

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

FORM 10-Q

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

For the quarterly period ended September 30, 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

**WESTROCK COFFEE COMPANY**

(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

80-0977200  
(I.R.S. Employer  
Identification Number)

4009 N. Rodney Parham Road, 4th Floor  
Little Rock, Arkansas  
(Address of Principal Executive Offices)

72212  
(Zip Code)

(501) 918-9358  
(Registrant's Telephone Number, Including Area Code)

Not applicable  
(Former name, former address and former fiscal year, if changed since last report)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Emerging growth company

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

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

As of November 1, 2024, the Registrant had 94,188,120 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 operations and commercialization of customers within the anticipated time frame of our Conway, Arkansas facility and our ability to sell or commit capacity; our expectations regarding capital expenditures; our future liquidity needs and access to capital; and our expectations regarding remediation of the material weaknesses in our internal control over financial reporting. In addition, any statements that refer to projections, forecasts, or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “would,” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements are predictions, projections and other statements about future events that are based on current expectations and assumptions and, as a result, are subject to significant risks and uncertainties. Forward-looking statements speak only as of the date they are made. Readers are cautioned not to put undue reliance on forward-looking statements, and we assume no obligation and do not intend to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise.

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

- 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;
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- 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 successfully build out operations, commercialize customers, and generate positive operating cash flows within the anticipated time frame following the recent opening of our new facility in Conway, Arkansas 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.

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**WESTROCK COFFEE COMPANY**  
**FORM 10-Q**  
**September 30, 2024**

**Table of Contents**

<b><u>Part I. Financial Information</u></b>	<b>5</b>
<b><u>Item 1. Financial Statements</u></b>	<b>5</b>
<u>Condensed Consolidated Balance Sheets</u>	5
<u>Condensed Consolidated Statements of Operations</u>	6
<u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u>	7
<u>Condensed Consolidated Statements of Shareholders' Equity (Deficit)</u>	8
<u>Condensed Consolidated Statements of Cash Flows</u>	10
<u>Notes to Condensed Consolidated Financial Statements</u>	11
<u>1. Organization and Description of Business</u>	11
<u>2. Basis of Presentation and Consolidation</u>	11
<u>3. Summary of Significant Accounting Policies</u>	12
<u>4. Revenue</u>	17
<u>5. Acquisitions</u>	20
<u>6. Inventories</u>	20
<u>7. Property, Plant and Equipment, Net</u>	21
<u>8. Goodwill</u>	21
<u>9. Intangible Assets, Net</u>	22
<u>10. Leases</u>	22
<u>11. Debt</u>	24
<u>12. Series A Preferred Shares</u>	27
<u>13. Common Stock Warrants</u>	28
<u>14. Derivatives</u>	29
<u>15. Fair Value Measurements</u>	31
<u>16. Accumulated Other Comprehensive Income (Loss)</u>	34
<u>17. Equity-Based Compensation</u>	34
<u>18. Earnings per Share</u>	35
<u>19. Segment Information</u>	36
<u>20. Commitments and Contingencies</u>	39
<u>21. Related Party Transactions</u>	39
<u>22. Subsequent Events</u>	40
<b><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	<b>41</b>
<u>Overview</u>	41
<u>Key Business Metrics</u>	41
<u>Significant Developments</u>	43
<u>Results of Operations</u>	44
<u>Critical Accounting Estimates</u>	50
<u>Liquidity and Capital Resources</u>	50
<u>Recent Accounting Pronouncements</u>	55
<b><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></b>	<b>56</b>
<b><u>Item 4. Controls and Procedures</u></b>	<b>56</b>
<b><u>Part II. Other Information</u></b>	<b>59</b>
<b><u>Item 1. Legal Proceedings</u></b>	<b>59</b>
<u>Item 1A. Risk Factors</u>	59
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	59
<u>Item 3. Defaults Upon Senior Securities</u>	59
<u>Item 4. Mine Safety Disclosures</u>	59
<u>Item 5. Other Information</u>	59
<u>Item 6. Exhibits</u>	60
<u>Signatures</u>	62

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**Part I. Financial Information**  
**Item 1. Financial Statements**

**WESTROCK COFFEE COMPANY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

(Thousands, except par value)	September 30, 2024	December 31, 2023
<b>ASSETS</b>		
Cash and cash equivalents	\$ 22,359	\$ 37,196
Restricted cash	10,321	644
Accounts receivable, net of allowance for credit losses of \$3,447 and \$2,915, respectively	102,669	99,158
Inventories	160,644	149,921
Derivative assets	16,720	13,658
Prepaid expenses and other current assets	23,921	12,473
Total current assets	336,634	313,050
Property, plant and equipment, net	438,617	344,038
Goodwill	116,111	116,111
Intangible assets, net	116,968	122,945
Operating lease right-of-use assets	61,404	67,601
Other long-term assets	7,380	7,769
<b>Total Assets</b>	<b>\$ 1,077,114</b>	<b>\$ 971,514</b>
<b>LIABILITIES, CONVERTIBLE PREFERRED SHARES AND SHAREHOLDERS' EQUITY</b>		
Current maturities of long-term debt	\$ 12,137	\$ 9,811
Short-term debt	58,007	43,694
Accounts payable	52,320	69,106
Supply chain finance program	70,881	78,076
Derivative liabilities	10,204	3,731
Accrued expenses and other current liabilities	38,479	35,217
Total current liabilities	242,028	239,635
Long-term debt, net	326,122	223,092
Convertible notes payable - related party, net	49,689	—
Deferred income taxes	14,475	10,847
Operating lease liabilities	58,507	63,554
Warrant liabilities	729	44,801
Other long-term liabilities	1,286	1,629
Total liabilities	692,836	583,558
<b>Commitments and contingencies (Note 20)</b>		
Series A Convertible Preferred Shares, \$0.01 par value, 24,000 shares authorized, 23,511 shares and 23,512 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively, \$11.50 liquidation value	273,938	274,216
<b>Shareholders' Equity</b>		
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, 94,073 shares and 88,051 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	941	880
Additional paid-in-capital	515,925	471,666
Accumulated deficit	(418,315)	(362,624)
Accumulated other comprehensive income	11,789	3,818
<b>Total shareholders' equity</b>	<b>110,340</b>	<b>113,740</b>
<b>Total Liabilities, Convertible Preferred Shares and Shareholders' Equity</b>	<b>\$ 1,077,114</b>	<b>\$ 971,514</b>

See accompanying notes to condensed consolidated financial statements.

**WESTROCK COFFEE COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

(Thousands, except per share data)	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Net sales	\$ 220,860	\$ 219,612	\$ 621,749	\$ 649,748
Costs of sales	183,775	184,546	505,987	544,707
Gross profit	37,085	35,066	115,762	105,041
Selling, general and administrative expense	46,132	37,050	142,182	105,275
Transaction, restructuring and integration expense	2,538	3,137	9,901	12,682
Impairment charges	1,165	—	1,996	—
(Gain) loss on disposal of property, plant and equipment	(8)	248	965	1,145
Total operating expenses	49,827	40,435	155,044	119,102
<b>Loss from operations</b>	<b>(12,742)</b>	<b>(5,369)</b>	<b>(39,282)</b>	<b>(14,061)</b>
Other (income) expense				
Interest expense	6,889	7,803	21,921	21,216
Change in fair value of warrant liabilities	(5,481)	(25,105)	(7,134)	(18,833)
Other, net	(10)	510	223	1,323
<b>(Loss) income before income taxes and equity in earnings from unconsolidated entities</b>	<b>(14,140)</b>	<b>11,423</b>	<b>(54,292)</b>	<b>(17,767)</b>
Income tax expense (benefit)	84	(5,212)	1,254	(3,331)
Equity in (earnings) loss from unconsolidated entities	35	14	145	80
<b>Net (loss) income</b>	<b>\$ (14,259)</b>	<b>\$ 16,621</b>	<b>\$ (55,691)</b>	<b>\$ (14,516)</b>
Net loss attributable to non-controlling interest	—	—	—	15
<b>Net (loss) income attributable to shareholders</b>	<b>(14,259)</b>	<b>16,621</b>	<b>(55,691)</b>	<b>(14,531)</b>
Participating securities' share in earnings	—	(3,912)	—	—
Accretion of Series A Convertible Preferred Shares	88	93	262	(249)
<b>Net (loss) income attributable to common shareholders</b>	<b>\$ (14,171)</b>	<b>\$ 12,802</b>	<b>\$ (55,429)</b>	<b>\$ (14,780)</b>
<b>(Loss) earnings per common share:</b>				
Basic	\$ (0.16)	\$ 0.15	\$ (0.63)	\$ (0.19)
Diluted	\$ (0.16)	\$ 0.15	\$ (0.63)	\$ (0.19)
<b>Weighted-average number of shares outstanding:</b>				
Basic	88,540	83,437	88,320	78,203
Diluted	88,540	107,080	88,320	78,203

See accompanying notes to condensed consolidated financial statements.

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

(Thousands)	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Net (loss) income	\$ (14,259)	\$ 16,621	\$ (55,691)	\$ (14,516)
<i>Other comprehensive income (loss), net of tax:</i>				
Unrealized gain (loss) on derivative instruments	3,762	3,156	7,768	4,679
Foreign currency translation adjustment	122	86	203	127
Total other comprehensive income (loss)	3,884	3,242	7,971	4,806
Comprehensive (loss) income	(10,375)	19,863	(47,720)	(9,710)
Comprehensive income (loss) attributable to non-controlling interests	—	—	—	15
<b>Comprehensive (loss) income attributable to shareholders</b>	<b>(10,375)</b>	<b>19,863</b>	<b>(47,720)</b>	<b>(9,725)</b>
Participating securities' share in earnings	—	(3,912)	—	—
Accretion of Series A Convertible Preferred Shares	88	93	262	(249)
<b>Comprehensive (loss) income attributable to common shareholders</b>	<b>\$ (10,287)</b>	<b>\$ 16,044</b>	<b>\$ (47,458)</b>	<b>\$ (9,974)</b>

See accompanying notes to condensed consolidated financial statements.

