



Chanson International Holding Announces Fiscal Year 2023 Financial Results

April 30, 2024

URUMQI, China, April 30, 2024 /PRNewswire/ -- Chanson International Holding (Nasdaq: CHSN) (the "Company" or "Chanson"), a provider of bakery, seasonal, and beverage products through its chain stores in China and the United States, today announced its financial results for the fiscal year ended December 31, 2023.

Mr. Gang Li, Chairman of the Board of Directors and Chief Executive Officer of the Company, commented, "In 2023, we witnessed growing demand, driven by positive consumer sentiment. This led to a 30.0% increase in our total revenue and a corresponding 33.5% rise in gross profit for the fiscal year 2023. Looking ahead to 2024, we remain confident in our ability to execute growth initiatives and solidify our market position. In 2024, we plan to focus on developing product portfolio, increasing brand awareness and expanding customer base. Alongside our business expansion efforts, we aim to drive sustainable growth, optimize operational efficiency, and implement cost-effective measures to manage expenses. With determination and strategic focus, we are poised to scale our business and expand margins to enhance shareholder value in 2024."

Fiscal Year 2023 Financial Highlights

- Total revenue was \$17.3 million, an increase of 30.0% from \$13.3 million in fiscal year 2022.
- Gross profit was \$8.1 million, an increase of 33.5% from \$6.1 million in fiscal year 2022.
- Gross margin was 47.2%, increased from 46.0% in fiscal year 2022.
- Net income was \$0.03 million, compared to net loss of \$1.3 million in fiscal year 2022.
- Basic and diluted earnings per share were \$0.003, compared to basic and diluted loss per share of \$0.14 in fiscal year 2022.

Fiscal Year 2023 Financial Results

Revenue

Total revenue increased by 30.0% to \$17.3 million in fiscal year 2023, from \$13.3 million in fiscal year 2022. The increase in the revenue was due to increased revenue from stores in China ("China Stores"), which was partially offset by decreased revenue from stores in the United States ("United States Stores").

China Stores

- Revenue from China Stores increased by 50.8% to \$14.3 million in fiscal year 2023 from \$9.5 million in fiscal year 2022. The increase was mainly due to the increased revenue from bakery products as well as from other products.
- Revenue from bakery products increased by 44.0% to \$12.5 million in fiscal year 2023 from \$8.7 million in fiscal year 2022. The increase was mainly because business operations of the China Stores fully recovered from the COVID-19 pandemic during the year ended December 31, 2023.
- Revenue from other products increased by 126.7% to \$1.8 million in fiscal year 2023 from \$0.8 million in fiscal year 2022, due to increased revenue from seasonal products and beverage products. Revenue from seasonal products increased by 89.1% to \$1.3 million in fiscal year 2023, from \$0.7 million in fiscal year 2022, mainly due to increased customer orders of seasonal products. As China Stores upgraded packaging for seasonal products, seasonal products were more appealing to customers. Revenue from beverage products significantly increased by 400.4% to \$0.5 million in fiscal year 2023, from \$0.1 million in fiscal year 2022, mainly due to increased revenue from freshly brewed coffee products, as China Stores are focusing on expanding the coffee beverages business.

United States Stores

- Revenue from United States Stores decreased by 22.3% to \$2.9 million in fiscal year 2023 from \$3.8 million in fiscal year 2022. The decrease was mainly due to decreased revenue from beverage products, bakery products, and eat-in services.
- Revenue from bakery products decreased by 27.4% to \$0.4 million in fiscal year 2023 from \$0.6 million in fiscal year 2022. The decrease was primarily due to increased competition from rivals operating in the same area. After the COVID-19 pandemic, many famous bakery brands opened new stores in New York City, offering customers more choices and resulting in revenue from bakery products of Chanson 23rd Street LLC ("Chanson 23rd Street") and Chanson 355 Greenwich LLC ("Chanson Greenwich") being adversely affected. With the increased competition, Chanson Greenwich closed its business operation and in the second half of fiscal year 2023, which resulted in a decrease in revenue from bakery products. The decrease was partially offset by increased revenue from bakery products of approximately \$140,000, generated by Chanson 1293 3rd Ave LLC ("Chanson 3rd Ave") and Chanson 2040 Broadway LLC ("Chanson Broadway"), the new stores opened in March 2023 and July 2023, respectively.

