

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For transition period from _____ to _____
Commission File Number 001-40694

Traeger, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

82-2739741

(I.R.S. Employer
Identification Number)

1215 E Wilmington Ave, Suite 200
Salt Lake City, Utah
(Address of principal executive offices)

84106
(Zip code)

(801) 701-7180

(Registrants telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.0001 per share	COOK	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

[Table of Contents](#)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes No

As of May 5, 2023, there were 123,910,539 shares of the registrant's common stock, par value \$0.0001 per share, outstanding.

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)</u>	1
<u>Condensed Consolidated Balance Sheets</u>	1
<u>Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)</u>	2
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity</u>	3
<u>Condensed Consolidated Statements of Cash Flows</u>	4
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	6
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	20
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	29
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	29
<u>PART II. OTHER INFORMATION</u>	
<u>ITEM 1. LEGAL PROCEEDINGS</u>	29
<u>ITEM 1A. RISK FACTORS</u>	29
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	29
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	30
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	30
<u>ITEM 5. OTHER INFORMATION</u>	30
<u>ITEM 6. EXHIBITS</u>	30
<u>SIGNATURES</u>	31

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q may be forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “targets,” “projects,” “contemplates,” “believes,” “estimates,” “forecasts,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to statements regarding our future results of operations and financial position, general macroeconomic trends, industry and business trends, equity compensation, business strategy, plans, market growth and our objectives for future operations.

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to, our history of operating losses, our ability to manage our future growth effectively, our ability to expand into additional markets, our ability to maintain and strengthen our brand to generate and maintain ongoing demand for our products, our ability to cost-effectively attract new customers and retain our existing customers, our failure to maintain product quality and product performance at an acceptable cost, the impact of product liability and warranty claims and product recalls, the highly competitive market in which we operate, the use of social media and community ambassadors, a decline in sales of our grills, our dependence on three major retailers, risks associated with our international operations, our reliance on a limited number of third-party manufacturers and problems with (or loss of) our suppliers or an inability to obtain raw materials, and the ability of our stockholders to influence corporate matters and the other important factors discussed in Part I, Item 1A. “Risk Factors” in our [Annual Report on Form 10-K](#) for the year ended December 31, 2022, filed with the Securities and Exchange Commission on March 16, 2023. The forward-looking statements in this Quarterly Report on Form 10-Q are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed as exhibits to this Quarterly Report on Form 10-Q with the understanding that our actual future results, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Quarterly Report on Form 10-Q, whether as a result of any new information, future events or otherwise.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TRAEGER, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	March 31, 2023	December 31, 2022
	<i>(unaudited)</i>	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 15,232	\$ 39,055
Restricted cash	12,500	12,500
Accounts receivable, net	99,591	42,050
Inventories	132,381	153,471
Prepaid expenses and other current assets	28,034	27,162
Total current assets	287,738	274,238
Property, plant, and equipment, net	49,775	55,510
Operating lease right-of-use assets	12,221	13,854
Goodwill	74,725	74,725
Intangible assets, net	502,290	512,858
Other non-current assets	11,248	15,530
Total assets	\$ 937,997	\$ 946,715
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 26,244	\$ 29,841
Accrued expenses	56,286	52,295
Line of credit	40,909	11,709
Current portion of notes payable	250	250
Current portion of operating lease liabilities	4,491	5,185
Current portion of contingent consideration	12,400	12,157
Other current liabilities	803	1,470
Total current liabilities	141,383	112,907
Notes payable, net of current portion	438,936	468,108
Operating lease liabilities, net of current portion	8,045	9,001
Contingent consideration, net of current portion	11,390	10,590
Deferred tax liability	10,375	10,370
Other non-current liabilities	479	870
Total liabilities	610,608	611,846
Commitments and contingencies—See Note 10		
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 25,000,000 shares authorized and no shares issued or outstanding as of March 31, 2023 and December 31, 2022	—	—
Common stock, \$0.0001 par value; 1,000,000,000 shares authorized		
Issued and outstanding shares - 122,642,599 and 122,624,414 as of March 31, 2023 and December 31, 2022	12	12
Additional paid-in capital	890,012	882,069
Accumulated deficit	(562,457)	(570,475)
Accumulated other comprehensive income (loss)	(178)	23,263
Total stockholders' equity	327,389	334,869
Total liabilities and stockholders' equity	\$ 937,997	\$ 946,715

