

Hour Loop Reports Second Quarter 2024 Results

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Profitability Continues Despite Warning Signs for the Overall Economy

Increases Full Year 2024 Revenue and Net Income Guidance

Redmond, WA, Aug. 09, 2024 (GLOBE NEWSWIRE) -- Hour Loop, Inc. (NASDAQ: HOUR) ("Hour Loop"), a leading online retailer, announces its financial and operational results for the guarter ended June 30, 2024.

Financial Highlights for Second Quarter 2024:

- Net revenues increased 25.2% to \$28.1 million, compared to \$22.4 million in the year-ago period;
- Net income totaled \$0.6 million, compared to net loss of \$0.8 million in the year-ago period;
 and
- Cash provided for operating activities for the six months ended June 30, 2024, was \$0.9 million, compared to cash used in operating activities of \$3.4 million in the year-ago period.

Management Commentary

"We are excited to report our second quarter 2024 results, in which we continued to deliver double digit revenue growth," said Sam Lai, CEO of Hour Loop. "In addition, the revenue growth rate accelerates in the second quarter, compared with the first quarter."

"Our gross margin and operating margin were both improved, compared with the year-ago period, because of efforts made for inventory quality and efficiency enhancement, operation efficiency improvement, as well as expenses management. Overall, we believe we've built a solid foundation to continue generating satisfactory growth while maintaining profitability."

"Looking forward, we're cautiously optimistic. Despite an uncertain economy, we continue to see good demand for our products so far in 2024. We are confident in our ability to continue delivering value to our vendors, customers, and shareholders."

Second Quarter 2024 Financial Results

Net revenues in the first quarter of 2024 were \$28.1 million, compared to \$22.4 million in the year-ago period. The increase was primarily due to continued growth and maturity in our personnel and operating model, despite the overall e-commerce traffic slowdown and intense competition.

Gross profit percentage increased 5.0% to 55.7%, compared to 50.7% of net revenues in the comparable period a year ago. The increase was a function of improved product costs, enhanced inventory quality and efficiency, and efforts made on margin increase.

Operating expenses as a percentage of net revenues decreased 2.1% to 52.3%, compared to 54.4% of net revenues in the year-ago period. The decrease reflected better management of storage fees and labor costs.

Net income in the second quarter of 2024 was \$0.6 million, or \$0.02 per diluted share, compared to net loss of \$0.8 million, or \$0.02 per diluted share, in the comparable year-ago period. The increase was driven by reduced costs as a result of the reasons mentioned above and efforts made for expenses management.

As of June 30, 2024, the Company had \$3.3 million in cash and cash equivalents, compared to \$2.5 million as of December 31, 2023. This increase was mainly from the profit contribution.

Inventories as of June 30, 2024, were \$14.7 million, compared to \$14.3 million as of December 31, 2023. The increase is a combination of good sales momentum in the first half of 2024 and purchase growth in view of the upcoming holidays.

Full Year 2024 Financial Outlook

For the full year 2024, Hour Loop is increasing its guidance for net revenue to be in the range of \$165 million to \$250 million, representing 25% to 89% year-over-year growth. The Company also increases its guidance for net income in 2024 to be in the range of \$4 million to \$6 million.

About Hour Loop, Inc.

Hour Loop is an online retailer engaged in e-commerce retailing in the U.S. market. It has operated as a third-party seller on www.amazon.com and has sold merchandise on its website at www.hourloop.com since 2013. Hour Loop further expanded its operations to other marketplaces such as Walmart, eBay, and Etsy. To date, Hour Loop has generated practically all its revenue as a third-party seller on www.amazon.com and only a negligible amount of revenue from its own website and other marketplaces. Hour Loop manages more than 100,000 stock-keeping units ("SKUs"). Product categories include home/garden décor, toys, kitchenware, apparel, and electronics. Hour Loop's primary strategy is to bring most of its vendors' product selections to the customers. It has advanced software that assists Hour Loop in identifying product gaps so it can keep such products in stock year-round including the entirety of the last quarter (holiday season) of the calendar year. In upcoming years, Hour Loop plans to expand its business rapidly by increasing the number of business managers, vendors, and SKUs.

Forward-Looking Statements

This press release contains statements that constitute "forward-looking statements" including with respect to Hour Loop's business strategy, product development and industry trends. Forward-looking statements are subject to numerous conditions, many of which are beyond the control of Hour Loop. While Hour Loop believes these forward-looking statements are reasonable, undue reliance should not be placed on any such forward-looking statements, which are based on information available to Hour Loop on the date of this release. These forward-looking statements are based upon current estimates and assumptions and are subject to various risks and uncertainties, including, without limitation, those set forth in Hour Loop's filings with the Securities and Exchange Commission, as the same may be updated from time to time. Thus, actual results could be materially different. Hour Loop undertakes no obligation to update these statements whether as a result of new information, future events or otherwise, after the date of this release, except as required by law.

