

Kaival Brands Innovations Group, Inc.

Fact Sheet

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NASDAQ

KAIVAL BRANDS

QUICK REFERENCE

Kaival Brands Innovations Group, Inc.

NASDAQ: **KAVL**

www.KAIVALBRANDS.com

BUSINESS SUMMARY

Kaival Brands is a company focused on incubating and commercializing innovative products into mature and dominant brands, with a current focus on the distribution of electronic nicotine delivery systems (ENDS) also known as “e-cigarettes” for use by customers 21 years and older. Our business plan is to seek to diversify into distributing other nicotine and non-nicotine delivery system products (including those related to hemp-derived cannabidiol (known as CBD) products). Kaival Brands and Philip Morris Products S.A. (via sublicense from Kaival Brands) are the exclusive global distributors of all products manufactured by Bidi Vapor LLC. Based in Melbourne, Florida, Bidi Vapor maintains a commitment to responsible, adult-focused marketing, supporting age-verification standards and sustainability through its BIDI® Cares recycling program. Bidi Vapor's premier device, the BIDI® Stick, which is distributed exclusively by Kaival Brands, is a premium product made with high-quality components, a UL-certified battery and technology designed to deliver a consistent vaping experience for adult smokers 21 and over.

PRODUCT

Bidi Vapor

Exclusively Distributed By: Kaival Brands

The BIDI® Stick is a one-time use only, closed system, disposable vaping device that is tamper-resistant and recyclable. The BIDI® Stick is intended for adult users only. With its quality, the BIDI® Stick ensures premium nicotine levels in each drag. As a responsible industry actor, Bidi Vapor has set strict and responsible age verification processes and has complied with government laws and regulations.

Bidi Vapor products are sold primarily through national convenience stores as well as online exclusively through authorized direct retailers, and GoPuff. Bidi Vapor requires its direct retail partners to sign a Wholesaler & Direct Retailer Agreement that ensures customers are asked to provide valid government-issued identification to prove age eligibility.

BIDI CARES

BIDI® Cares Initiatives

Bidi Vapor launched a unique recycling program that promotes sustainability and environmental consciousness through BIDI® Cares.

The BIDI® Cares initiative promotes sustainable practices pioneering in the vaping industry. Proper disposal of empty BIDI® Sticks lessens its carbon footprint while providing ways to reuse recyclable components.

How BIDI® Cares Works

Components of the BIDI® Stick range from 60% to up to 90% recycling utilization rate. For every ten (10) used BIDI® Sticks, customers are encouraged to participate in the BIDI® Cares initiative by filling up a Recycling Form, generating a Return Label, and shipping the used vaping devices back to Bidi Vapor for verification.

CONTACT INFORMATION

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Recent Press Releases *(Headlines and Excerpts)*

Kaival Brands Reports Fiscal 2024 First Quarter Financial Results and Provides Business Update

Heightens Focus on Valuable Patent Portfolio; Engages Investment Bank to Assist in Exploration of Strategic Alternatives for Parent Company

March 27, 2024 -- Kaival Brands Innovations Group, Inc. announced its financial results for the fiscal 2024 first quarter ended January 31, 2024 and provided a business update.

Recent Business Highlights

- Reduced net inventories to \$2.1 million as of January 31, 2024, down 49.5% from \$4.1 million as of October 31, 2023.
- Terminated service agreement with QuikFillRx (d/b/a Kaival Marketing Services), the third-party service provider responsible for increasing sales of Bidi Sticks, effective February 22, 2024. This action is expected to save the Company more than \$1.5 million in expenses annually.
- Appointed Nirajkumar Patel, the Company's Chief Science and Regulatory Officer, as the Company's Chief Executive Officer.
- Appointed Eric Morris as the Company's Interim Chief Financial Officer.