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

(Thousands)	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Equity (Deficit)
	Shares	Amount				
<b>Balance at June 30, 2023</b>	75,728	\$ 757	\$ 348,714	\$ (359,194)	\$ (4,539)	\$ (14,262)
Net income (loss)	—	—	—	16,621	—	16,621
Issuance of common shares, net of issuance costs	11,877	119	117,648	—	—	117,767
Issuance of common shares related to stock options exercised	82	1	785	—	—	786
Issuance of common shares related to conversion of Series A Convertible Preferred Shares	54	—	627	—	—	627
Accretion of Series A Convertible Preferred Shares	—	—	93	—	—	93
Other comprehensive income (loss)	—	—	—	—	3,242	3,242
Equity-based compensation	298	3	2,436	—	—	2,439
Net share settlement of equity awards	—	—	(1,136)	—	—	(1,136)
<b>Balance at September 30, 2023</b>	<u>88,039</u>	<u>\$ 880</u>	<u>\$ 469,167</u>	<u>\$ (342,573)</u>	<u>\$ (1,297)</u>	<u>\$ 126,177</u>
<b>Balance at June 30, 2024</b>	88,366	\$ 884	\$ 476,795	\$ (404,056)	\$ 7,905	\$ 81,528
Net income (loss)	—	—	—	(14,259)	—	(14,259)
Issuance of common shares related to warrant exchange	5,424	54	36,884	—	—	36,938
Issuance of common shares related to conversion of Series A Convertible Preferred Shares	1	—	16	—	—	16
Accretion of Series A Convertible Preferred Shares	—	—	88	—	—	88
Other comprehensive income (loss)	—	—	—	—	3,884	3,884
Equity-based compensation	282	3	3,025	—	—	3,028
Net share settlement of equity awards	—	—	(883)	—	—	(883)
<b>Balance at September 30, 2024</b>	<u>94,073</u>	<u>\$ 941</u>	<u>\$ 515,925</u>	<u>\$ (418,315)</u>	<u>\$ 11,789</u>	<u>\$ 110,340</u>

See accompanying notes to condensed consolidated financial statements.



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

(Thousands)	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total Equity (Deficit)
	Shares	Amount					
<b>Balance at December 31, 2022</b>	75,020	\$ 750	\$ 342,664	\$ (328,042)	\$ (6,103)	\$ 2,460	\$ 11,729
Net income (loss)	—	—	—	(14,531)	—	15	(14,516)
Issuance of common shares related to acquisitions	40	—	446	—	—	—	446
Issuance of common shares related to Public Warrant exercise	229	2	3,142	—	—	—	3,144
Issuance of common shares related to stock options exercised	88	1	847	—	—	—	848
Issuance of common shares related to conversion of Series A Convertible Preferred Shares	76	1	881	—	—	—	882
Issuance of common shares related to purchase of non-controlling interest	100	1	474	—	—	(2,475)	(2,000)
Issuance of common shares, net of issuance costs	11,877	119	117,648	—	—	—	117,767
Accretion of Series A Convertible Preferred Shares	—	—	(249)	—	—	—	(249)
Other comprehensive income (loss)	—	—	—	—	4,806	—	4,806
Equity-based compensation	609	6	6,291	—	—	—	6,297
Net share settlement of equity awards	—	—	(2,977)	—	—	—	(2,977)
<b>Balance at September 30, 2023</b>	<u>88,039</u>	<u>\$ 880</u>	<u>\$ 469,167</u>	<u>\$ (342,573)</u>	<u>\$ (1,297)</u>	<u>\$ —</u>	<u>\$ 126,177</u>
<b>Balance at December 31, 2023</b>	88,051	880	471,666	(362,624)	3,818	—	113,740
Net income (loss)	—	—	—	(55,691)	—	—	(55,691)
Issuance of common shares related to "at-the-market" offering program, net of issuance costs	60	1	624	—	—	—	625
Issuance of common shares related to stock options exercised	1	—	12	—	—	—	12
Issuance of common shares related to warrant exchange	5,424	54	36,884	—	—	—	36,938
Issuance of common shares related to conversion of Series A Convertible Preferred Shares	1	—	16	—	—	—	16
Accretion of Series A Convertible Preferred Shares	—	—	262	—	—	—	262
Other comprehensive income (loss)	—	—	—	—	7,971	—	7,971
Equity-based compensation	536	6	8,502	—	—	—	8,508
Net share settlement of equity awards	—	—	(2,041)	—	—	—	(2,041)
<b>Balance at September 30, 2024</b>	<u>94,073</u>	<u>\$ 941</u>	<u>\$ 515,925</u>	<u>\$ (418,315)</u>	<u>\$ 11,789</u>	<u>\$ —</u>	<u>\$ 110,340</u>

See accompanying notes to condensed consolidated financial statements.

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

(Thousands)	Nine Months Ended September 30,	
	2024	2023
<b>Cash flows from operating activities:</b>		
Net loss	\$ (55,691)	\$ (14,516)
<i>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</i>		
Depreciation and amortization	23,196	18,419
Impairment charges	1,996	—
Equity-based compensation	8,508	6,297
Provision for credit losses	1,368	278
Amortization of deferred financing fees included in interest expense	2,432	1,560
Loss on disposal of property, plant and equipment	965	1,145
Mark-to-market adjustments	(2,692)	(1,045)
Change in fair value of warrant liabilities	(7,134)	(18,833)
Foreign currency transactions	461	1,481
Deferred income tax expense (benefit)	1,133	(3,331)
Other	1,003	1,443
<i>Change in operating assets and liabilities:</i>		
Accounts receivable	(4,930)	1,993
Inventories	(7,191)	(14,153)
Derivative assets and liabilities	12,685	4,090
Prepaid expense and other assets	1,447	(8,469)
Accounts payable	(2,650)	(50,254)
Accrued liabilities and other	9,071	(1,236)
Net cash used in operating activities	(16,023)	(75,131)
<b>Cash flows from investing activities:</b>		
Additions to property, plant and equipment	(141,451)	(121,545)
Additions to intangible assets	(144)	(147)
Acquisition of business, net of cash acquired	—	(2,392)
Acquisition of equity method investments and non-marketable securities	—	(1,385)
Proceeds from sale of property, plant and equipment	1,225	198
Net cash used in investing activities	(140,370)	(125,271)
<b>Cash flows from financing activities:</b>		
Payments on debt	(151,968)	(170,522)
Proceeds from debt	250,882	221,509
Payments on supply chain financing program	(121,203)	(2,321)
Proceeds from supply chain financing program	114,008	69,787
Proceeds from convertible notes payable	22,000	—
Proceeds from convertible notes payable - related party	50,000	—
Payment of debt issuance costs	(3,329)	(3,023)
Payment of convertible notes payable issuance costs	(511)	—
Net proceeds from (repayments of) repurchase agreements	(7,111)	(8,553)
Proceeds from exercise of stock options	12	848
Proceeds from exercise of Public Warrants	—	2,632
Proceeds from issuance of common stock	635	118,767
Payment of equity issuance costs	(10)	(1,000)
Payment for purchase of non-controlling interest	—	(2,000)
Payment for taxes for net share settlement of equity awards	(2,041)	(2,977)
Net cash provided by financing activities	151,364	223,147
Effect of exchange rate changes on cash	(131)	(335)
Net (decrease) increase in cash and cash equivalents and restricted cash	(5,160)	22,410
Cash and cash equivalents and restricted cash at beginning of period	37,840	26,405
<b>Cash and cash equivalents and restricted cash at end of period</b>	<b>\$ 32,680</b>	<b>\$ 48,815</b>
<b>Supplemental non-cash investing and financing activities:</b>		
Property, plant and equipment acquired but not yet paid	\$ 8,275	\$ 4,441

The total cash and cash equivalents and restricted cash at September 30, 2024 and 2023 is as follows:

(Thousands)	September 30, 2024	September 30, 2023
Cash and cash equivalents	\$ 22,359	\$ 44,407
Restricted cash	10,321	4,408
<b>Total</b>	<b>\$ 32,680</b>	<b>\$ 48,815</b>

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 relate to the physical delivery and settlement of forward sales contracts for 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 (as defined herein) 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 and to maintain covenant compliance for at least the next twelve months. However, during the nine months ended September 30, 2024, the Company incurred net losses of \$55.7 million and net cash outflows from operating activities of \$16.0 million. If we are unable to achieve our profitability growth projections and maintain our covenant leverage ratio and minimum liquidity requirements, as a result of, for example, experiencing any adverse impact of changes or further 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, if necessary, management has committed to 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. As further discussed in *Restructuring Activities* below, the Company has recently consolidated its manufacturing operations, signed a purchase and sale agreement of its West Winds facility, and executed a targeted reduction in excess workforce capacity, which were designed to improve operational efficiency. If required, the Company will further reduce operating costs to ensure compliance with its financial covenants. The accompanying Condensed Consolidated Financial Statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business.

#### *Accounts Receivable and Allowance for Credit Losses*

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

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

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

(Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Balance at beginning of period	\$ 3,941	\$ 2,672	\$ 2,915	\$ 3,023
Charged to selling, general and administrative expense	342	629	1,368	278
Write-offs	(836)	—	(836)	—
Total	<u>\$ 3,447</u>	<u>\$ 3,301</u>	<u>\$ 3,447</u>	<u>\$ 3,301</u>

*Inventories*

Within our Sustainable Sourcing & Traceability segment, green coffee associated with our forward contracts is recorded at net realizable value, which approximates market price, consistent with our forward purchase contracts recorded at fair value in accordance with Accounting Standards Codification (“ASC”) 815, *Derivatives and Hedging* (“ASC 815”). Green coffee is a commodity with quoted market prices in active markets, may be sold without significant further processing, has predictable and insignificant disposal costs and is available for immediate delivery. We estimate the fair value of green coffee based on the quoted market price at the end of each reporting period, with changes in fair value being reported as a component of costs of sales in our Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2024, we recognized \$2.7 million and \$3.7 million of net unrealized gains, respectively, on green coffee inventory associated with our forward sales and purchase contracts. For the three and nine months ended September 30, 2023, we recognized \$0.5 million of net unrealized losses and \$0.6 million of net unrealized gains, respectively, on green coffee inventory associated with our forward sales and purchase contracts.

*Capitalized Interest*

We capitalize a portion of interest costs incurred related to assets that require a period of time to get them ready for their intended use. The amount of interest capitalized is based on eligible expenditures incurred during the period involved in bringing the assets to their intended use and the Company’s weighted-average interest rate during the period. For the three and nine months ended September 30, 2024, we capitalized \$4.0 million and \$11.1 million of interest costs, respectively. For the three and nine months ended September 30, 2023, we capitalized \$1.0 million of interest costs.

*Supply Chain Finance Program*

The Company is party to a supply chain finance program (the “Program”) with a third-party financing provider to provide better working capital usage by deferring payments for certain raw materials. Under the Program, the financing provider remits payment to the Company’s suppliers for approved invoices, and the Company repays the financing provider the amount of the approved invoices, plus a financing charge, on 180-day terms. The Program is uncommitted and the financing provider may, at its sole discretion, cancel the Program at any time. The Company may request cancellation of the Program in whole or in respect of one or more approved suppliers. Due to the extension of payment terms beyond the original due date of approved invoices, obligations under the Program are recorded outside of accounts payable, within our supply chain finance program, on our Condensed Consolidated Balance Sheets. Amounts paid by the financing provider to suppliers are reported as cash inflows from financing activities and a corresponding cash outflow from operating activities in our Condensed Consolidated Statements of Cash Flows. Amounts paid to the financing provider are reflected as cash outflows from financing activities in our Condensed Consolidated Statements of Cash Flows. At September 30, 2024 and December 31, 2023, there were \$70.9 million and \$78.1 million of obligations outstanding under the Program, respectively.