Investor Contact

Finance Department, Hour Loop, Inc. finance@hourloop.com

HOUR LOOP, INC. CONSOLIDATED BALANCE SHEETS (In U.S. Dollars, except for share data) As of June 30, 2024 and December 31, 2023 (Unaudited)

| Current assets | | June 30, 2024 | December 31, 2023 |
|--|---|------------------|-------------------|
| Carb \$ 3,46,87 \$ 2,48,175 Cash \$ 753,24 \$ 747,050 Accounts receivable, net 753,24 747,050 Inventory, net 14,658,081 42,767,555 Prepaid expenses and other current assets 19,225,902 10,013,013 Property and equipment, net 104,521 11,87,083 Deferred tax assets 732,919 13,042,15 Operating lease right-of-use lease assets 990,84 15,56,98 ToTAL ASSETS 990,844 15,56,98 TOTAL ASSETS \$ 5,688,22 \$ 5,882,22 Accounts payable \$ 5,688,23 \$ 3,812,98 Credit cards payable \$ 5,688,22 \$ 3,812,98 Credit cards payable \$ 5,688,22 \$ 3,812,88 Credit cards payable \$ 5,688,23 \$ 3,812,88 Credit cards payable \$ 61,284 \$ 62,22 Operating lease liabilities-current \$ 159,915 \$ 2,283,931 Accourd expenses and other current liabilities \$ 1,92,25 \$ 1,92,25 Operating lease liabilities-non-current \$ 1,102,25 \$ 1,22,25 | ASSETS | | |
| Cash \$ 3,346,807 \$ 2,484,153 Accounts receivable, net 15,658 1747,655 Prepaid expenses and other current assets 16,677,07 504,073 Total current assets 19,259 180,333 Property and equipment, net 104,521 148,788 Deferred tax assets 732,919 1,302,421 Operating lease right-of-use lease assets 90,40 1,303,402 Total non-current assets 90,40 1,303,402 Total current assets 90,40 1,303,402 Total non-current fiabilities \$ 2,283,931 1,403,405 Credit cards payable \$ 5,588,328 \$ 3,812,954 Credit cards payable \$ 2,283,931 4,404,445 Short-term loan \$ 1,925,122 1,925,122 Operating lease liabilities-current \$ 3,812,854 2,283,931 4,104,418 Accounts exes payable \$ 3,812,854 2,283,931 4,102,818 Total current liabilities \$ 1,925,122 1,925,122 1,925,122 Total current liabilities \$ 1,925,122 1,925,122 1,102,123 </td <td></td> <td></td> <td></td> | | | |
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| Preferred stock: \$0.0001 par value, 10,000,000 shares authorized, none issued and outstanding as of June 30, 2024 and December 31, 2023 - - - Common stock: \$0.0001 par value, 300,000,000 shares authorized, 35,108,804 and 35,082,464 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively 3,510 3,508 Additional paid-in capital 5,763,648 5,727,650 Retained earnings (accumulated deficit) 462,342 (1,252,622) Accumulated other comprehensive loss (50,230) (25,639) Total stockholders' equity 4,452,897 | Commitments and contingencies | - | |
| Preferred stock: \$0.0001 par value, 10,000,000 shares authorized, none issued and outstanding as of June 30, 2024 and December 31, 2023 - - - Common stock: \$0.0001 par value, 300,000,000 shares authorized, 35,108,804 and 35,082,464 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively 3,510 3,508 Additional paid-in capital 5,763,648 5,727,650 Retained earnings (accumulated deficit) 462,342 (1,252,622) Accumulated other comprehensive loss (50,230) (25,639) Total stockholders' equity 4,452,897 | Stockholders' equity | | |
| Common stock: \$0.0001 par value, 300,000,000 shares authorized, 35,108,804 and 35,082,464 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively 3,510 3,508 Additional paid-in capital 5,763,648 5,727,650 Retained earnings (accumulated deficit) 462,342 (1,252,622) Accumulated other comprehensive loss (50,230) (25,639) Total stockholders' equity 6,179,270 4,452,897 | Preferred stock: \$0.0001 par value, 10,000,000 shares authorized, none issued and outstanding as of June 30, | _ | _ |
| outstanding as of June 30, 2024 and December 31, 2023, respectively 3,510 3,508 Additional paid-in capital 5,763,648 5,727,650 Retained earnings (accumulated deficit) 462,342 (1,252,622) Accumulated other comprehensive loss (50,230) (25,639) Total stockholders' equity 6,179,270 4,452,897 | · · | _ | |
| Additional paid-in capital 5,763,648 5,727,650 Retained earnings (accumulated deficit) 462,342 (1,252,622) Accumulated other comprehensive loss (50,230) (25,639) Total stockholders' equity 6,179,270 4,452,897 | | | 3,508 |
| Retained earnings (accumulated deficit) 462,342 (1,252,622) Accumulated other comprehensive loss (50,230) (25,639) Total stockholders' equity 6,179,270 4,452,897 | | • | , |
| Accumulated other comprehensive loss (50,230) (25,639) Total stockholders' equity 6,179,270 4,452,897 | · · | | |
| Total stockholders' equity 4,452,897 | | • | , , , |
| | · | | |
| 10 IAE EIADIEITIEG AND 3100N 10EDENG EQUIT | TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$20,216,836 | \$ 19,550,280 |

The accompanying footnotes are an integral part of these unaudited consolidated financial statements.