- Revenue from beverage products decreased by 16.9% to \$1.7 million in fiscal year 2023, from \$2.0 million in fiscal year 2022. After the cocktail bars of the United States Stores launched several new types of cocktail products with new flavors and styles, such products became popular among customers and the cocktail bars were often fully booked by reservation. However, during the year ended December 31, 2023, our rivals operating in the same area also launched many types of attractive cocktail products, offering customers more choices and resulting in revenue from beverage products being adversely affected. In addition, the decrease in revenue from beverage products was attributable to the closure of Chanson Greenwich as mentioned above.
- Revenue from eat-in services decreased by 29.3% to \$0.8 million in fiscal year 2023, from \$1.1 million in fiscal year 2022. The decrease was mainly due to the decreased revenue from Chanson Greenwich of approximately \$345,000 as a result of the closure of its business as mentioned above. The decrease in revenue from eat-in services was partially offset by the increased revenue from eat-in services of approximately \$41,000, generated by the two newly opened stores, Chanson 3rd Ave and Chanson Broadway.

Gross Profit and Gross Margin

Gross profit increased by 33.5%, to \$8.1 million in fiscal year 2023, from \$6.1 million in fiscal year 2022. Gross margin remained relatively stable with a slight increase by 1.2 percentage points to 47.2% in fiscal year 2023 from 46.0% in fiscal year 2022.

Operating Expenses

Operating expenses were \$8.8 million in fiscal year 2023, compared to \$7.5 million in fiscal year 2022.

- Selling expenses increased by 32.0%, to \$4.9 million in fiscal year 2023, from \$3.7 million in fiscal year 2022. The increase was primarily due to the increase in selling expenses of \$1.3 million from China Stores, partially offset by the decrease of \$0.15 million from the United States Stores. The increase in selling expenses from China Stores was mainly because the business operations in China fully recovered from the negative impact of the COVID-19 pandemic. The increase was also due to the opening of new China Stores in the year ended December 31, 2023. The decrease in selling expenses from the United States Stores was mainly attributable to the increased lease concession of \$0.13 million received by Chanson 23rd Street and Chanson Greenwich in the year ended December 31, 2023.
- General and administrative expenses increased by 0.8%, to \$3.9 million in fiscal year 2023 from \$3.8 million in fiscal year 2022. The increase was primarily due to the increase in general and administrative expenses of \$0.4 million incurred by China Stores. The increase in general and administrative expenses from China Stores was primarily because the business operations in China fully recovered from the negative impact of COVID-19 pandemic. The increase was also due to the increased salaries related costs, as more employees were hired for the newly opened stores. The increase was also attributable to the increased consulting and professional service fee as we became a public company upon the completion of initial public offering in the year ended December 31, 2023. The increase was partially offset by the decreased general and administrative expenses of \$0.3 million incurred by the United States Stores. The decrease in general and administrative expenses from the United States Stores was primarily due to decreased salary and social security expenses, mainly resulting from optimization of management team of the United States Stores. In addition, the decrease was due to the decreased general and administrative expenses incurred by Chanson Greenwich, as Chanson Greenwich was closed in the second half of fiscal year 2023.

Net Income (Loss)

Net income in fiscal year 2023 was \$0.03 million, compared to net loss of \$1.3 million in fiscal year 2022.

Basic and Diluted Earnings (Loss) per Share

Basic and diluted earnings per share in fiscal year 2023 was \$0.003, compared to basic and diluted loss per share of \$0.14 in fiscal year 2022.

Balance Sheet

As of December 31, 2023, the Company had cash and cash equivalents of \$1.5 million, compared to \$2.9 million as of December 31, 2022.

Cash Flow

Net cash used in operating activities was \$3.0 million in fiscal year 2023, compared to net cash provided by operating activities of \$0.6 million in fiscal year 2022.

Net cash used in investing activities was \$10.5 million in fiscal year 2023, compared to \$0.9 million in fiscal year 2022.

Net cash provided by financing activities was \$12,059,025 in fiscal year 2023, compared to \$9,929 in fiscal year 2022.

