



Trading symbol: REED  
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## Overview

Reed's, Inc. (NASDAQ: REED) makes the top-selling sodas in natural food markets nationwide, and is currently selling in 10,500+ natural food markets and mainstream supermarkets. Its six award-winning non-alcoholic Ginger Brews are unique in the beverage industry, being brewed not manufactured, and using fresh ginger, spices, and fruits in a brewing process that predates commercial soft drinks.

*"The best sodas in the world, naturally..."*

### Investment Highlights

- Fiscal 2010 revenues increased 34% to a record \$20.4 million; and for nine months ended September 30, 2011 revenues up 24%;
- Makes the top selling soft drinks in the natural foods market;
- Current valuation is at approximately 60% of annual revenues, while most beverage companies sell for 1.5 to 3 times revenues;
- Company is adequately capitalized with EBITDA positive operations; \$2.2 million working capital available at 09/30/11, and no long-term debt aside from capitalized leases;
- Authentic, category dominant brands with broad demographic appeal positioned within high-growth "New Age" beverage and Functional beverage categories;
- Management team owns approximately 30% of outstanding stock.
- Reed's and Virgil's top performing brands in the carbonated soft drinks (CSD) category in supermarkets, according to IRI data.

### Brand Overview

**Reed's Ginger Brews** – Brewed the way sodas were made 200 years ago. Reed's makes its non-alcoholic brews with fresh ginger root, spices, fruit juices and filtered, sparkling water.



Reed's six flavors include: Original Ginger Brew, Extra Ginger Brew, Premium Ginger Brew, Raspberry Ginger Brew, Spiced Apple Ginger Brew and Cherry Ginger Brew. The Reed's Natural Energy Elixir was introduced in 2009.

**Virgil's** – Virgil's award winning sodas hold the top selling positions within the natural foods channel. The Virgil's line was recently expanded with the introduction of Virgil's Orange Cream Soda, Real Cola; and the new Virgil's Zero line of Stevia-sweetened diet versions of its popular flavors.



Virgil's flavors Include: Root Beer, Cream Soda, Cherry Cream Soda, Orange Cream Soda, Real Cola, Zero Real Cola, Zero Root Beer, Zero Cream Soda and Zero Black Cherry Cream Soda. Reed's also makes China Cola, the top selling cola in natural foods and Cherry China Cola.

### Public Company Stats

Ticker	REED
CIK	0001140215
SIC Code	2086
State of Incorporation	Delaware
Price (11/17/11)	\$1.39
52 wk. high/low	\$3.00/\$1.32
Avg. Volume (90-Day)	13,231
Outstanding Shares	10.9M
Float	7.6M
Market Capitalization	15.0M
Insider Ownership	29.6 %
Institutional Ownership	2.0%
Price/Sales	0.70
Price/Book	4.24

*\*Information per Yahoo! Finance, Edgar and Company as of 11/17/11.*

On the Web: [www.reedsinc.com](http://www.reedsinc.com)

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**Disclaimer:** Except for historical information contained herein, the statements in this fact sheet are forward looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. A fuller discussion of Reed's, Inc. risks and uncertainties are described in the Company's filings with the Securities and Exchange Commission.

## Company Highlights

### Fiscal 2011 Highlights:

- Sales for the first nine months 2011 increased 24% to a \$17.3 million vs. \$14.4 million in first nine months of 2010;
- Modified EBITDA for the first nine months 2011 was \$693,000, vs. modified EBITDA of \$374,000 in for the first nine months 2010;
- Working capital was \$2.2 million at 9/30/11 versus \$1.8 million at 12/31/10;
- Brought three more major private label customers on board increasing the number to seven and increased sales of branded products;
- Began production/shipment of new Reed's 55 Calorie Extra Ginger Brew and Virgil's Dr. Better;
- Opened up new markets with mainstream DSD distributors in Southern California, Georgia, Arizona, Florida, Colorado, Nevada, Michigan, Alabama and Louisiana;
- Gained distribution in 350 Stop and Shop, Winn Dixie chains and increased distribution in Publix Supermarkets;
- Completed Safety Quality in Foods (SQF) certification for the Los Angeles plant;
- Continued Los Angeles plant upgrades designed to increase capacity and efficiency;
- Completed rollout of the new ZERO line of Virgil's Stevia sweetened diet sodas with total diet sales increasing by over 50% from the prior year;
- Established a stronger partnership with our largest natural foods distributor (UNFI), which is anticipated to lead continued brand growth for 2011 and beyond.