### *Restructuring Activities*

The Company accounts for exit or disposal activities in accordance with ASC 420, Exit or Disposal Cost Obligations (“ASC 420”). Restructuring charges may include one-time termination benefits related to employee separations, contract termination costs, long-lived asset impairments, and other related costs with exit or disposal activities.

The recognition of restructuring charges requires the Company to make certain judgements and estimates regarding the nature, timing and amount of costs associated with the planned exit activity. To the extent the Company’s actual results differ from its estimates and assumptions, the Company may be required to revise the estimates of future liabilities, require the recognition of additional restructuring charges or the reduction of liabilities already recognized. Such changes to previously estimated amounts may be material to the Condensed Consolidated Financial Statements. Restructuring charges are not included in the Company’s measurement of segment profitability as discussed in Note 19.

During the second quarter of 2024, the Company committed to a plan to consolidate its manufacturing operations in its Beverage Solutions segment, which resulted in the closure and sale of its West Winds manufacturing facility in Concord, NC, and the closure of its manufacturing facility in Richmond, CA. All production from the impacted facilities was consolidated into other facilities operated by the Company in Concord, NC and Conway, AR. The closure of the West Winds facility was completed as of June 30, 2024. The Company is under contract to sell the land and buildings, which is expected to be completed in the fourth quarter of 2024. Production in our Richmond, CA facility ceased during the third quarter of 2024.

The Company currently estimates total charges related to the plant consolidations of \$5.0 million, of which \$0.7 million have been incurred during the three and nine months ended September 30, 2024. These charges primarily relate to costs to remove and re-install production equipment into other manufacturing facilities. At September 30, 2024, the Company classified approximately \$9.1 million of land and buildings as held-for-sale, which are reported within prepaid expenses and other current assets on the Condensed Consolidated Balance Sheets. During the three and nine months ended September 30, 2024, the Company incurred impairment charges of approximately \$1.2 million and \$2.0 million, respectively, on equipment associated with the plant consolidations, which is reported within impairment charges on the Condensed Consolidated Statements of Operations. The Company is continuing to evaluate which plant assets will be moved to other manufacturing facilities and which plant assets will be disposed of; therefore, there may be additional impairment charges in the future related to the consolidation of our manufacturing facilities.

In addition, during the second quarter of 2024, the Company committed to targeted restructuring activities to improve operational efficiency by reducing excess workforce capacity. As a result of this reduction, and the impacts of the consolidation of manufacturing facilities noted above, the Company recognized approximately \$4.1 million of one-time employee severance costs during the nine months ended September 30, 2024, which are recorded in transaction, restructuring and integration expense in the Condensed Consolidated Statements of Operations. At September 30, 2024, approximately \$1.0 million of such termination benefits were accrued for within accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheets. The following table summarizes the changes in the Company’s accrual for employee termination benefits:

(Thousands)	Three Months Ended	Nine Months Ended
	September 30,	September 30,
	2024	2024
Balance at beginning of period	\$ 3,590	\$ —
Charges	—	4,066
Adjustments	(543)	(543)
Cash paid	(2,034)	(2,510)
Balance at end of the period	<u>\$ 1,013</u>	<u>\$ 1,013</u>

On February 12, 2024, following the completion of its 530,000 square foot distribution center in Conway, AR, the Company entered into a lease termination agreement for its distribution center located in North Little Rock, AR (the “Gregory Distribution Center”). The Gregory Distribution Center lease terminated, by mutual agreement, on June 30, 2024. No costs were incurred as a result of the lease termination. During the first quarter of 2024, the Company

remeasured the Gregory Distribution Center lease liability, and related right-of-use asset, in accordance with ASC 842, *Leases*, resulting in a reduction of the lease liability and right-of-use asset of approximately \$3.0 million. At September 30, 2024, there was no remaining lease liability or right-of-use assets related to the Gregory Distribution Center recorded in the Condensed Consolidated Balance Sheets.

#### *Income Taxes*

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

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

The effective income tax rates for the nine months ended September 30, 2024 and 2023 were (2.3%) and 18.7%, 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. The effective tax rate for the nine months ended September 30, 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 and the permanent difference for changes in the fair value of warrants.

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 United States 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 2023-05 – Business Combinations – Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*

In August 2023, the FASB issued ASU 2023-05, “Business Combinations – Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement”. The amendments in this update require that a joint venture recognize and initially measure assets contributed and liabilities assumed at fair value upon its formation in the joint venture’s separate financial statements. The amendments in this update are effective prospectively for all joint venture formations with a formation date on or after January 1, 2025, with early adoption permitted. The Company will apply the provisions of ASU 2023-05 to new joint ventures, as applicable, but does not believe the adoption of ASU 2023-05 will have a material impact on our consolidated financial statements.

*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 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. While we do not expect the adoption of this guidance to have a material impact on our financial position, results of operations or cash flows, we will be required to provide enhanced segment disclosures beginning in our Annual Report for the fiscal year ended December 31, 2024 and subsequent interim periods.

*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.

*ASU 2024-03 – Income Statement – Reporting Comprehensive Income (Topic 220): Expense Disaggregation Disclosures*

In November 2024, the FASB issued ASU 2024-03, “Income Statement – Reporting Comprehensive Income (Topic 220): Expense Disaggregation Disclosures”. The amendments in this update include requirements for public business entities to provide disclosure, in the notes to the financial statements, of specified information about certain costs and expenses. The amendments in this update are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, with early adoption permitted. The amendments in this update may be applied either prospectively or retrospectively. The Company is currently evaluating the impact that ASU 2024-03 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 September 30, 2024 and December 31, 2023, the Company had \$1.2 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 and nine months ended September 30, 2024, we recorded \$3.3 million of net unrealized losses and \$1.0 million of net unrealized losses, respectively, within costs of sales. For the three and nine months ended September 30, 2023, we recorded \$0.7 million of net unrealized losses and \$0.4 million of net unrealized gains, respectively, within costs of sales.

For the three and nine months ended September 30, 2024, the Company recognized \$56.6 million and \$135.7 million in revenues under ASC 815, respectively, and for the three and nine months ended September 30, 2023, the Company recognized \$42.4 million and \$101.6 million in revenues under ASC 815, respectively, which are reported within the Company's Sustainable Sourcing & Traceability segment.

#### *Contract Estimates*

The nature of the Company's contracts gives 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 \$1.5 million and \$1.5 million at September 30, 2024 and December 31, 2023, respectively. Other accrued deductions were \$2.5 million and \$2.7 million at September 30, 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 September 30, 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 September 30, 2024 and December 31, 2023, accounts receivable, net included \$107.8 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 September 30, 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:

(Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Coffee & tea	\$ 115,456	\$ 131,819	\$ 349,301	\$ 425,241
Flavors, extracts & ingredients	47,424	44,332	133,205	121,999
Other	1,130	667	2,816	506
Green coffee	56,850	42,794	136,427	102,002
Net sales	<u>\$ 220,860</u>	<u>\$ 219,612</u>	<u>\$ 621,749</u>	<u>\$ 649,748</u>

(Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
United States	\$ 169,472	\$ 184,280	\$ 496,542	\$ 562,942
All other countries	51,388	35,332	125,207	86,806
Net sales	<u>\$ 220,860</u>	<u>\$ 219,612</u>	<u>\$ 621,749</u>	<u>\$ 649,748</u>

**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, *Business Combinations*. 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 September 30, 2024 and December 31, 2023:

(Thousands)	September 30, 2024	December 31, 2023
Raw materials	\$ 74,662	\$ 78,882
Finished goods	33,055	26,857
Green coffee	52,927	44,182
Total inventories	<u>\$ 160,644</u>	<u>\$ 149,921</u>

Green coffee inventories represent green coffee held for resale. At September 30, 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 September 30, 2024 and December 31, 2023:

(Dollars in Thousands)	Depreciable Lives	September 30, 2024	December 31, 2023
Land		\$ 6,592	\$ 8,778
Buildings	10-40 years	143,915	35,911
Leasehold improvements <sup>(1)</sup>		13,132	9,800
Plant equipment	3-15 years	242,716	128,639
Vehicles and transportation equipment	3-5 years	616	648
IT systems	3-7 years	12,935	8,909
Furniture and fixtures	3-10 years	7,495	3,294
Customer beverage equipment <sup>(2)</sup>	3-5 years	21,575	22,931
Lease right-of-use assets <sup>(3)</sup>		81	81
Construction in progress and equipment deposits		88,133	208,308
		<u>537,190</u>	<u>427,299</u>
Less: accumulated depreciation		(98,573)	(83,261)
<b>Property, plant and equipment, net</b>		<u><u>\$ 438,617</u></u>	<u><u>\$ 344,038</u></u>

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

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

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

Depreciation expense for the three and nine months ended September 30, 2024 was \$5.8 million and \$17.1 million, respectively, and depreciation expense for the three and nine months ended September 30, 2023 was \$4.4 million and \$12.4 million, respectively. Assets classified as construction in progress and equipment deposits are not depreciated, as they are not ready for production use. All assets classified as construction in progress and equipment deposits at September 30, 2024 are expected to be in production use.

**Note 8. Goodwill**

The following table reflects the carrying amount of goodwill as of September 30, 2024 and December 31, 2023:

(Thousands)	Beverage Solutions	Total
<b>Balance at December 31, 2023</b>		
Goodwill	\$ 192,994	\$ 192,994
Accumulated impairment loss	(76,883)	(76,883)
	<u>116,111</u>	<u>116,111</u>
<b>Balance at September 30, 2024</b>		
Goodwill	\$ 192,994	\$ 192,994
Accumulated impairment loss	(76,883)	(76,883)
	<u><u>\$ 116,111</u></u>	<u><u>\$ 116,111</u></u>

**Note 9. Intangible Assets, Net**

The following table summarizes intangible assets, net as of September 30, 2024 and December 31, 2023:

(Thousands)	September 30, 2024		
	Cost	Accumulated Amortization	Net
Customer relationships	\$ 148,648	\$ (32,270)	\$ 116,378
Favorable lease asset	790	(616)	174
Software	1,215	(799)	416
Intangible assets, net	<u>\$ 150,653</u>	<u>\$ (33,685)</u>	<u>\$ 116,968</u>

  

(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	<u>\$ 150,517</u>	<u>\$ (27,572)</u>	<u>\$ 122,945</u>

Amortization expense of intangible assets was \$2.0 million and \$6.1 million for the three and nine months ended September 30, 2024, respectively, and amortization expense of intangible assets was \$2.0 million and \$6.0 million for the three and nine months ended September 30, 2023, respectively. As of September 30, 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	September 30, 2024	December 31, 2023
Right-of-use operating lease assets	Operating lease right-of-use assets	\$ 61,404	\$ 67,601
Operating lease liabilities - current	Accrued expenses and other current liabilities	4,334	4,809
Operating lease liabilities - noncurrent	Operating lease liabilities	58,507	63,554

During the nine months ended September 30, 2024 and 2023, the Company obtained approximately \$1.0 million and \$6.0 million, respectively, 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 Gregory Distribution Center lease. The Gregory Distribution Center lease terminated, by mutual agreement, on June 30, 2024. No costs were incurred as a result of the lease termination. This lease termination event does not significantly alter the Company's operational capabilities or its financial position.