About Chanson International Holding

Founded in 2009, Chanson International Holding is a provider of bakery, seasonal, and beverage products through its chain stores in China and the United States. Headquartered in Urumqi, China, Chanson directly operates stores in Xinjiang, China and New York, United States. Chanson currently manages 37 stores in Xinjiang, and three stores in New York City while selling on digital platforms and third-party online food ordering platforms. Chanson offers not only packaged bakery products but also made-in-store pastries and eat-in services, serving freshly prepared bakery products and

extensive beverage products. Chanson aims to make healthy, nutritious, and ready-to-eat food through advanced facilities based on in-depth industry research, while creating a comfortable and distinguishable store environment for customers. Chanson's dedicated and highly-experienced product development teams constantly create new products that reflect market trends to meet customer demand. For more information, please visit the Company's website: <http://ir.chanson-international.net/>.

Forward-Looking Statements

Certain statements in this announcement are forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties and are based on the Company's current expectations and projections about future events that the Company believes may affect its financial condition, results of operations, business strategy and financial needs. Investors can identify these forward-looking statements by words or phrases such as "approximates," "believes," "hopes," "expects," "anticipates," "estimates," "projects," "intends," "plans," "will," "would," "should," "could," "may" or other similar expressions. The Company undertakes no obligation to update or revise publicly any forward-looking statements to reflect subsequent occurring events or circumstances, or changes in its expectations, except as may be required by law. Although the Company believes that the expectations expressed in these forward-looking statements are reasonable, it cannot assure you that such expectations will turn out to be correct, and the Company cautions investors that actual results may differ materially from the anticipated results and encourages investors to review other factors that may affect its future results in the Company's registration statement and other filings with the U.S. Securities and Exchange Commission.

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CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,481,302	\$ 2,915,470
Accounts receivable	1,995,067	1,260,453
Inventories	723,905	693,506
Deferred offering costs	-	763,611
Prepaid expenses and other current assets	5,134,173	833,238
	9,334,447	6,466,278
NON-CURRENT ASSETS:		
Operating lease right-of-use assets	13,059,561	13,921,825
Property and equipment, net	5,462,063	5,871,775
Intangible assets, net	150,000	-
Long term security deposits	894,715	958,320
Prepayment for the software, equipment and product development	790,000	-
Long term debt investment	6,534,575	-
Long term loan to a third-party	2,066,822	-
Long term prepaid expenses	142,113	110,988
	29,099,849	20,862,908
	\$ 38,434,296	\$ 27,329,186
TOTAL ASSETS		
LIABILITIES		
CURRENT LIABILITIES:		
Short-term bank loans	\$ 2,683,692	\$ 434,959
Accounts payable	1,919,189	1,424,766
Due to a related party	48,042	1,798,605
Taxes payable	96,176	130,727
Deferred revenue	7,085,696	6,958,160
Operating lease liabilities, current	2,198,192	1,770,398

Other current liabilities	697,702	1,014,452
	14,728,689	13,532,067

NON-CURRENT LIABILITIES

Operating lease liabilities, non-current	11,691,251	12,620,070
	11,691,251	12,620,070

TOTAL LIABILITIES

26,419,940	26,152,137
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COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY

Ordinary shares, \$0.001 par value, 50,000,000 shares authorized; 12,425,319 shares and 9,000,000 shares issued and outstanding as of December 31, 2023 and 2022, respectively:

Class A ordinary share, \$0.001 par value, 44,000,000 shares authorized; 6,485,319 shares and 3,060,000 shares issued and outstanding as of December 31, 2023 and 2022, respectively

6,485	3,060
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Class B ordinary share, \$0.001 par value, 6,000,000 shares authorized; 5,940,000 shares issued and outstanding as of December 31, 2023 and 2022, respectively

5,940	5,940
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Additional paid-in capital

11,800,472	869,400
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Statutory reserve

447,231	447,231
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Accumulated deficit

(150,254)	(183,842)
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Accumulated other comprehensive (loss) income

(95,518)	35,260
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TOTAL SHAREHOLDERS' EQUITY

12,014,356	1,177,049
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

\$ 38,434,296	\$ 27,329,186
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CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	For the Years Ended December 31,		
	2023	2022	2021
REVENUE	\$ 17,252,662	\$ 13,272,075	\$ 14,690,295
COST OF REVENUE	9,105,337	7,169,404	7,759,872
GROSS PROFIT	8,147,325	6,102,671	6,930,423
OPERATING EXPENSES			
Selling expenses	4,882,958	3,697,909	4,126,126
General and administrative expenses	3,874,868	3,842,787	3,249,181
Total operating expenses	8,757,826	7,540,696	7,375,307
LOSS FROM OPERATIONS	(610,501)	(1,438,025)	(444,884)
OTHER INCOME (EXPENSE)			
Interest income (expense), net	35,505	(35,457)	(98,033)
Other income, net	193,425	194,824	1,065,963
Interest income from long term debt investment	534,575	-	-
Total other income, net	763,505	159,367	967,930
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	153,004	(1,278,658)	523,046
INCOME TAX EXPENSE	(119,416)	(9,547)	(16,277)
NET INCOME (LOSS)	33,588	(1,288,205)	506,769
Foreign currency translation (loss) income	(130,778)	(369,705)	88,952
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ (97,190)	\$ (1,657,910)	\$ 595,721