Financial Results for Fiscal First Quarter 2024

- **Revenues:** Revenues for the first quarter of fiscal year 2024 were \$3.2 million, compared to \$2.5 million in the same period of the prior fiscal year. Revenues increased in the first quarter of 2024, primarily due to a decrease in credits being issued to customers.
- **Cost of Revenue, Net, and Gross Profit:** Gross profit in the first quarter of fiscal year 2024 was approximately \$1.2 million, or approximately 37.3% of revenues, net, compared to approximately \$0.5 million gross profit or approximately 21.4%, of revenues, net, for the first quarter of fiscal year 2023. Total cost of revenue, net was approximately \$2.0 million, or approximately 62.7% of revenue, net for the first quarter of fiscal year 2024, compared to approximately \$2.0 million, or approximately 78.6% of revenue, net for the first quarter of fiscal year 2023. The increase in gross profit is due to fewer credits granted in current year
- **Operating Expenses:** Total operating expenses were approximately \$2.9 million for the first quarter of fiscal year 2024, compared to approximately \$3.5 million for the first quarter of fiscal year 2023. For the first quarter of fiscal year 2024, operating expenses consisted primarily of advertising and promotion fees of approximately \$0.4 million, stock option expense of approximately \$0.3 million, professional fees of approximately \$0.8 million, and all other general and administrative expenses of approximately \$1.4 million. General and administrative expenses in the first quarter of fiscal year 2024 consisted primarily of salaries and wages, insurance, lease expense, project expenses, banking fees, business fees and state and franchise taxes. For the first quarter of fiscal year 2023, operating expenses consisted primarily of advertising and promotion fees of approximately \$0.6 million, stock option expense of approximately \$1.4 million, professional fees of approximately \$0.6 million, and all other general and administrative expenses of approximately \$0.9 million. General and administrative expenses in the first quarter of fiscal year 2023 consisted primarily of salaries and wages, insurance, lease expense, project expenses, banking fees, business fees and state and franchise taxes. We expect future operating expenses to increase while we increase the footprint of our business and generate increased sales growth.
- **Net Loss:** As a result of the items noted above, the net loss for the first quarter of fiscal year 2024 was approximately \$2.2 million, or \$0.76 basic and diluted net loss per share, compared to a net loss of approximately \$3.0 million, or \$1.12 basic and diluted net loss per share, for the first quarter of fiscal year 2023. The decrease in the net loss for the first quarter of fiscal year 2024, as compared to the first quarter of fiscal year 2023, is primarily attributable to the increase in revenues and decrease in operating expenses as noted above.
- **Cash Position:** As of January 31, 2024, the Company had working capital of \$0.3 million and total cash of \$0.6 million compared to working capital of [*] and a total cash of [*] as of January 31, 2023.

Kaival Brands Partner Bidi Vapor to Contest FDA Denial of 'Classic' Tobacco-Flavored ENDS

- ***MDO applies only to one Bidi device, ten other flavors still in PMTA process***
- ***Kaival Brands remains focused on driving revenue and platform diversification***

Jan. 29, 2024 -- Kaival Brands Innovations Group, Inc. announced that its licensor and commercial partner, Bidi Vapor LLC (Bidi Vapor), will appeal the U.S. Food and Drug Administration's (FDA) decision to deny Bidi Vapor's premarket tobacco product application (PMTA) for Bidi Vapor's "Classic" tobacco-flavored BIDI® Stick ENDS device. Kaival Brands holds the worldwide license to distribute products made by Bidi Vapor.

On Monday, January 22, 2024, the FDA issued a marketing denial order (MDO) for Bidi Vapor's "Classic" BIDI® Stick PMTA. Importantly, this decision did not involve the ten PMTAs for Bidi Vapor's non-tobacco flavored devices which are still under the FDA's scientific review. Those ten products remain available for sale through Kaival Brands, subject to FDA's enforcement discretion.

In response to the MDO, on Friday, January 26, 2024, Bidi Vapor filed a petition requesting that the U.S. Court of Appeals for the Eleventh Circuit review the MDO, which Bidi Vapor believes was, among other things, arbitrary and capricious, in violation of the Administrative Procedure Act. Bidi Vapor will also be seeking a stay of the MDO pending the outcome of the litigation.

This Company Fact Sheet is distributed by Andrew Barwicki, Investor Relations. Contact Info: 516-662-9461 / andrew@barwicki.com
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