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

TRAEGER, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2023	2022
Revenue	\$ 153,161	\$ 223,710
Cost of revenue	97,738	141,066
Gross profit	55,423	82,644
Operating expenses:		
Sales and marketing	22,075	34,854
General and administrative	26,679	40,716
Amortization of intangible assets	8,889	8,889
Change in fair value of contingent consideration	1,043	1,700
Total operating expense	58,686	86,159
Loss from operations	(3,263)	(3,515)
Other income (expense):		
Interest expense	(10,454)	(5,837)
Other income, net	21,899	544
Total other income (expense)	11,445	(5,293)
Income (loss) before provision for income taxes	8,182	(8,808)
Provision for income taxes	164	152
Net income (loss)	\$ 8,018	\$ (8,960)
Net income (loss) per share, basic and diluted	\$ 0.07	\$ (0.08)
Weighted average common shares outstanding, basic and diluted	122,699,114	117,889,233
Other comprehensive income (loss):		
Foreign currency translation adjustments	\$ (32)	\$ (3)
Change in cash flow hedge	—	6,589
Total other comprehensive income (loss)	(32)	6,586
Comprehensive income (loss)	\$ 7,986	\$ (2,374)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

TRAEGER, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited)
(in thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2022	122,624,414	\$ 12	\$ 882,069	\$ (570,475)	\$ 23,263	\$ 334,869
Issuance of common stock under stock plan	18,185	—	—	—	—	—
Stock-based compensation	—	—	7,943	—	—	7,943
Net income	—	—	—	8,018	—	8,018
Foreign currency translation adjustments	—	—	—	—	(32)	(32)
Dedesignation of cash flow hedge	—	—	—	—	(23,409)	(23,409)
Balance at March 31, 2023	122,642,599	\$ 12	\$ 890,012	\$ (562,457)	\$ (178)	\$ 327,389

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2021	117,547,916	\$ 12	\$ 794,413	\$ (188,317)	\$ (86)	\$ 606,022
Issuance of common stock under stock plan	529,630	—	—	—	—	—
Stock-based compensation	—	—	15,483	—	—	15,483
Net loss	—	—	—	(8,960)	—	(8,960)
Foreign currency translation adjustments	—	—	—	—	(3)	(3)
Change in cash flow hedge	—	—	—	—	6,589	6,589
Balance at March 31, 2022	118,077,546	\$ 12	\$ 809,896	\$ (197,277)	\$ 6,500	\$ 619,131

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

TRAEGER, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Three Months Ended March 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 8,018	\$ (8,960)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation of property, plant and equipment	3,564	2,481
Amortization of intangible assets	10,638	10,645
Amortization of deferred financing costs	534	495
Loss on disposal of property, plant and equipment	1,870	152
Stock-based compensation expense	7,943	15,483
Bad debt expense	56	72
Unrealized loss (gain) on derivative contracts	(19,623)	570
Change in fair value of contingent consideration	1,043	1,700
Other non-cash adjustments	(16)	—
Change in operating assets and liabilities:		
Accounts receivable	(57,145)	(70,383)
Inventories	21,090	(18,561)
Prepaid expenses and other current assets	(1,214)	1,741
Other non-current assets	18	4
Accounts payable and accrued expenses	(73)	17,638
Other non-current liabilities	(293)	12
Net cash used in operating activities	<u>(23,590)</u>	<u>(46,911)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	(2,082)	(4,524)
Capitalization of patent costs	(123)	(124)
Proceeds from sale of property, plant, and equipment	2,450	—
Net cash provided by (used in) investing activities	<u>245</u>	<u>(4,648)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on line of credit	62,200	46,100
Repayments on line of credit	(62,500)	(78)
Repayments of long-term debt	(51)	—
Principal payments on finance lease obligations	(127)	(105)
Net cash provided by (used in) financing activities	<u>(478)</u>	<u>45,917</u>
Net decrease in cash, cash equivalents and restricted cash	(23,823)	(5,642)
Cash, cash equivalents and restricted cash at beginning of period	51,555	16,740
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	<u>\$ 27,732</u>	<u>\$ 11,098</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

TRAEGER, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

(Continued)

	Three Months Ended March 31,	
	2023	2022
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	\$ 4,718	\$ 4,897
Cash paid for income taxes	\$ 470	\$ 654
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Equipment purchased under finance leases	\$ 72	\$ 56
Property, plant, and equipment included in accounts payable and accrued expenses	\$ 2,568	\$ 7,226

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

TRAEGER, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Nature of Operations – Traeger, Inc. and its wholly owned Subsidiaries (collectively "Traeger" or the "Company") design, source, sell, and support wood pellet fueled barbecue grills sold to retailers, distributors, and direct to consumers. The Company produces and sells the pellets used to fire the grills and also sells Traeger-branded rubs, spices, and sauces, as well as grill accessories (including covers, barbecue tools, trays, liners, MEATER smart thermometers and merchandise). A significant portion of the Company's sales are generated from customers throughout the United States ("U.S."), and the Company continues to develop distribution in Canada and Europe. The Company's headquarters are in Salt Lake City, Utah.