### Growth Strategy

Reed's has very strong distribution in many national and regional mainstream and natural food stores and continues to experience strong organic growth. Our growth strategy is to increase sales by expanding our brands into new and existing markets, raise consumer awareness of our products and their benefits to consumers, and further build our brand equity and loyalty. Key elements of our growth strategy include:

- Creating new and stronger distribution relationships and focusing on our key accounts nationwide;
- Expand on our "Partnership with a Purpose" initiative to build relationships with mainstream supermarket chains. Reed's is currently in about **100 supermarket chains**, equating to **more than 10,500 supermarkets**.
- Developing and bringing unique new natural products to market that leverage our brand and continue to drive our growth;
- Focusing our sales and marketing resources on expanding our brand and products into new markets in the US and abroad;
- Stimulating consumer demand and connecting new users to our portfolio of natural sodas and products;
- Growing our private label business and establishing a higher level of relationship with our key customers, large national chains;
- Applying gross margins from private label sales towards marketing of branded products.

### **New Products and Private Label**

- This year Reed's launched Virgil's Dr. Better, a Dr. Pepper flavor for the natural foods industry and Reed's 55 Calorie Extra Ginger Brew;
- This year we increased the number of Private Label customers to 7 from 4 in 2010;
- Number of Private label items being produced increased from fourteen in 2010 to thirty one in 2011;

## Management

### **Christopher J. Reed, Founder/Chairman/CEO**

**Mr. Reed** founded Reed's in 1987, and has served as the Company's Chairman, President and Chief Executive Officer since its incorporation in 1991. Mr. Reed has been responsible for the Company's design and products, including the original product recipes, the proprietary brewing process and the packaging and marketing strategies.

Mr. Reed received a B.S. in Chemical Engineering in 1980 from Rensselaer Polytechnic Institute in Troy, New York.

### **Neal M. Cohane, SVP of Sales & Marketing**

**Mr. Cohane** Neal Cohane has been with the Company since 2007 and is now responsible for leading and coordinating all aspects of Reed's sales, distribution and marketing efforts. Neal's experience includes over 20 years with beverage giants Coke and Pepsi as well as the successful start up South Beach Beverage (SoBe) - which Pepsi bought for \$370 million in 2001. Neal's efforts have resulted in a shift in the Company's focus.

Mr. Cohane holds a B.S. degree in Business Administration from Merrimack College in North Andover, Massachusetts.

### **Thierry Foucaut, Chief Operations Officer**

**Mr. Foucaut** has been Reed's Chief Operating Officer since May 2007. Prior to joining Reed's, Mr. Foucaut worked for six years as Chief Operating Officer of Village Imports, a \$30 million specialty foods and beverage distributor in California, where he created and launched a line of sparkling lemonades and managed the company's operations including multiple warehouses and fleets of DSD delivery trucks.

He earned a Master of Science degree from Ecole Centrale Paris in 1988 and an MBA from Harvard Business School in 1994.

### **James Linesch, Chief Financial Officer**

**Mr. Linesch** joined Reed's in early 2009, and brings over 15 years of public company experience. He has served as chief financial officer of several publicly traded companies, including AdStar, Inc. (ADST), DynTek, Inc. (DYTK) and CompuMed, Inc. (CMPD), where he served as both CFO and president. Mr. Linesch is a certified public accountant (CPA), having practiced with Price Waterhouse in Los Angeles. He earned a BS degree in finance from California State University, Northridge, and an MBA from the University of Southern California.



Reed's also makes Ginger ice creams in three flavors: Green Tea, Chocolate and Original Ginger; and crystallized Ginger Candies and Ginger and Peanut Butter Chews.