes are unsecured, senior obligations of the Company and accrue interest at a rate of 5.00% per annum.

The Convertible Notes are carried at amortized cost and are recorded in long-term debt, net and convertible notes payable – related party, net on the Condensed Consolidated Balance Sheets. At March 31, 2024, the carrying value of the Convertible Notes was $71.5 million, of which $49.7 million was from related parties. We incurred a total of $0.5 million of financing fees in connection with the Convertible Notes, which were ratably allocated to the convertible notes payable and the convertible notes payable – related party, respectively, and are being amortized into interest expense over the remaining term of the Convertible Notes utilizing the effective interest rate method.

Pursuant to the terms of the Convertible Notes, noteholders may convert their Convertible Notes at their option only in the following circumstances: (i) during the period commencing on August 15, 2024, and prior to the close of business on the trading day immediately preceding August 15, 2028, if the closing price for at least 20 trading days (whether or not consecutive) during the period of any 30 consecutive trading days in the immediately preceding calendar quarter is equal to or greater than 130% of the conversion price; (ii) during the period commencing on August 15, 2028, and prior to the close of business on the second scheduled trading day immediately preceding February 15, 2029, at any time; and (iii) during the 35 trading days following the effective date of certain fundamental change transactions that occur prior to the close of business on the trading day immediately preceding August 15, 2028.

The Company will settle conversions by paying or delivering, as applicable, at the Company's election, cash, Common Shares, or a combination of cash and Common Shares. The Company may not issue more than 19.99% of the issued and outstanding Common Shares immediately prior to the issuance of the Convertible Notes in respect of the conversion of the Convertible Notes. The initial conversion price of the Convertible Notes is $12.84, which corresponds to an initial conversion rate of approximately 77.88 Common Shares per $1,000 principal amount of Convertible Notes. The conversion price and conversion rate are subject to customary adjustments.

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 was set to mature one year from inception. Borrowings under the facility bore 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%).

On March 8, 2024, Falcon renewed its working capital trade finance facility with multiple institutions. The facility size was reduced from $70.0 million to $55.0 million and remains 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, 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 March 31, 2024, there was $27.8 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 March 31, 2024.

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 the 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 March 31, 2024, there was $5.0 million of outstanding borrowings under the facility, of which $4.5 million and $0.5 million, is recorded in long-term debt, net and current maturities of long-term debt, respectively, 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 March 31, 2024.

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 $6.7 million at March 31, 2024 and (b) a long-term note payable with a balance of $1.0 million at March 31, 2024.

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 Consolidated Balance Sheets. As of March 31, 2024, there were $78.7 million obligations outstanding under the Program.

At-the-Market Common Stock Offering Program

We have an effective shelf registration statement on file with the SEC (the "Registration Statement") to offer and sell various securities from time to time. Under the registration statement, we have established an at-the-market common stock offering program (the "ATM Program") to sell shares of common stock not to exceed 5,000,000 shares of Common Stock in the aggregate. During the three months ended March 31, 2024, we did not make any sales under the ATM Program. This program is intended to provide additional financial flexibility and an alternative mechanism to access the capital markets at an efficient cost as and when we need financing, including for acquisitions.

Current and Long-Term Liquidity

A key component of our long-term growth strategy is 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 expect that the material capital expenditures related to the facility will be completed by the first quarter of 2025.

We believe proceeds from the Delayed Draw Term Loans, Convertible Notes, cash from operations and borrowings available under the Revolving Credit Facility will provide sufficient cash on-hand 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, (v) continuing to drive margin expansion and (vi) completing the build-out of our extract and ready-to-drink manufacturing facility in Conway, Arkansas. 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 March 31, 2024, 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, 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, of which there were 2,026,046 outstanding at March 31,2024, are not redeemable so long as they are held by the existing holders or their 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, 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 $270.4 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 and Delayed Draw Term Loan Facility require quarterly principal payments of 1.25% of the original principal. Quarterly payments increase 1.875% and 2.5% of the original principal balance during the fourth and fifth years of the Credit Facility, 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 $160.1 million as of March 31, 2024 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 $3.4 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 three months ended March 31, 2024 and 2023 were as follows:

(Thousands)	Growth	Maintenance	Customer Beverage Equipment	Other	Total
Three months ended March 31, 2024	$ 67,344	$ 622	$ 288	$ 660	$ 68,914
Three months ended March 31, 2023	$ 17,766	$ 311	$ 566	$ 982	$ 19,625

During 2024, 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 15, 2024.