[Table of Contents](#)

Depending on the nature of the lease, lease costs are classified within costs of sales or selling, general and administrative expense on the Company's Condensed Consolidated Statements of Operations. The components of lease costs for the three and nine months ended September 30, 2024 and 2023, respectively, are as follows:

(Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating lease cost	\$ 2,678	\$ 1,179	\$ 8,242	\$ 3,609
Short-term lease cost	269	247	730	727
<b>Total</b>	<b>\$ 2,947</b>	<b>\$ 1,426</b>	<b>\$ 8,972</b>	<b>\$ 4,336</b>

The following table presents information about the Company's weighted average discount rate and remaining lease term as of September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
Weighted-average discount rate	7.7%	7.8%
Weighted-average remaining lease term	12.6 years	12.9 years

Supplemental cash flow information about the Company's leases as of September 30, 2024 and 2023, respectively, is as follows:

(Thousands)	Nine Months Ended September 30,	
	2024	2023
Cash paid related to operating lease liabilities	\$ 7,363	\$ 3,195

Finance lease assets are recorded in property, plant and equipment, net with the corresponding lease liabilities included in accrued expenses and other current liabilities and long-term debt, net on the Condensed Consolidated Balance Sheets. There were no material finance leases as of September 30, 2024.

Future minimum lease payments under non-cancellable operating leases as of September 30, 2024 are as follows:

(Thousands)	
Remainder of 2024	\$ 2,269
2025	8,268
2026	7,705
2027	7,714
2028	7,173
Thereafter	68,642
<b>Total future minimum lease payments</b>	<b>101,771</b>
Less: imputed interest	(38,930)
<b>Present value of minimum lease payments</b>	<b>\$ 62,841</b>

**Note 11. Debt**

Our long-term debt at September 30, 2024 and December 31, 2023 is as follows:

(Thousands)	September 30, 2024	December 31, 2023
Term loan facility	\$ 157,500	\$ 164,063
Delayed draw term loan facility	48,750	—
Revolving credit facility	107,500	65,000
Convertible notes payable	72,000	—
International trade finance lines	58,007	43,694
International notes payable	5,801	6,179
Other loans	22	39
Total debt	449,580	278,975
Unamortized debt costs	(3,625)	(2,378)
Current maturities of long-term debt	(12,137)	(9,811)
Convertible notes payable - related party, net	(49,689)	—
Short-term debt	(58,007)	(43,694)
Long-term debt, net	<u>\$ 326,122</u>	<u>\$ 223,092</u>

*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 United States 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 September 30, 2024, we had \$107.5 million of outstanding borrowings under the Revolving Credit Facility, with a weighted average interest rate of 8.8%, and we had \$2.6 million of standby letters of credit outstanding. At September 30, 2024, the interest rate applicable to our Term Loan Facility was 8.0% and the interest rate applicable to our Delayed Draw Term Loan Facility was 8.9%.

On February 15, 2024, 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 require 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 September 30, 2024, the carrying value of the Convertible Notes was \$71.6 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%). On August 21, 2024, Falcon amended its working capital trade finance facility. The amendment increased the facility size from \$55.0 million to \$75.0 million. The interest rates and maturity date were unchanged as a result of the amendment.

At September 30, 2024, there was \$48.5 million of outstanding borrowings under the facility, which is recorded in short-term debt in the Condensed Consolidated Balance Sheets. Falcon's facility contains certain restrictive financial covenants which require Falcon to maintain certain levels of working capital, debt, and net worth. Falcon was in compliance with these financial covenants as of September 30, 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, as defined in the facility, before the Quotation Day, as defined in the facility; 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 September 30, 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 September 30, 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 \$6.6 million at September 30, 2024 and (b) a long-term note payable with a balance of \$0.8 million at September 30, 2024. Additionally, Rwanda Trading Company maintains two short-term futures contract-based lending facilities from international institutions with outstanding balances of \$0.6 million and \$2.4 million at September 30, 2024.

## **Note 12. Series A Preferred Shares**

The Company has 23,510,527 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 23,510,527 Series A Preferred Shares outstanding at September 30, 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 and nine months ended September 30, 2024, the Company recorded \$0.1 million and \$0.3 million of amortization, respectively,

with respect to the Westrock Series A Preferred Shares. For the three and nine months ended September 30, 2023, the Company recorded \$0.1 million of amortization and \$0.2 million of accretion, respectively, with respect to the Westrock Series A Preferred Shares.

### **Note 13. Common Stock Warrants**

On August 28, 2024, the Company announced that it had commenced an exchange offer (the “Offer”) and consent solicitation (the “Consent Solicitation”) relating to its outstanding (i) public warrants to purchase Common Shares, which warrants trade on The Nasdaq Global Market (the “Nasdaq”) under the symbol “WESTW” (the “Westrock Public Warrants”), and (ii) private placement warrants to purchase common shares (the “Westrock Private Warrants” and, together with the Westrock Public Warrants, the “Westrock Warrants”). The Company offered to all holders of the Westrock Warrants the opportunity to receive 0.290 common shares in exchange for each of the Westrock Warrants tendered pursuant to the Offer.

The Offer and Consent Solicitation expired on September 26, 2024 (the “Expiration Date”). As of the Expiration Date, (x) 16,676,541 outstanding Westrock Public Warrants were validly tendered and not validly withdrawn in the Offer and Consent Solicitation, representing approximately 97.42% of the Westrock Public Warrants and (y) 2,026,046 outstanding Westrock Private Warrants were validly tendered and not validly withdrawn in the Offer and Consent Solicitation, representing 100% of the Westrock Private Warrants. On September 30, 2024, the Company issued 5,423,681 Common Shares in exchange for the tendered Westrock Warrants.

At September 30, 2024, following the completion of the Offer, the Company had 441,522 Westrock Public Warrants and no Westrock Private Warrants outstanding. The Westrock Warrants are included in warrant liabilities on the Company’s Condensed Consolidated Balance Sheets.

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. Prior to the Offer, the Westrock Private Warrants were valued using a binomial lattice valuation model. For the three and nine months ended September 30, 2024, the Company recognized \$5.5 million and \$7.1 million of gains, respectively, related to the change in fair value of warrant liabilities, which is recognized in other (income) expense in the Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2023, the Company recognized \$25.1 million and \$18.8 million of gains, respectively, related to the change in fair value of warrant liabilities.

Concurrently with the Offer, the Company also solicited consents from the holders of each of the Westrock Public Warrants and the Westrock Private Warrants to amend that certain Warrant Agreement, dated as of August 25, 2022, by and between the Company and Computershare Inc., a Delaware corporation, and its affiliate, Computershare Trust Company, N.A., a federally chartered trust company, as warrant agent (the “Warrant Agent”), which governs all of the Westrock Warrants (the “Warrant Agreement”), to permit the Company to require that (x) each Westrock Public Warrant that is outstanding upon the closing of the Offer be exchanged for 0.261 common shares, which is a ratio 10% less than the exchange ratio applicable to the Offer and (y) each Westrock Private Warrant that is outstanding upon the closing of the Offer be exchanged for 0.261 common shares, which is a ratio 10% less than the exchange ratio applicable to the Offer (such amendment, the “Warrant Amendment”).

Pursuant to the Consent Solicitation, the Company received the approval of holders of approximately 97.42% of the outstanding Westrock Public Warrants and 100% of the outstanding Westrock Private Warrants to adopt the Warrant Amendment, which exceeded (x) the 50% threshold of the outstanding Westrock Public Warrants required to amend the Warrant Agreement with respect to the Westrock Public Warrants and (y) the 50% threshold of the outstanding Westrock Private Warrants required to amend the Warrant Agreement with respect to the Westrock Private Warrants.

Accordingly, the Company and the Warrant Agent entered into the Warrant Amendment, dated September 30, 2024. On September 30, 2024, the Company announced that it would exercise its right, in accordance with the terms of the Warrant Amendment, to exchange each Westrock Public Warrant that is outstanding following the closing of the Offer for 0.261 common shares per warrant (the “Post-Offer Exchange”). The Company fixed the date for the Post-Offer Exchange as October 15, 2024.

#### **Note 14. Derivatives**

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

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

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

We use cash flow hedges to minimize the variability in cash flows of assets or liabilities or forecasted transactions caused by fluctuations in commodity prices. The changes in fair values of hedges that are determined to be ineffective are immediately reclassified from AOCI into earnings. We did not discontinue any cash flow hedging relationships during the nine months ended September 30, 2024 and 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 4.8 million pounds and 11.5 million pounds as of September 30, 2024 and December 31, 2023, respectively. During the three and nine months ended September 30, 2024, the Company purchased coffee futures contracts and coffee options contracts under our cash flow hedging program with aggregate notional amounts of 28.7 million pounds and 58.5 million pounds, respectively. During the three and nine months ended September 30, 2023, the Company purchased coffee futures contracts and coffee options contracts under our cash flow hedging program with aggregate notional amounts of 30.3 million pounds and 53.9 million pounds, respectively.