Earnings (Loss) per ordinary share - basic and diluted	\$	0.003	\$	(0.14)	\$	0.06
Weighted average shares - basic and diluted		11,537,373		9,000,000		9,000,000

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>For the Years Ended December 31,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:			
Net income (loss)	\$ 33,588	\$ (1,288,205)	\$ 506,769
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Amortization of operating lease right-of-use assets	2,628,985	2,533,074	2,226,128
Depreciation	831,820	701,461	605,253
Gain on forgiveness of loan under Paycheck Protection Program	-	-	(502,298)
Loss on disposal of property and equipment	4,982	-	27,325
Impairment loss on property and equipment	272,350	-	-
Interest income from long term debt investment	(534,575)	-	-
Interest income from loan to a third-party	(66,822)	-	-
Changes in operating assets and liabilities:			
Accounts receivable	(766,760)	(215,847)	(397,872)
Inventories	(45,821)	(206,264)	(46,384)
Prepaid expenses and other current assets	(3,573,002)	(430,717)	(175,630)
Long term security deposits	57,185	84,374	(236,020)
Long term prepaid expenses	(34,010)	(26,504)	38,476
Accounts payable	530,195	247,015	325,803
Taxes payable	(31,943)	103,212	(26,347)
Deferred revenue	307,169	1,411,004	1,252,776
Other current liabilities	(292,138)	(433,848)	98,362
Operating lease liabilities	(2,275,056)	(1,927,407)	(1,918,095)
Net cash (used in) provided by operating activities	(2,953,853)	551,348	1,778,246
Cash flows from investing activities:			
Purchase of property and equipment	(773,964)	(860,034)	(2,038,054)
Purchase of intangible assets	(150,000)	-	-
Proceeds from disposal property and equipment	444	-	7,133
Payment made for long term debt investment	(6,000,000)	-	-
Advance of loans to third parties	(3,900,000)	-	(1,550,628)
Repayment from loans to third parties	1,150,104	-	1,550,628
Prepayment for the software, equipment and product development	(1,190,000)	-	-
Refund of prepayment for the product development	400,000	-	-
Net cash used in investing activities	(10,463,416)	(860,034)	(2,030,921)
Cash flows from financing activities:			
Gross proceeds from initial public offerings	13,560,000	-	-
Direct costs disbursed from initial public offerings proceeds	(1,529,631)	-	-
Proceeds from short-term bank loans	2,685,588	445,831	1,903,563
Repayments of short-term bank loans	(424,040)	(1,474,129)	(2,683,814)
Proceeds from long-term bank loan	-	-	293,007
Advances received from (payments made to) a related party	(1,892,423)	1,076,717	572,712
Payments made for deferred offering costs	(340,469)	(38,490)	(263,708)
Net cash provided by (used in) financing activities	12,059,025	9,929	(178,240)
Effect of exchange rate fluctuation on cash and cash equivalents	(75,924)	(682,585)	206,659
Net decrease in cash and cash equivalents	(1,434,168)	(981,342)	(224,256)

Cash and cash equivalents, beginning of year	2,915,470	3,896,812	4,121,068
Cash and cash equivalents, end of year	\$ 1,481,302	\$ 2,915,470	\$ 3,896,812

Supplemental cash flow information

Cash paid for income taxes	\$ 92,409	\$ 5,282	\$ 9,981
Cash paid for interest	\$ 32,444	\$ 37,277	\$ 66,688

Non-cash operating, investing and financing activities

Payable for purchase of property and equipment	\$ -	\$ 463,556	\$ 682,618
Right of use assets obtained in exchange for operating lease liabilities	\$ 1,676,362	\$ 5,160,825	\$ 2,420,359
PPP loan forgiveness	\$ -	\$ -	\$ 502,298
Deferred IPO cost offset with additional paid-in capital	\$ 1,095,872	\$ -	\$ -

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