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 provide reasonable assurance 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 March 31, 2024, 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 March 31, 2024, 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 U.S. GAAP. Our Principal Executive Officer and Principal Financial Officer have certified that, based on such officer's knowledge, the 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 March 31, 2024.

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 and the recognition of operating lease right-of-use assets and operating lease liabilities in the consolidated financial statements, which resulted in immaterial adjustments to certain interim and annual periods for the years ending December 31, 2020 through December 31, 2023, and material adjustments to the cash flow presentation of net repayments from repurchase agreements within financing activities within the condensed consolidated statement of cash flows for the six months ended June 30, 2023 and to operating lease right-of-use assets and operating lease liabilities within the consolidated balance sheet as of December 31, 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.

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 Activities

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

- Hired additional accounting and information technology ("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, a new internal controls resource hired in April 2023 with the appropriate level of knowledge, training, and experience to establish an internal audit function responsible for testing internal controls to improve our internal control over financial reporting and IT capabilities, and a Chief Information Officer in November 2023 with public company IT compliance and cybersecurity experience.

- Developed and formalized 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 the 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.

- Engaged a third party to assist in designing and implementing controls related to period-end financial reporting and segregation of duties.

- Designed and implemented controls during the quarters ended June 30, September 30, and December 31, 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 documentation, task reassignment, and policies and procedures enhancement around the preparation, review and oversight of account reconciliations and journal entries.

- Designed and implemented formal accounting procedures and controls during the quarters ended September 30, 2023 December 31, 2023, and March 31, 2024 that support Westrock's period-end financial accounting, reporting and disclosures, including controls over close procedures workflow, preparation, review and oversight of account reconciliations and journal entries, presentation and classification, evaluation of internal information for disclosure, recognition of operating lease right-of-use assets and operating lease liabilities, and controls to reconcile financial statement and disclosure information to source documentation.

The enhancements are expected to remediate the material weaknesses when they have operated effectively for a sufficient period of time.

Remediation of Material Weakness in Internal Control Over Financial Reporting

As previously disclosed, Westrock did not design and maintain effective controls over certain 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.

To remediate the material weakness, management has taken certain measures including the following:

- Hired additional accounting and IT personnel, including a new chief accounting officer hired in May 2021, a new IT compliance resource hired in March 2023, a new internal controls resource hired in April 2023 with the appropriate level of knowledge, training, and experience to establish an internal audit function responsible for testing internal controls to improve our internal control over financial reporting and IT capabilities, and a Chief Information Officer in November 2023 with public company IT compliance and cybersecurity experience.

- Engaged a third party to assist in designing and implementing controls related to IT general controls (ITGC).

- 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, (v) backup processes including access to backups, monitoring, scheduling, recovery, and testing, and (vi) review of service organization reports and related end-user control considerations.

- Over the course of the quarter ended December 31, 2023, management provided training to control owners and revised certain control documentation to emphasize evidence retention in the execution of key IT controls.

- Designed and implemented IT general controls, including controls over program 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 all IT systems during the quarters ended September 30, and December 31, 2023.

- During the quarter ending December 31, 2023, designed and implemented a third-party service provider assurance report review control which includes management's overall evaluation of the report and bridge letters as applicable, a response to the deficiencies noted, a mapping of complimentary user entity controls to the company's controls, and an evaluation of relevant sub-service providers.