Approximately \$4.3 million and \$7.9 million of net realized gains, representing the effective portion of the cash flow hedge, were subsequently reclassified from AOCI to earnings and recognized in costs of sales in the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2024, respectively. Approximately \$3.1 million and \$5.2 million of net realized losses, representing the effective portion of the cash flow hedge, were subsequently reclassified from AOCI to earnings and recognized in costs of sales in the Condensed

Consolidated Statements of Operations for the three and nine months ended September 30, 2023, respectively. As of September 30, 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 \$13.6 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	September 30, 2024	December 31, 2023
<b>Derivative assets designated as cash flow hedging instruments:</b>			
Coffee futures contracts <sup>(1)</sup>	Derivative assets	\$ 1,143	\$ 3,355
Options contracts	Derivative assets	214	—
Total		<u>\$ 1,357</u>	<u>\$ 3,355</u>
<b>Derivative assets not designated as cash flow hedging instruments:</b>			
Forward purchase and sales contracts	Derivative assets	\$ 15,363	\$ 10,303
Total		<u>15,363</u>	<u>10,303</u>
Total derivative assets		<u><u>\$ 16,720</u></u>	<u><u>\$ 13,658</u></u>
<b>Derivative liabilities not designated as cash flow hedging instruments:</b>			
Forward purchase and sales contracts	Derivative liabilities	\$ 10,204	\$ 3,731
Total derivative liabilities		<u>\$ 10,204</u>	<u>\$ 3,731</u>

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

The following table presents the pre-tax net gains and losses for our derivative instruments for the three and nine months ended September 30, 2024 and 2023, respectively:

(Thousands)	Statement of Operations Location	Three Months Ended September 30,		Nine Months Ended September 30,	
		2024	2023	2024	2023
<b>Derivative assets designated as cash flow hedging instruments:</b>					
Net realized gains (losses) on coffee derivatives	Costs of sales	\$ 4,297	\$ (3,147)	\$ 7,869	\$ (5,234)
<b>Derivative assets and liabilities not designated as cash flow hedging instruments:</b>					
Net unrealized gains (losses) on forward sales and purchase contracts	Costs of sales	\$ (3,264)	\$ (669)	\$ (997)	\$ 402

**Note 15. Fair Value Measurements**

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

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

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



The following table summarizes the fair value of financial instruments at September 30, 2024:

(Thousands)	September 30, 2024			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Green coffee associated with forward contracts	\$ —	\$ 46,064	\$ —	\$ 46,064
Coffee futures contracts	1,143	—	—	1,143
Options contracts	214	—	—	214
Forward purchase and sales contracts	—	15,363	—	15,363
Total	<u>\$ 1,357</u>	<u>\$ 61,427</u>	<u>\$ —</u>	<u>\$ 62,784</u>
<b>Liabilities:</b>				
Forward purchase and sales contracts	—	10,204	—	10,204
Westrock Public Warrants	729	—	—	729
Westrock Private Warrants	—	—	—	—
Total	<u>\$ 729</u>	<u>\$ 10,204</u>	<u>\$ —</u>	<u>\$ 10,933</u>

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	(1,511)
Warrant exchange	(3,919)
Fair value as of September 30, 2024	<u>\$ —</u>

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
<b>Assets:</b>				
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	<u>\$ 3,355</u>	<u>\$ 43,750</u>	<u>\$ —</u>	<u>\$ 47,105</u>
<b>Liabilities:</b>				
Forward purchase and sales contracts	—	3,731	—	3,731
Westrock Public Warrants	39,371	—	—	39,371
Westrock Private Warrants	—	—	5,430	5,430
Total	<u>\$ 39,371</u>	<u>\$ 3,731</u>	<u>\$ 5,430</u>	<u>\$ 48,532</u>

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.



[Table of Contents](#)

Westrock Public Warrants are valued based on their quoted market price of \$1.65 and \$2.30 per warrant as of September 30, 2024 and December 31, 2023, respectively. At September 30, 2024, there were no outstanding Westrock Private Warrants. As of December 31, 2023, the Westrock Private Warrants price of \$2.68 per warrant was 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:

	<b>December 31, 2023</b>
Stock price	\$ 10.21
Exercise price	11.50
Expected term (years)	5.00
Expected volatility	33.80%
Risk-free rate of return	3.91%
Dividend yield	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 September 30, 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 September 30, 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 and nine months ended September 30, 2024 or 2023, requiring these non-financial assets and liabilities to be subsequently recognized at fair value, with the exception of the \$1.2 million and \$2.0 million of impairment charges for the three and nine months ended September 30, 2024, respectively, on equipment related to the restructuring activities disclosed in Note 3. The equipment is no longer in use and was determined to have no salvage value.

At September 30, 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 September 30, 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 and nine months ended September 30, 2024 and 2023 is as follows:

(Thousands)	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Unrealized gain (loss) on derivative instruments:</b>				
Balance at beginning of period	\$ 7,368	\$ (4,832)	\$ 3,362	\$ (6,355)
Other comprehensive income (loss) before reclassifications	9,279	(97)	18,157	1,049
Amounts reclassified from accumulated comprehensive income	(4,297)	3,147	(7,869)	5,234
Tax effect	(1,220)	106	(2,520)	(1,604)
Net accumulated other comprehensive income	11,130	(1,676)	11,130	(1,676)
Less: Other comprehensive income attributable to non-controlling interests	—	—	—	—
Balance at end of period	11,130	(1,676)	11,130	(1,676)
<b>Foreign currency translation adjustment</b>				
Balance at beginning of period	537	293	456	252
Other comprehensive income (loss) before reclassifications	122	86	203	127
Amounts reclassified from accumulated comprehensive income	—	—	—	—
Tax effect	—	—	—	—
Net accumulated other comprehensive income	659	379	659	379
Less: Other comprehensive income attributable to non-controlling interests	—	—	—	—
Balance at end of period	659	379	659	379
<b>Accumulated other comprehensive income (loss) at end of period</b>	<b>\$ 11,789</b>	<b>\$ (1,297)</b>	<b>\$ 11,789</b>	<b>\$ (1,297)</b>

**Note 17. Equity-Based Compensation**

During the three and nine months ended September 30, 2024, the Company granted three thousand and 1.4 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 thirty thousand and \$13.2 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 September 30, 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 nine months ended September 30, 2024.

	<b>Units</b>	<b>Weighted-Average Fair Value at Grant Date</b>
Outstanding at December 31, 2023	1,989,782	\$ 11.51
Granted	1,370,222	9.66
Forfeited	(164,374)	10.54
Vested	(756,565)	11.63
<b>Outstanding at September 30, 2024</b>	<b>2,439,065</b>	<b>\$ 10.50</b>

**Note 18. Earnings per Share**

Westrock Series A Preferred Shares and our RSUs issued under our 2022 Equity Plan are considered participating securities as they receive non-forfeitable rights to dividends at the same rate as Common Shares. As participating securities, we include these instruments in the computation of earnings per share under the two-class method described in ASC 260 *Earnings per Share* (“ASC 260”). As a result of the Company’s net income position for the three months ended September 30, 2023, a portion of our undistributed earnings have been allocated to participating securities in accordance with the provisions of ASC 260.

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.

(Thousands)	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Warrants	18,941	19,144	19,076	19,151
Restricted stock units	2,687	2,142	2,565	1,906
Options	1,297	—	1,313	1,472
If-converted securities	31,726	—	29,688	23,564

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

(Thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Basic Earnings per Common Share</b>				
Numerator:				
Net income (loss) attributable to common shareholders	\$ (14,171)	\$ 12,802	\$ (55,429)	\$ (14,780)
Denominator:				
Weighted-average common shares outstanding - basic	88,540	83,437	88,320	78,203
Basic earnings (loss) per common share	\$ (0.16)	\$ 0.15	\$ (0.63)	\$ (0.19)
<b>Diluted Earnings per Common Share</b>				
Numerator:				
Net income (loss) attributable to common shareholders - basic	\$ (14,171)	\$ 12,802	\$ (55,429)	\$ (14,780)
Effect of participating securities	—	3,493	—	—
Net income (loss) attributable to common shareholders - diluted	\$ (14,171)	\$ 16,295	\$ (55,429)	\$ (14,780)
Denominator:				
Weighted-average common shares outstanding - basic	88,540	83,437	88,320	78,203
Effect of dilutive participating securities	—	23,542	—	—
Effect of dilutive non-participating securities	—	101	—	—
Weighted-average common shares outstanding - diluted	88,540	107,080	88,320	78,203
Dilutive (loss) earnings per common share	\$ (0.16)	\$ 0.15	\$ (0.63)	\$ (0.19)

#### Note 19. Segment Information

Our two operating segments, Beverage Solutions and Sustainable Sourcing & Traceability, are evaluated using Segment Adjusted EBITDA, which is a segment performance measure. We define Segment Adjusted EBITDA as net (loss) 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 transaction, restructuring 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 fair value of warrant liabilities, non-cash mark-to-market adjustments, certain non-capitalizable costs necessary to place the Conway extract and ready-to-drink facility into commercial production, certain recurring operating costs related to the scale-up of operations of the Conway extract and ready-to-drink facility, 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).

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

(Thousands)	Three Months Ended September 30, 2024			
	Beverage Solutions	Sustainable Sourcing & Traceability	Intersegment Revenues	Total of Reportable Segments
Net sales	\$ 164,010	\$ 60,144	\$ (3,294)	\$ 220,860
Segment Adjusted EBITDA	11,752	2,475	n/a	14,227
Less:				
Interest expense				6,889
Income tax expense (benefit)				84
Depreciation and amortization				7,680
Transaction, restructuring and integration expense				2,538
Change in fair value of warrant liabilities				(5,481)
Equity-based compensation				3,028
Impairment charges				1,165
Conway extract and ready-to-drink facility pre-production costs				7,937
Conway extract and ready-to-drink facility scale up operating costs				3,958
Mark-to-market adjustments				470
Loss (gain) on disposal of property, plant and equipment				(8)
Other				226
Net loss				\$ (14,259)
Total assets	973,085	104,029	n/a	1,077,114
(Thousands)	Three Months Ended September 30, 2023			
	Beverage Solutions	Sustainable Sourcing & Traceability	Intersegment Revenues	Total of Reportable Segments
Net sales	\$ 176,818	\$ 44,098	\$ (1,304)	\$ 219,612
Segment Adjusted EBITDA	9,884	1,711	n/a	11,595
Less:				
Interest expense				7,803
Income tax expense (benefit)				(5,212)
Depreciation and amortization				6,364
Transaction, restructuring and integration expense				3,137
Change in fair value of warrant liabilities				(25,105)
Equity-based compensation				2,439
Conway extract and ready-to-drink facility pre-production costs				3,035
Mark-to-market adjustments				1,160
Loss (gain) on disposal of property, plant and equipment				248
Other				1,105
Net income				\$ 16,621
Total assets	801,466	89,605	n/a	891,071

(Thousands)	Nine Months Ended September 30, 2024			
	Beverage Solutions	Sustainable Sourcing & Traceability	Intersegment Revenues	Total of Reportable Segments
Net sales	\$ 485,322	\$ 143,204	\$ (6,777)	\$ 621,749
Segment Adjusted EBITDA	35,797	3,236	n/a	39,033
Less:				
Interest expense				21,921
Income tax expense (benefit)				1,254
Depreciation and amortization				23,196
Transaction, restructuring and integration expense				9,901
Change in fair value of warrant liabilities				(7,134)
Equity-based compensation				8,508
Impairment charges				1,996
Conway extract and ready-to-drink facility pre-production costs				30,115
Conway extract and ready-to-drink facility scale up operating costs				5,188
Mark-to-market adjustments				(2,692)
Loss (gain) on disposal of property, plant and equipment				965
Other				1,506
Net loss				<u>\$ (55,691)</u>
Total assets	973,085	104,029	n/a	1,077,114
	Nine Months Ended September 30, 2023			
(Thousands)	Beverage Solutions	Sustainable Sourcing & Traceability	Intersegment Revenues	Total of Reportable Segments
Net sales	\$ 547,746	\$ 105,537	\$ (3,535)	\$ 649,748
Segment Adjusted EBITDA	29,965	1,393	n/a	31,358
Less:				
Interest expense				21,216
Income tax expense (benefit)				(3,331)
Depreciation and amortization				18,419
Transaction, restructuring and integration expense				12,682
Change in fair value of warrant liabilities				(18,833)
Management and consulting fees (S&D acquisition)				556
Equity-based compensation				6,297
Conway extract and ready-to-drink facility pre-production costs				6,615
Mark-to-market adjustments				(1,045)
Loss (gain) on disposal of property, plant and equipment				1,145
Other				2,153
Net loss				<u>\$ (14,516)</u>
Total assets	801,466	89,605	n/a	891,071