For the Three and Six Months Ended June 30, 2024 and 2023 (Unaudited)

| | ree Months Ended June 30, 2024 | hree Months Ended June 30, 2023 | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 |
|--|---|--|---|---|
| Revenues, net | \$ 28,070,707 | \$ 22,417,448 | \$ 52,751,829 | \$ 43,485,057 |
| Cost of revenues | (12,445,297) | (11,059,899) | (22,674,213) | (22,511,806) |
| Gross profit | 15,625,410 | 11,357,549 | 30,077,616 | 20,973,251 |
| Operating expenses | | | | |
| Selling and marketing | 12,843,697 | 10,245,912 | 24,017,888 | 19,752,883 |
| General and administrative | 1,844,517 | 1,958,849 | 3,584,360 | 3,679,839 |
| Total operating expenses | 14,688,214 | 12,204,761 | 27,602,248 | 23,432,722 |
| Income (loss) from operations | 937,196 | (847,212) | 2,475,368 | (2,459,471) |
| Other (expenses) income | | | | |
| Other expense | (4,777) | (1,063) | (5,933) | (3,943) |
| Interest expense | (61,984) | (62,392) | (124,096) | (123,488) |
| Other income | 59,477 | 20,317 | 87,511 | 36,352 |
| Total other expenses, net | (7,284) | (43,138) | (42,518) | (91,079) |
| Income (loss) before income taxes | 929,912 | (890,350) | 2,432,850 | (2,550,550) |
| Income tax (expense) benefit | (280,762) | 120,982 | (717,886) | 545,938 |
| Net income (loss) | 649,150 | (769,368) | 1,714,964 | (2,004,612) |
| Other comprehensive loss | | | | |
| Foreign currency translation adjustments | (8,058) | (9,192) | (24,591) | (7,853) |
| Total comprehensive income (loss) | \$ 641,092 | \$ (778,560) | \$ 1,690,373 | \$ (2,012,465) |
| Basic and diluted income (loss) per common share Weighted-average number of common shares outstanding | \$ 0.02 35,108,804 | \$ (0.02) 35,055,293 | \$ 0.05 35,102,203 | \$ (0.06) 35,056,510 |

The accompanying footnotes are an integral part of these unaudited consolidated financial statements.

HOUR LOOP, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (In U.S. Dollars) For the Six Months Ended June 30, 2024 and 2023 (Unaudited)

| | Six Months Ended June 30, 2024 | | Six Months Ended June 30, 2023 | |
|---|---|-------------|---|-------------|
| Cash flows from operating activities | | | | |
| Net Income (loss) | \$ | 1,714,964 | \$ | (2,004,612) |
| Reconciliation of net income (loss) to net cash used in operating activities: | | | | |
| Depreciation expenses | | 70,920 | | 68,634 |
| Amortization of Operating lease right-of-use lease assets | | 98,773 | | 179,774 |
| Deferred tax assets | | 571,296 | | (545,938) |
| Stock-based compensation | | 36,000 | | 34,333 |
| Inventory allowance | | 645,379 | | 1,054,242 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | | (5,594) | | 30,045 |
| Inventory | | (1,026,905) | | 3,329,545 |
| Prepaid expenses and other current assets | | 37,203 | | (130,528) |
| Accounts payable | | 1,875,374 | | (1,549,988) |
| Credit cards payable | | (2,120,514) | | (2,884,424) |
| Accrued expenses and other current liabilities | | (888,522) | | (813,678) |
| Operating lease liabilities | | (92,899) | | (191,845) |
| Income taxes payable | | 33,700 | | - |
| Net cash provided by (used in) operating activities | | 949,175 | - | (3,424,440) |

| Cash flows from investing activities: | | | | |
|---|----------|------------------|----------|--------------|
| Purchases of property and equipment | | (34,593) | | (5,881) |
| Net cash used in investing activities | | (34,593) | | (5,881) |
| Effect of changes in foreign currency exchange rates | | (51,838) | | (13,597) |
| Net change in cash | | 862,744 | | (3,443,918) |
| Cash at beginning of the period | | 2,484,153 | | 4,562,589 |
| Cash at end of the period | \$ | 3,346,897 | \$ | 1,118,671 |
| Supplemental disclosures of cash flow information: Cash paid for interest Cash paid for income tax Noncash investing and financing activities: | \$ \$ | 9,883 109,260 | \$ \$ | 167,017 - |
| Operating lease right-of-use of assets and operating lease liabilities recognized | \$ | 172,903 | \$ | 28,407 |

The accompanying footnotes are an integral part of these unaudited consolidated financial statements.



Source: Hour Loop, Inc.