During the fourth quarter of 2023 and first quarter of 2024, management completed the testing necessary to conclude that the newly implemented and enhanced controls were appropriately designed, implemented and operating effectively as of March 31, 2024, and concluded that the material weakness related to IT general computer controls has been remediated.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act, that occurred during the quarter ended March 31, 2024, 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 15, 2024.

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) Except as set forth below, during the three months ended March 31, 2024, 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).

On March 18, 2024, Mr. T. Christopher Pledger, the Company's Chief Financial Officer, entered into a Rule 10b5-1 trading arrangement (the "10b5-1 Plan") to sell up to 30,000 shares of the Company's common stock during the period starting 90 days after the date of the 10b5-1 Plan and ending on March 31, 2025, subject to certain conditions.

Item 6. Exhibits

Exhibit Index

Exhibit Number	Exhibit Description	Incorporated by Reference: Form	File No.	Exhibit	Filing Date	Filed Herewith
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	Form of Convertible Note of Westrock Coffee Company, dated February 15, 2024	8-K	001-41485	4.1	February 15, 2024	
10.1	Amendment No. 3, dated as of f 15, 2024, 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	10.1	February 15, 2024	
10.2	Westrock Coffee Company Deferred Compensation Plan for Non-Employee Directors	10-K	001-41485	10.19	March 15, 2024	
10.3	Form of Restricted Stock Unit Award Agreement					*
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 Rule13a-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.					**
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.

		Westrock Coffee Company
Date: May 9, 2024	By:	/s/ T. Christopher Pledger
	Name:	T. Christopher Pledger
	Title:	Chief Financial Officer (Principal Financial Officer)
Date: May 9, 2024	By:	/s/ Blake Schuhmacher
	Name:	Blake Schuhmacher
	Title:	Senior Vice President – Chief Accounting Officer (Principal Accounting Officer)

WESTROCK COFFEE COMPANY
RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "**Agreement**") by and between Westrock Coffee Company, a Delaware corporation (the "**Company**") and the individual named on the acceptance page hereto ("**Participant**") is made as of the date set forth on such acceptance page hereto (the "**Grant Date**"). Reference is made herein to the Westrock Coffee Company 2022 Equity Incentive Plan, as amended, modified or supplemented from time to time (the "**Plan**").

WHEREAS, on the terms and subject to the conditions hereof, the Company desires to issue to Participant Restricted Stock Units (as defined in the Plan) in the amount set forth on the acceptance page hereto (the "**Award**"), as hereinafter set forth.

NOW, THEREFORE, in order to implement the foregoing and in consideration of the mutual representations, warranties, covenants and agreements contained herein, the parties hereto agree as follows:

1. **Definitions**. Capitalized terms not defined in this Agreement shall have the meanings ascribed to such terms in the Plan.

2. **Incorporation of the Plan**. The Award is made pursuant to the Plan, all terms of which are hereby incorporated in this Agreement. In the event of any conflict between the terms of the Plan, on the one hand, and the terms of this Agreement or any other arrangement between you and the Company, on the other hand, the terms of the Plan shall govern. By accepting this Agreement, Participant hereby agrees to be bound by the terms of the Plan and this Agreement.

3. **Grant and Vesting**. Participant is hereby granted the number of Restricted Stock Units set forth on the signature page hereto. The Restricted Stock Units shall become vested in [INSERT APPLICABLE VESTING TERMS] (each such applicable date, a "**Vesting Date**"), subject to Participant's continued service or employment, as applicable, through the applicable Vesting Date. Any unvested Restricted Stock Units that do not become vested on or prior to Participant's termination of service or employment, as applicable, with the Company and its Affiliates shall be forfeited, and Participant shall have no further rights with respect thereto, effective as of the date of such termination.

4. **Change in Control**. Any unvested Restricted Stock Units shall vest in full upon a Change in Control, subject to Participant's continued service or employment, as applicable, through the occurrence of such Change in Control.