**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 \$266.8 million as of September 30, 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 September 30, 2024, we had an obligation to repurchase \$1.2 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 (an 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 Condensed Consolidated Financial Statements reflect the following transactions with related parties:

(Thousands)	September 30, 2024	December 31, 2023
<b>Accrued expenses and other current liabilities</b>		
Westrock Group	\$ 128	\$ —
Wooster Capital	32	—
HF Direct Investment Pool, LLC	160	—
Total	<u>\$ 320</u>	<u>\$ —</u>

(Thousands)	September 30, 2024	December 31, 2023
<b>Convertible notes payable - related party, net:</b>		
Westrock Group	\$ 20,000	\$ —
Wooster Capital	5,000	—
HF Direct Investment Pool, LLC	25,000	—
Total	<u>50,000</u>	<u>—</u>
Unamortized debt costs	(311)	—
Total	<u>\$ 49,689</u>	<u>\$ —</u>

(Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Interest expense:</b>				
Westrock Group	\$ 255	\$ —	633	—
Wooster Capital	64	—	158	—
HF Direct Investment Pool, LLC	320	—	792	—
Total	<u>\$ 639</u>	<u>\$ —</u>	<u>\$ 1,583</u>	<u>\$ —</u>

In connection with the acquisition of S&D Coffee, Inc. in February 2020, the Company entered into a Management Services Agreement with Westrock Group, whose controlling manager and controlling member, Greenbrier Holdings, LLC, is owned and controlled by our co-founder and Chief Executive Officer Scott Ford. Under the terms of the

agreement, which expired in February 2023, Westrock Group was paid \$10.0 million in return for financial, managerial, operational, and strategic services. The associated expense is recorded within selling, general and administrative expense in our Condensed Consolidated Statements of Operations. The Company recognized no such expenses during the three or nine months ended September 30, 2024. The Company recognized no expenses and \$0.6 million of such expenses during the three and nine months ended September 30, 2023. In addition, the Company reimburses Westrock Group for the usage of a corporate aircraft, and its portion of shared administrative expenses. For the three and nine months ended September 30, 2024, the Company recognized expenses of \$0.1 million and \$0.7 million, respectively, for such items, which are recorded in selling, general and administrative expenses in our Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2023, the Company recognized expenses of \$0.5 million and \$1.3 million, respectively, for such items. At September 30, 2024 and December 31, 2023, we had no amounts payable and \$0.2 million payable to Westrock Group, respectively, related to such items.

**Note 22. Subsequent Events**

On October 16, 2024, the Post-Offer Exchange (Note 13) related to the Westrock Public Warrants was completed, resulting in the issuance of 115,220 Common Shares in exchange for then outstanding Westrock Public Warrants. Following the completion of the Post-Offer Exchange, no Westrock Warrants remain outstanding. Accordingly, the Westrock Public Warrants were suspended from trading on the Nasdaq as of the close of business on October 15, 2024, and were delisted.



## 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 and nine months ended September 30, 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 Consolidated Adjusted EBITDA to evaluate our performance, identify trends, formulate financial projections, and to make strategic decisions.

#### **Consolidated Adjusted EBITDA**

We refer to EBITDA and Consolidated 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 Consolidated 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. The Company believes that providing these non-GAAP

financial measures 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 “Consolidated 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 non-capitalizable costs necessary to place the Conway extract and ready-to-drink facility into commercial production, 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 Consolidated Adjusted EBITDA are important supplemental measures to net (loss) income because they provide additional information to evaluate our operating performance on an unleveraged basis.

Since EBITDA and Consolidated 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 Consolidated Adjusted EBITDA may not be comparable to that reported by other companies that define EBITDA and Consolidated Adjusted EBITDA differently than we do.

The reconciliation of our net (loss) income to EBITDA and Consolidated Adjusted EBITDA for the three and nine months ended September 30, 2024 and 2023 is as follows:

(Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net (loss) income	\$ (14,259)	\$ 16,621	\$ (55,691)	\$ (14,516)
Interest expense	6,889	7,803	21,921	21,216
Income tax expense (benefit)	84	(5,212)	1,254	(3,331)
Depreciation and amortization	7,680	6,364	23,196	18,419
<b>EBITDA</b>	<b>394</b>	<b>25,576</b>	<b>(9,320)</b>	<b>21,788</b>
Transaction, restructuring and integration expense	2,538	3,137	9,901	12,682
Change in fair value of warrant liabilities	(5,481)	(25,105)	(7,134)	(18,833)
Management and consulting fees (S&D Coffee, Inc. acquisition)	—	—	—	556
Equity-based compensation	3,028	2,439	8,508	6,297
Impairment charges	1,165	—	1,996	—
Conway extract and ready-to-drink facility pre-production costs	7,937	3,035	30,115	6,615
Mark-to-market adjustments	470	1,160	(2,692)	(1,045)
Loss on disposal of property, plant and equipment	(8)	248	965	1,145
Other	226	1,105	1,506	2,153
<b>Consolidated Adjusted EBITDA</b>	<b>\$ 10,269</b>	<b>\$ 11,595</b>	<b>\$ 33,845</b>	<b>\$ 31,358</b>

The Company presents Consolidated Adjusted EBITDA as excluding certain Conway extract and ready-to-drink facility start-up costs (“Conway Start-up Costs”). Prior to the third quarter of 2024, Conway Start-up Costs included two categories: (i) non-capitalizable costs necessary to place production and packaging capabilities into commercial production (“pre-production costs”), and (ii) recurring operating costs incurred once a capability is placed into commercial production but before completion of the production scale up (“scale up operating costs”). Beginning in the third quarter of 2024, the Company no longer excludes scale up operating costs in the determination of Consolidated Adjusted EBITDA. Consolidated Adjusted EBITDA for the three and six months ended June 30, 2024 has been revised to exclude the impact of scale up operating costs, as follows:

(Thousands)	<b>Three Months Ended June 30, 2024</b>	<b>Six Months Ended June 30, 2024</b>
Consolidated Adjusted EBITDA, as presented	\$ 13,664	\$ 24,806
Conway extract and ready-to-drink facility scale-up costs	(1,230)	(1,230)
<b>Consolidated Adjusted EBITDA, as revised</b>	<b>\$ 12,434</b>	<b>\$ 23,576</b>

## Significant Developments

### *Warrant Exchange*

On August 28, 2024, the Company announced that it had commenced an exchange offer (the “Offer”) and consent solicitation (the “Consent Solicitation”) relating to its outstanding (i) public warrants to purchase shares of common stock of the Company, par value \$0.01 per share (the “Common Shares”), which warrants trade on The Nasdaq Global Market (the “Nasdaq”) under the symbol “WESTW” (the “Westrock Public Warrants”), and (ii) private placement warrants to purchase common shares (the “Westrock Private Warrants” and, together with the Westrock Public Warrants, the “Westrock Warrants”). The Company offered to all holders of the Westrock Warrants the opportunity to receive 0.290 common shares in exchange for each of the Westrock Warrants tendered pursuant to the Offer. Concurrently with the Offer, the Company also solicited consents from the holders of each of the Westrock Public Warrants and the Westrock Private Warrants to amend that certain Warrant Agreement, dated as of August 25, 2022, by and between the Company and Computershare Inc., a Delaware corporation, and its affiliate, Computershare Trust Company, N.A., a federally chartered trust company, as warrant agent (the “Warrant Agent”), which governs all of the Warrants (the “Warrant Agreement”), to permit the Company to require that (x) each Westrock Public Warrant that is outstanding upon the closing of the Offer be exchanged for 0.261 common shares, which is a ratio 10% less than the exchange ratio applicable to the Offer and (y) each Westrock Private Warrant that is outstanding upon the closing of the Offer be exchanged for 0.261 common shares, which is a ratio 10% less than the exchange ratio applicable to the Offer (such amendment, the “Warrant Amendment”).

The Offer and Consent Solicitation expired on September 26, 2024 (the “Expiration Date”). As of the Expiration Date, (x) 16,676,541 outstanding Westrock Public Warrants were validly tendered and not validly withdrawn in the Offer and Consent Solicitation, representing approximately 97.42% of the Westrock Public Warrants and (y) 2,026,046 outstanding Westrock Private Warrants were validly tendered and not validly withdrawn in the Offer and Consent Solicitation, representing 100% of the Westrock Private Warrants. On September 30, 2024, the Company issued 5,423,681 Common Shares in exchange for the tendered Westrock Warrants.

In addition, pursuant to the Consent Solicitation, the Company received the approval of holders of approximately 97.42% of the outstanding Westrock Public Warrants and 100% of the outstanding Westrock Private Warrants to adopt the Warrant Amendment, which exceeded (x) the 50% threshold of the outstanding Westrock Public Warrants required to amend the Warrant Agreement with respect to the Westrock Public Warrants and (y) the 50% threshold of the outstanding Westrock Private Warrants required to amend the Warrant Agreement with respect to the Westrock Private Warrants. Accordingly, the Company and the Warrant Agent entered into the Warrant Amendment, dated September 30, 2024. On September 30, 2024, the Company announced that it would exercise its right, in accordance with the terms of the Warrant Amendment, to exchange each Westrock Public Warrant that is outstanding following the closing of the Offer for 0.261 common shares per warrant (the “Post-Offer Exchange”). In lieu of issuing fractional shares, any holder of warrants who would otherwise have been entitled to receive fractional shares, after aggregating all such fractional shares of such holder, was paid in cash (without interest) in an amount equal to such fractional part of a share multiplied

by \$6.74. The Company fixed the date for the Post-Offer Exchange as October 15, 2024. On October 16, 2024, the Company issued 115,220 Common Shares for the untendered Westrock Public Warrants. Following the completion of the Offer and Post-Offer Exchange, no Westrock Warrants remain outstanding. Accordingly, the Westrock Public Warrants were suspended from trading on the Nasdaq as of the close of business on October 15, 2024, and were delisted.

#### ***Falcon Credit Agreement Amendment***

On August 21, 2024, Falcon Coffees Limited, a wholly owned subsidiary of the Company, amended its working capital trade finance facility. The amendment increased the facility size from \$55.0 million to \$75.0 million. The interest rates and maturity date were unchanged as a result of the amendment. See Note 11 to our Condensed Consolidated Financial Statements for additional discussion related to the working capital trade finance facility.

