

May 27, 2021

Dear Regional Brands Inc. Stockholders:

Regional Brands continued to generate value for shareholders in 2020. Our only subsidiary, BR Johnson (“BRJ”), continued to struggle, reporting \$36.9 million of revenues and \$2.1 million of subsidiary-level EBITDA (versus \$2.1 million in 2019) for the year-ended December 31, 2020. Regional Brands continued to generate cash flow from its investment in BRJ and had \$5.8 million (close to \$5 per share) in cash and short-term investments on the balance sheet at the end of 2020. In addition, we acquired the remaining 26% of BRJ we did not already own, several hundred thousand dollars of term debt in BRJ and repurchased 3.4% of outstanding Regional Brands shares. Additionally, BR Johnson had an excellent cash flow year, reducing the revolver by almost \$2 million. All of these efforts should be accretive to longer term value.

While our continued investment of cash flow from BRJ has increased value over the last several years, operationally we have continued to run into challenges. A combination of factors in 2020 resulted in a tough year. Covid 19 created challenges with jobs, difficulty executing the volume of work resulted in lower margins and clean-up of problems from our prior partners administration all led to worse than expected gross margins in 2020. On the positive side, our new partners, led by Bill Harfosh and Mike Howard, reduced SG&A significantly, which resulted in a positive EBITDA this year of over \$2 million. Additionally, signs of a change in the lower margin trend have begun to take shape as gross margins in Q1 2021 were up substantially over 2020. We are hopeful that the decks have been cleared, management is focused on holding the line on margins and executing jobs more effectively and SG&A will continue to come down in 2021.

Management’s mission continues to be to return BRJ to what it was 4 years ago – a high quality, customer oriented, highly profitable business with real expertise in its core divisions. We have not seen that yet in our financials but continue to be quite optimistic about the future value of the Company.

	Quarter				
	Ended	Year Ended December 31,			
	March 31, 2021	2020	2019	2018	2017
Income Statement Data:					
Net sales	\$ 6,552	\$ 36,977	\$ 40,953	\$ 39,988	\$ 36,927
Gross profit	2,083	\$ 8,374	\$ 10,801	\$ 11,207	\$ 11,587
<i>Gross profit as a percent of sales</i>	31.8%	22.6%	26.4%	28.0%	31.4%
Operating income (loss)	(2)	\$ (298)	\$ 94	\$ 1,496	\$ 1,324
Net income	97	\$ 257	\$ 24	\$ 1,080	\$ 861
BR Johnson EBITDA	\$ 459	\$ 2,119	\$ 2,084	\$ 3,532	\$ 3,586
<i>EBITDA as a percent of sales</i>	7.0%	5.7%	5.1%	8.8%	9.7%
Balance Sheet Data (end of period):					
Cash and short-term investments	\$ 6,379	\$ 5,781	\$ 8,387	\$ 7,402	\$ 6,321
Stockholders' equity	16,884	16,777	18,152	18,072	17,082
Less intangible assets	(700)	(1,000)	(2,200)	(3,400)	(4,600)
Less goodwill	(3,045)	(3,045)	(3,045)	(3,045)	(3,013)
Tangible book value	\$ 13,139	\$ 12,732	\$ 12,907	\$ 11,627	\$ 9,469
Common stock outstanding	1,227,757	1,227,757	1,274,603	1,274,603	1,274,603
Tangible book value per share	\$ 10.70	\$ 10.37	\$ 10.13	\$ 9.12	\$ 7.43

While revenue has been increasing the past several years up until our regime change in 2020, profitability has not met our expectations, and declined some in 2020. This has come primarily from declining gross profit margin percentages and additional SG&A costs. We reversed the increasing SG&A trend in 2020 but the gross profit margin percentage declines persisted. Management at BRJ attributes the gross margin weakness primarily to a lack of discipline on pricing our contracts, products and services and prior to 2020 under the former regime, increasing the top line for growth's sake rather than to drive revenues with increased margins and value. Time will tell if this is accurate or a fundamental shift in the business. We are working to reverse the decline in profitability by returning to price and margin discipline and a leaner organization.

Initial results for 2021 suggest the actions of 2020 are beginning to bear fruit. Q1 2021 gross margins were a healthy 31.8% and SG&A costs were down significantly, resulting in over \$400K of EBITDA in a seasonally tough quarter. Management believes we can model Q1 through the remainder of the year.

We continue to be very pleased to have partnered with the former owners of BRJ. Bill Harfosh and Mike Howard have been working well together as our Executive Chairman and CEO of BRJ, respectively. They have the experience and acumen to return BRJ to the profitability and service levels of the past. We have also been pleased with the efforts of divisional and functional management. Meghan Larson, Ron Fiorentino, Ralph Corliss III, Jerry Anderson, Jason Dutton and Adam Dean all bring great skills and industry knowledge to the table that leave us in competent hands managing the day-to-day challenges of the business. Additionally, from a cultural standpoint, it is a great fit as they are all good, honest, hardworking people which is what we pride ourselves on as well. We couldn't have a better group of people to work with. We continue to believe we will have a strong, long-term partnership with this management team.

Additionally, we were thrilled to add Sanjay Singh to our Board of Directors in early 2020. Sanjay was recently named Chairman of the Board of Directors as of early May 2021. Sanjay is one of the most competent operational executives we know and has added value at every company he has been involved with over his career. Sanjay is well known to us and has fit right in on the board. We look forward to our shareholders benefitting from his wisdom and insight for the next several years.

Finally, Brian Hopkins has returned to the post of CEO of Regional Brands. Fred DiSanto resigned the title due to conflicts related to the shareholder activist efforts at Ancora. This title is purely ceremonial at Regional Brands as our board works more like a group of private equity partners than a hierarchical corporate structure. This move will result in no change to the day-to-day operation of the company or the value of your investment.

If you have any questions don't hesitate to call Fred DiSanto or Brian Hopkins at 216-825-4000.

Best,

Sanjay Singh, Chairman

Brian Hopkins, CEO

Fred DiSanto, Director

Carl Grassi, Director

Forward-Looking Statements

This letter contains statements about future events and expectations that are characterized as “forward-looking statements.” Forward-looking statements are based upon management’s beliefs, assumptions, and expectations. Forward-looking statements involve risks and uncertainties, including those described in the company’s other public announcements and disclosures, that may cause the company’s actual results, performance, and financial condition to be materially different from the expectations of future results, performance, and financial condition expressed or implied in such forward-looking statements. You are cautioned to not put undue reliance on forward-looking statements. The company disclaims any intent or obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.