5. **Issuance of Shares**. As soon as reasonably practicable following the date a Restricted Stock Unit granted hereby vests (but in no event later than two and one-half months after the end of the year in which such Restricted Stock Unit vests), the Company shall issue to Participant the number of Shares equal to the aggregate number of Restricted Stock Units that have vested pursuant to this Agreement on such date and Participant shall thereafter have all the rights of a stockholder of the Company with respect to such Shares.

6. **Dividend Equivalents**. If the record date for the payment of cash dividends on Shares occurs between the Grant Date and the date a Restricted Stock Unit is settled for Shares or forfeited pursuant to this Agreement, the Company shall make a cash payment (a "**Dividend Equivalent**") to Participant equal to the value of the cash dividend that Participant would have received on the Shares underlying the Restricted Stock Units that are outstanding and not settled as of such record date, which Dividend Equivalent shall be paid as soon as reasonably practicable following the date the corresponding cash dividend is paid to holders of Shares, subject to Participant's continued service or employment, as applicable, with the Company and its Affiliates through the date such Dividend Equivalent is paid.

7. **Miscellaneous**.

7.1 **Notices**. Unless otherwise provided herein, all notices and other communications hereunder shall be in writing and shall be deemed given and received (a) if delivered in person, on the date delivered, (b) if transmitted by facsimile (provided receipt is confirmed by telephone), on the date sent or (c) if delivered by an express courier, on the second business day after mailing, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Company:

Westrock Coffee Company
4009 N. Rodney Parham Road, 4th Floor
Little Rock, AR 72212
Attn: Chief Legal Officer
Email: mckinneyb@westrockcoffee.com
Phone: 704-782-3121

If to Participant:

To the most recent address of Participant set forth in the personnel records of the Company.

7.2 **Restriction on Transfer**. The Restricted Stock Units may not be transferred, pledged, assigned, hypothecated or otherwise disposed of in any way by Participant, except as permitted by the Committee or by will or the laws of descent and distribution, in each case in compliance with applicable laws. The Restricted Stock Units shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Restricted Stock Units contrary to the provisions of this Agreement or the Plan shall be null and void and without effect.

7.3 **Amendments and Waivers**. (a) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective; provided that, the foregoing notwithstanding, this Agreement may be amended by the Company unilaterally, provided that no such unilateral amendment may materially adversely affect Participant, except to the extent provided for or contemplated in the terms of this Agreement.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

7.4 **Successors and Assigns**. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

7.5 **Governing Law**. This Agreement, the legal relations between the parties and the adjudication and the enforcement thereof, shall be governed by and interpreted and construed in accordance with the laws of the State of Delaware applicable to agreements made and to be performed entirely within the State of Delaware, without regard to the conflict of law provisions thereof that could result in the application of the laws of any other jurisdiction.

7.6 **Jurisdiction**. Each party irrevocably submits to the jurisdiction of any state or federal court sitting in or for Little Rock, Arkansas for the purposes of any suit, action or other proceeding arising out of this Agreement or the transactions contemplated hereby. Each party further agrees that service of any process, summons, notice or document by U.S. registered mail to such party's respective address set forth above shall be effective service of process for any action, suit or proceeding with respect to any matters to which it has submitted to jurisdiction in this Section 7.6. Each party irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in any state or federal court sitting in or for Little Rock, Arkansas, and hereby and thereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

7.7 **Waiver of Jury Trial**. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE BREACH, TERMINATION OR VALIDITY OF THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY HERETO CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO

THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.7.

7.8 **Counterparts; Third Party Beneficiaries**. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures hereto were upon the same instrument. This Agreement shall become effective as to a particular Participant when such Participant shall have received a counterpart hereof signed by the Company or shall have acknowledged acceptance electronically. No provision of this Agreement shall confer upon any person other than the parties hereto any rights or remedies hereunder.