### **Results of Operations**

#### **Comparison of the Three Months Ended September 30, 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:

(Dollars in Thousands)	Three Months Ended September 30, 2024	% of Revenues	Three Months Ended September 30, 2023	% of Revenues
Net sales	\$ 220,860	100.0 %	\$ 219,612	100.0 %
Costs of sales	183,775	83.2 %	184,546	84.0 %
Gross profit	37,085	16.8 %	35,066	16.0 %
Selling, general and administrative expense	46,132	20.9 %	37,050	16.9 %
Transaction, restructuring and integration expense	2,538	1.1 %	3,137	1.4 %
Impairment charges	1,165	0.5 %	—	0.0 %
Loss on disposal of property, plant and equipment	(8)	(0.0)%	248	0.1 %
Total operating expenses	49,827	22.6 %	40,435	18.4 %
<b>Loss from operations</b>	<b>(12,742)</b>	<b>(5.8)%</b>	<b>(5,369)</b>	<b>(2.4)%</b>
Other (income) expense				
Interest expense	6,889	3.1 %	7,803	3.6 %
Change in fair value of warrant liabilities	(5,481)	(2.5)%	(25,105)	(11.4)%
Other, net	(10)	(0.0)%	510	0.2 %
<b>(Loss) income before income taxes and equity in earnings from unconsolidated entities</b>	<b>(14,140)</b>	<b>(6.4)%</b>	<b>11,423</b>	<b>5.2 %</b>
Income tax expense (benefit)	84	0.0 %	(5,212)	(2.4)%
Equity in (earnings) loss from unconsolidated entities	35	0.0 %	14	0.0 %
<b>Net (loss) income</b>	<b>\$ (14,259)</b>	<b>(6.5)%</b>	<b>\$ 16,621</b>	<b>7.6 %</b>
<b>Net (loss) income attributable to shareholders</b>	<b>(14,259)</b>	<b>(6.5)%</b>	<b>16,621</b>	<b>7.6 %</b>
Participating securities' share in earnings	—	0.0 %	(3,912)	(1.8)%
Accretion of Series A Convertible Preferred Shares	88	0.0 %	93	0.0 %
<b>Net (loss) income attributable to common shareholders</b>	<b>\$ (14,171)</b>	<b>(6.4)%</b>	<b>\$ 12,802</b>	<b>5.8 %</b>

### Net Sales

(Thousands)	Three Months Ended September 30,	
	2024	2023
Beverage Solutions	\$ 164,010	\$ 176,818
Sustainable Sourcing & Traceability <sup>1</sup>	56,850	42,794
<b>Total net sales</b>	<b>\$ 220,860</b>	<b>\$ 219,612</b>

(1) Net of intersegment revenues.

Net Sales from our Beverage Solutions segment were \$164.0 million for the three months ended September 30, 2024, compared to \$176.8 million for the three months ended September 30, 2023, a decrease of approximately 7.2%. The decrease was primarily due to a \$16.4 million decrease in the sale of coffee and tea products, driven by a 6.4% decrease in roast and ground coffee volumes and a 24.4% decrease in single serve cup volumes, partially offset by a \$3.1 million increase in the sale of flavors, extracts and ingredients products, driven by an 18.5% increase in flavors, extracts and ingredients volumes.

Net Sales from our SS&T segment, net of intersegment revenues, totaled \$56.9 million for the three months ended September 30, 2024, increasing 32.8% compared to \$42.8 million for the three months ended September 30, 2023. The increase is driven by an increase in sales volume, which increased 35.9% compared to the three months ended September 30, 2023.

### Costs of Sales

(Thousands)	Three Months Ended September 30,	
	2024	2023
Beverage Solutions	\$ 131,762	\$ 144,920
Sustainable Sourcing & Traceability	52,013	39,626
<b>Total costs of sales</b>	<b>\$ 183,775</b>	<b>\$ 184,546</b>

In our Beverage Solutions segment, costs of sales decreased to \$131.8 million for the three months ended September 30, 2024, from \$144.9 million for the three months ended September 30, 2023. The decrease in costs of sales was primarily driven by a decrease in the sale of coffee and tea products and single serve cup volumes for the three months ended September 30, 2024 compared to the three months ended September 30, 2023.

In our SS&T segment, costs of sales increased \$12.4 million to \$52.0 million for the three months ended September 30, 2024 compared to the three months ended September 30, 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 September 30, 2024 included \$0.5 million of net unrealized losses on forward sales and purchase contracts and mark-to-market adjustments on green coffee inventory compared to \$1.2 million of net unrealized losses for the three months ended September 30, 2023.

### Selling, General and Administrative Expense

(Dollars in Thousands)	Three Months Ended September 30,			
	2024		2023	
	Amount	% of Segment Revenues	Amount	% of Segment Revenues
Beverage Solutions	\$ 43,126	26.3 %	\$ 34,577	19.6 %
Sustainable Sourcing & Traceability	3,006	5.3 %	2,473	5.8 %
<b>Total selling, general and administrative expense</b>	<b>\$ 46,132</b>	<b>20.9 %</b>	<b>\$ 37,050</b>	<b>16.9 %</b>

Total selling, general and administrative expenses in our Beverage Solutions segment increased \$8.5 million to \$43.1 million for the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The

increase is primarily due to an \$8.9 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 September 30, 2023.

***Transaction, Restructuring and Integration Expense***

Transaction, restructuring and integration expenses for the three months ended September 30, 2024 were \$2.5 million, approximately \$1.4 million of which related to professional and legal costs associated with the Westrock Warrant exchange and \$1.0 million of which related to plant closure costs. During the three months ended September 30, 2023, we incurred \$3.1 million of transaction, restructuring and integration expenses, approximately \$1.2 million of which related to the costs associated with the integration of our new enterprise resource planning system, including internal and external costs related to post go-live system support and duplicative system costs and \$1.0 million of which primarily related to non-capitalizable costs associated with registration statements.

***Interest Expense***

(Thousands)	Three Months Ended September 30,	
	2024	2023
Interest expense		
<b>Cash:</b>		
Term loan and delayed draw term loan facilities	\$ 4,782	\$ 4,276
Revolving credit facility	2,036	684
Convertible notes payable	281	—
Convertible notes payable - related party	639	—
Supply chain finance program	326	969
International trade finance lines	1,596	1,195
International notes payable	213	33
Other	269	1,110
<b>Total cash interest</b>	<u>10,142</u>	<u>8,267</u>
<b>Non-cash:</b>		
Amortization of deferred financing costs	717	571
Capitalized interest	(3,970)	(1,035)
<b>Total non-cash interest</b>	<u>(3,253)</u>	<u>(464)</u>
<b>Total interest expense</b>	<u>\$ 6,889</u>	<u>\$ 7,803</u>

Interest expense for the three months ended September 30, 2024 was \$6.9 million compared to \$7.8 million for the three months ended September 30, 2023. Interest expense associated with our revolving credit facility increased \$1.4 million, primarily due to higher outstanding borrowings, and interest on our Convertible Notes increased \$0.9 million. During the three months ended September 30, 2024, the Company capitalized approximately \$4.0 million of interest costs associated with the build-out of our extract and ready-to-drink facility in Conway, Arkansas, compared to \$1.0 million of such interest for the three months ended September 30, 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 September 30, 2024 resulted in recognition of \$5.5 million of gains compared to recognition of \$25.1 million of gains during the three months ended September 30, 2023.

***Income Tax Expense (Benefit)***

Income tax expense for the three months ended September 30, 2024 was \$0.1 million, resulting in an effective tax rate of (0.6%). 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. Income tax benefit for the three months ended September 30, 2023 was \$5.2 million, resulting in an effective tax rate of (45.7%).

### Comparison of the Nine Months Ended September 30, 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:

(Dollars in Thousands)	Nine Months Ended September 30, 2024	% of Revenues	Nine Months Ended September 30, 2023	% of Revenues
Net Sales	\$ 621,749	100.0 %	\$ 649,748	100.0 %
Costs of sales	505,987	81.4 %	544,707	83.8 %
Gross profit	115,762	18.6 %	105,041	16.2 %
Selling, general and administrative expense	142,182	22.9 %	105,275	16.2 %
Transaction, restructuring and integration expense	9,901	1.6 %	12,682	2.0 %
Impairment charges	1,996	0.3 %	—	0.0 %
Loss on disposal of property, plant and equipment	965	0.2 %	1,145	0.2 %
Total operating expenses	155,044	24.9 %	119,102	18.3 %
<b>Loss from operations</b>	<b>(39,282)</b>	<b>(6.3)%</b>	<b>(14,061)</b>	<b>(2.2)%</b>
Other (income) expense				
Interest expense	21,921	3.5 %	21,216	3.3 %
Change in fair value of warrant liabilities	(7,134)	(1.1)%	(18,833)	(2.9)%
Other, net	223	0.0 %	1,323	0.2 %
<b>Loss before income taxes and equity in earnings from unconsolidated entities</b>	<b>(54,292)</b>	<b>(8.7)%</b>	<b>(17,767)</b>	<b>(2.7)%</b>
Income tax expense (benefit)	1,254	0.2 %	(3,331)	(0.5)%
Equity in (earnings) loss from unconsolidated entities	145	0.0 %	80	0.0 %
<b>Net loss</b>	<b>\$ (55,691)</b>	<b>(9.0)%</b>	<b>\$ (14,516)</b>	<b>(2.2)%</b>
Net income (loss) attributable to non-controlling interest	—	0.0 %	15	0.0 %
<b>Net loss attributable to shareholders</b>	<b>(55,691)</b>	<b>(9.0)%</b>	<b>(14,531)</b>	<b>(2.2)%</b>
Accretion of Series A Convertible Preferred Shares	262	0.0 %	(249)	(0.0)%
<b>Net loss attributable to common shareholders</b>	<b>\$ (55,429)</b>	<b>(8.9)%</b>	<b>\$ (14,780)</b>	<b>(2.3)%</b>

### Net Sales

(Thousands)	Nine Months Ended September 30,	
	2024	2023
Beverage Solutions	\$ 485,322	\$ 547,746
Sustainable Sourcing & Traceability <sup>1</sup>	136,427	102,002
<b>Total net sales</b>	<b>\$ 621,749</b>	<b>\$ 649,748</b>

(1) Net of intersegment revenues.

Net Sales from our Beverage Solutions segment were \$485.3 million for the nine months ended September 30, 2024, compared to \$547.7 million for the nine months ended September 30, 2023, a decrease of approximately 11.4%. The decrease was primarily due to a \$75.9 million decrease in the sale of coffee and tea products, driven by a 17.8% decrease in roast and ground coffee volumes and a 15.0% decrease in single serve cup volumes, partially offset by an \$11.2

million increase in the sale of flavors, extracts and ingredients products, driven by a 28.9% increase in flavors, extracts and ingredients volumes.

Net Sales from our SS&T segment, net of intersegment revenues, totaled \$136.4 million for the nine months ended September 30, 2024, increasing 33.7% compared to \$102.0 million for the nine months ended September 30, 2023. The increase is driven by an increase in sales volume, which increased 43.9%, partially offset by a 7.7% decrease in average sales price per pound for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The decrease in the average sales price per pound is directly correlated to the global commodities price.

#### *Costs of Sales*

(Thousands)	Nine Months Ended September 30,	
	2024	2023
Beverage Solutions	\$ 383,460	\$ 452,878
Sustainable Sourcing & Traceability	122,527	91,829
<b>Total costs of sales</b>	<b>\$ 505,987</b>	<b>\$ 544,707</b>

In our Beverage Solutions segment, costs of sales decreased to \$383.5 million for the nine months ended September 30, 2024, from \$452.9 million for the nine months ended September 30, 2023. The decrease in costs of sales was primarily driven by a decrease in the sale of coffee and tea products and single serve cup volumes for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023.

In our SS&T segment, costs of sales increased \$30.7 million to \$122.5 million for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. This increase is primarily due to an increase in green coffee sales volume. Costs of sales in our SS&T segment for the nine months ended September 30, 2024 included \$2.7 million of net unrealized gains on forward sales and purchase contracts and mark-to-market adjustments on green coffee inventory compared to \$1.0 million of net unrealized gains for the nine months ended September 30, 2023.



### *Selling, General and Administrative Expense*

	Nine Months Ended September 30,			
	2024		2023	
(Dollars in Thousands)	Amount	% of Segment Revenues	Amount	% of Segment Revenues
Beverage Solutions	\$ 133,920	27.6 %	\$ 97,798	17.9 %
Sustainable Sourcing & Traceability	8,262	6.1 %	7,477	7.3 %
<b>Total selling, general and administrative expense</b>	<b>\$ 142,182</b>	<b>22.9 %</b>	<b>\$ 105,275</b>	<b>16.2 %</b>

Total selling, general and administrative expenses in our Beverage Solutions segment increased \$36.1 million to \$133.9 million for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The increase is primarily due to a \$28.7 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 nine months ended September 30, 2023.

### *Transaction, Restructuring and Integration Expense*

Transaction, restructuring and integration expenses for the nine months ended September 30, 2024 were \$9.9 million, approximately \$3.5 million of which related to severance and other employee termination and benefit costs associated with the elimination of various positions as part of cost reduction objectives, \$2.4 million of which related to the establishment of our at-the-market common stock offering program and \$1.4 million of which related to professional and legal costs associated with the Westrock Warrant exchange. During the nine months ended September 30, 2023, we incurred \$12.7 million of transaction, restructuring and integration expenses, approximately \$9.7 million of which related to the costs associated with the integration of our new enterprise resource planning system, including internal and external costs related to post go-live system support and duplicative system costs and \$2.0 million of non-capitalizable costs associated with acquisitions and registration statements.

### *Interest Expense*

	Nine Months Ended September 30,	
	2024	2023
(Thousands)		
Interest expense		
<b>Cash:</b>		
Term loan and delayed draw term loan facilities	\$ 14,312	\$ 10,180
Revolving credit facility	3,863	2,841
Convertible notes payable	697	—
Convertible notes payable - related party	1,583	—
Supply chain finance program	4,870	1,189
International trade finance lines	3,604	3,391
International notes payable	611	87
Other	1,082	3,003
<b>Total cash interest</b>	<b>30,622</b>	<b>20,691</b>
<b>Non-cash:</b>		
Amortization of deferred financing costs	2,432	1,560
Capitalized interest	(11,133)	(1,035)
<b>Total non-cash interest</b>	<b>(8,701)</b>	<b>525</b>
<b>Total interest expense</b>	<b>\$ 21,921</b>	<b>\$ 21,216</b>

Interest expense for the nine months ended September 30, 2024 was \$21.9 million compared to \$21.2 million for the nine months ended September 30, 2023. \$4.1 million of the increase is attributable to interest expense associated with our term loan and delayed draw term loan facilities, primarily due to higher outstanding borrowings, and \$2.3 million of the increase is due to interest on our Convertible Notes. In addition, we incurred \$4.9 million in interest on our supply chain finance program borrowings for the nine months ended September 30, 2024, compared to \$1.2 million of such

interest for the nine months ended September 30, 2023. Furthermore, during the nine months ended September 30, 2024, the Company capitalized approximately \$11.1 million of interest costs associated with the build-out of our extract and ready-to-drink facility in Conway, Arkansas, compared to \$1.0 million of such interest for the nine months ended September 30, 2023.

#### ***Change in Fair Value of Warrant Liabilities***

The change in fair value of warrant liabilities for the nine months ended September 30, 2024 resulted in recognition of \$7.1 million of gains compared to recognition of \$18.8 million of gains during the nine months ended September 30, 2023.

#### ***Income Tax Expense (Benefit)***

Income tax expense for the nine months ended September 30, 2024 was \$1.3 million, resulting in an effective tax rate of (2.3%). 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. Income tax benefit for the nine months ended September 30, 2023 was \$3.3 million, resulting in an effective tax rate of 18.7%.

#### **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 September 30, 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 (as defined herein).

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 further 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 United States 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 September 30, 2024, we had \$107.5 million of outstanding borrowings under the Revolving Credit Facility, with a weighted average interest rate of 8.8% and we had \$2.6 million of standby letters of credit outstanding. At September 30, 2024 the interest rate applicable to our Term Loan Facility was 8.0% and the interest rate applicable to our Delayed Draw Term Loan Facility was 8.9%.

On February 15, 2024, 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 herein).

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. Failure to comply with these covenants or make payments when due could result in an event of default, which, if not cured or waived, could accelerate our repayment obligations under the Credit Agreement and could result in a default and acceleration under other agreements containing cross-default provisions. Under these circumstances, we might not have sufficient funds or other resources to satisfy all of our obligations. 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 require 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 September 30, 2024, the carrying value of the Convertible Notes was \$71.6 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 stock, par value \$0.01 per share (“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 Coffees Limited (“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%). On August 21, 2024, Falcon amended its working capital trade finance facility. The amendment increased the facility size from \$55.0 million to \$75.0 million. The interest rates and maturity date were unchanged as a result of the amendment. At September 30, 2024, there was \$48.5 million of outstanding borrowings under the facility, which is recorded in short-term debt in the Condensed Consolidated Balance Sheets. Falcon's facility contains certain restrictive financial covenants which require Falcon to maintain certain levels of working capital, debt, and net worth. Falcon was in compliance with these financial covenants as of September 30, 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, as defined in the facility, before the Quotation Day, as defined in the facility; 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 September 30, 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 September 30, 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 \$6.6 million at September 30, 2024 and (b) a long-term note payable with a balance of \$0.8 million at September 30, 2024. Additionally, Rwanda Trading Company maintains two short-term futures contract-based lending facilities from international institutions with outstanding balances of \$0.6 million and \$2.4 million at September 30, 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 Condensed Consolidated Balance Sheets. As of September 30, 2024, there were \$70.9 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 Common Shares in the aggregate. During the nine months ended September 30, 2024, the Company sold 60,000 Common Shares under the ATM Program, resulting in net proceeds of \$0.6 million. 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 utilizes 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. During the second quarter of 2024, we commenced commercial production in a portion of the facility. We are continuing to build out the remaining portions of the facility and 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 Loan Facility, 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.

### ***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 23,510,527 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 Agreement, 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 \$266.8 million as of September 30, 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 \$1.2 million of inventory associated with repurchase agreements in which the Company's SS&T segment has sold inventory to a third party and from whom the Company's Beverage Solution segment has an obligation to repurchase.

### ***Capital Expenditures***

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

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

Capital expenditures for the nine months ended September 30, 2024 and 2023 were as follows:

<b>(Thousands)</b>	<b>Growth</b>	<b>Maintenance</b>	<b>Customer Beverage Equipment</b>	<b>Other</b>	<b>Total</b>
Nine months ended September 30, 2024	\$ 137,977	\$ 1,532	\$ 745	\$ 1,197	\$ 141,451
Nine months ended September 30, 2023	\$ 113,594	\$ 2,531	\$ 1,533	\$ 3,887	\$ 121,545

During the remainder of 2024, we expect to invest approximately \$30.0 million to continue the build out of our extract and ready-to-drink product manufacturing facility 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 September 30, 2024, the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 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 September 30, 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 weakness:

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 June 30, 2024, 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.

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.
- Designed and implemented formal accounting procedures and controls during the quarters ended September 30, 2023, December 31, 2023, March 31, 2024 and June 30, 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 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.

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

- Engaged a third party to assist in designing and implementing controls related to 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 designed and implemented 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.

During the fourth quarter of 2023 and the three quarters ending September 30, 2024, management completed the testing necessary to conclude that the newly implemented and enhanced controls were appropriately designed, implemented and operating effectively as of September 30, 2024, and concluded that the material weakness related to segregation of duties 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 Rules 13a-15(f) and 15d-15(f) under the Exchange Act, that occurred during the quarter ended September 30, 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) During the three months ended September 30, 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).

**Item 6. Exhibits**

Exhibit Number	Exhibit Description	Exhibit Index				
		Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	<a href="#">Certificate of Incorporation of Westrock Coffee Company</a>	10-Q	001-41485	3.1	August 29, 2022	
3.2	<a href="#">Bylaws of Westrock Coffee Company</a>	10-Q	001-41485	3.2	August 29, 2022	
10.1	<a href="#">Dealer Manager Agreement, dated as of August 28, 2024, by and among Westrock Coffee Company, Stifel, Nicolaus &amp; Company, Incorporated, as dealer manager.</a>	S-4	333-281807	10.20	August 28, 2024	
10.2	<a href="#">Tender and Support Agreement, dated as of August 28, 2024, by and among Westrock Coffee Company and the warrant holders party thereto.</a>	S-4	333-281807	10.21	August 28, 2024	
10.3	<a href="#">Amendment No. 1 to Warrant Agreement, dated September 30, 2024, by and between Westrock Coffee Company, Computershare, Inc. and Computershare Trust Company, N.A.</a>	8-K	001-41485	10.1	September 30, 2024	
31.1	<a href="#">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.</a>					*
31.2	<a href="#">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.</a>					*
32.1	<a href="#">Chief Executive Officer—Certification pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					**
32.2	<a href="#">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.</a>					**
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.					*

[Table of Contents](#)

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	

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\* Filed herewith.

\*\* Furnished herewith.

Signatures

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

Date: November 7, 2024

**Westrock Coffee Company**

By:           /s/ T. Christopher Pledger          

Name: T. Christopher Pledger

Title: Chief Financial Officer  
(Principal Financial Officer)

Date: November 7, 2024

By:           /s/ Blake Schuhmacher          

Name: Blake Schuhmacher

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

**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 2002**

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: November 7, 2024

/s/ Scott T. Ford

Scott T. Ford

Chief Executive Officer

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**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 2002**

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: November 7, 2024

/s/ T. Christopher Pledger

T. Christopher Pledger  
Chief Financial Officer

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**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 September 30, 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: November 7, 2024

/s/ Scott T. Ford

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Scott T. Ford

Chief Executive Officer

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**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 September 30, 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: November 7, 2024

/s/ T. Christopher Pledger

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T. Christopher Pledger  
Chief Financial Officer

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