7.9 **Entire Agreement**. This Agreement, together with (if applicable) any individual services, severance, employment or similar agreement between Participant and the Company or one of its Affiliates, constitutes the entire agreement between the parties with respect to the Award granted hereunder and supersedes all prior agreements and understandings, both oral and written, between the parties with respect to such Award.

7.10 **Section Headings; Construction**. The section headings contained herein are for the purpose of convenience only and are not intended to define or limit the contents of the sections. All words used in this Agreement shall be construed to be of such gender or number, as the circumstances require. Unless otherwise expressly provided, the word “including” does not limit the preceding words or terms and the word “or” is not exclusive.

7.11 **Severability**. Except as otherwise provided herein, if one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be deemed to be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision were so excluded and shall be enforced in accordance with its terms to the maximum extent permitted by law. Furthermore, a determination in any jurisdiction that this Agreement, in whole or in part, is invalid, illegal or unenforceable shall not in any way affect or impair the validity, legality or enforceability of this Agreement in any other jurisdiction.

7.12 **Interpretation**. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

7.13 **Participant’s Service or Employment with the Company**. Nothing contained in this Agreement shall be deemed (i) to obligate the Company or any of its Affiliates to continue the employment of Participant in any capacity whatsoever or to otherwise allow Participant to provide services to the Company or any of its Affiliates or (ii) to prohibit or restrict the Company or any of its Affiliates from terminating the services or employment, as applicable, of Participant at any time or for any reason whatsoever, with or without Cause.

7.14 **Withholding Taxes**. Participant acknowledges and agrees that the delivery of Shares or Dividend Equivalents pursuant to this Agreement is conditioned on satisfaction of any applicable withholding taxes in accordance with Section 12(d) of the Plan.

7.15 **Section 409A of the Code**. This Agreement is intended to comply with the requirements of Section 409A of the Code or an exemption or exclusion therefrom and, with respect to amounts that are subject to Section 409A of the Code, it is intended that this Agreement be administered in all respects in accordance with Section 409A of the Code. Each payment under the Award shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may Participant, directly or indirectly, designate the calendar year of any payment to be made under the Award to the extent that it constitutes nonqualified deferred compensation subject to Section 409A of the Code. Notwithstanding any other provision of this Agreement to the contrary, if Participant is a "specified employee" within the meaning of Section 409A of the Code (as determined in accordance with the methodology established by the Company), amounts that constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code that otherwise would be payable by reason of Participant's Separation from Service during the six (6)-month period immediately following such Separation from Service shall instead be paid or provided on the first (1st) business day following the date that is six (6) months following Participant's Separation from Service or any earlier date permitted by Section 409A of the Code. If Participant dies following the Separation from Service and prior to the payment of any amounts delayed on account of Section 409A of the Code, such amounts shall be paid to the personal representative of Participant's estate within thirty (30) days following the date of Participant's death.

7.16 **Further Assurances**. Participant agrees to execute all such certificates and other documents and instruments and shall do other acts as the Company reasonably deems appropriate to effectuate and perform the provisions of this Agreement and the transactions hereunder and to comply with the requirements of applicable law, including all agreements, certificates, tax statements and other documents as may be required to be filed in respect of the Company or any Subsidiary.

7.17 **Rights as Stockholder**. Until the issuance of the Shares underlying a Restricted Stock Unit (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a holder of Shares shall exist with respect to such Restricted Stock Unit. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 6 or in the Plan.

* * * * *

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2022**

I, Scott T. Ford, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Westrock Coffee Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

/s/ Scott T. Ford
Scott T. Ford
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2022

I, T. Christopher Pledger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Westrock Coffee Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

/s/ T. Christopher Pledger
T. Christopher Pledger
Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report of Westrock Coffee Company (the “Company”) on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Scott T. Ford, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

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

Date: May 9, 2024

/s/ Scott T. Ford
Scott T. Ford
Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report of Westrock Coffee Company (the "Company") on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, T. Christopher Pledger, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

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

Date: May 9, 2024

/s/ T. Christopher Pledger
T. Christopher Pledger
Chief Financial Officer