Traeger, Inc. was incorporated in July 2021 in connection with the conversion of TGPX Holdings I LLC from a Delaware limited liability company into a Delaware corporation at the time of the Company's initial public offering ("IPO") and has no material assets and liabilities or standalone operations other than its ownership in its consolidated subsidiaries. TGPX Holdings II LLC is the only direct subsidiary of Traeger, Inc. TGPX Holdings II LLC is a holding company with no other operations, cash flows, material assets or liabilities other than the equity interest in TGP Holdings III LLC. Pursuant to the statutory corporate conversion (the "Corporate Conversion"), all of the outstanding limited liability company interests of TGPX Holdings I LLC were converted into shares of common stock of Traeger, Inc., and TGP Holdings LP (the "Partnership") became the holder of such shares of common stock of Traeger, Inc. In connection with the Corporate Conversion, the Partnership liquidated and distributed these shares of common stock to the holders of partnership interests in the Partnership in direct proportion to their respective interests in the Partnership based upon the value of Traeger, Inc. at the time of the IPO, with a value implied by the initial public offering price of the shares of common stock sold in the IPO.

Basis of Presentation and Principles of Consolidation – The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The balance sheet as of December 31, 2022 has been derived from the audited consolidated financial statements at that date but does not include all information and footnotes required by U.S. GAAP for complete financial statements. These accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022 included in the Company's [Annual Report on Form 10-K](#), filed with the Securities and Exchange Commission on March 16, 2023 (the "Annual Report on Form 10-K").

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all normal and recurring adjustments necessary to fairly present the consolidated financial position, results of operations and cash flows for the interim periods presented. Operating results for the three months ended March 31, 2023 are not necessarily indicative of results that may be expected for any other interim period or for the year ended December 31, 2023.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Emerging Growth Company Status – The Company is an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 ("JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised financial accounting standards until such time as those standards apply to private companies. The Company has elected to use the extended transition period for complying with the adoption of new or revised accounting standards and as a result of this election, its financial statements may not be comparable to companies that comply with public company effective dates. The Company will remain an emerging growth company until the earliest of (i) the end of the fiscal year in which the market value of its common stock that is held by non-affiliates is at least \$700 million as of the last business day of its most recently completed second fiscal quarter, (ii) the end of the fiscal year in which the Company has total annual gross revenues of \$1.24 billion or more during such fiscal year, (iii) the date on which the Company issues more than \$1.0 billion in non-convertible debt in a three-year period, or (iv) December 31, 2026.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates – The preparation of these financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

[Table of Contents](#)

The most significant estimates and the assumptions made by management that present the greatest amount of estimation uncertainty include the fair value of contingent consideration obligations, customer credits and returns, obsolete inventory reserves, valuation and impairment of intangible assets including goodwill, unrealized positions on foreign currency derivatives and reserves for warranty. Actual results could differ from these estimates.

Restricted Cash – The Company considers cash to be restricted when withdrawal or general use is legally restricted. The restricted cash balance is associated with borrowings from the delayed draw term loan facility which are restricted in use. The Company anticipates utilizing these borrowings to settle the contingent consideration obligation.

Concentrations – Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash in banks, trade accounts receivable, foreign currency contracts, and business activity with certain third-party contract manufacturers of our products. Credit is extended to customers based on an evaluation of the customer’s financial condition and collateral is not generally required in the Company’s sales transactions. Three customers (each large U.S. retailers) that accounted for a significant portion of net sales are as follows:

	Three Months Ended March 31,	
	2023	2022
Customer A	17 %	17 %
Customer B	22 %	23 %
Customer C	12 %	14 %

As of March 31, 2023, customers A, B, and C accounted for a significant portion of trade accounts receivable of 19%, 28%, and 12%, compared to 31%, 20%, and 8% as of December 31, 2022. Concentrations of credit risk exist to the extent credit terms are extended with these three large customers. A business failure on the part of any one of the three customers could result in a material amount of exposure to the Company. No other single customer accounted for greater than 10% of the Company’s net sales for the three months ended March 31, 2023 and 2022, respectively. Additionally, no other single customer accounted for greater than 10% of trade accounts receivable as of March 31, 2023 and December 31, 2022.

The Company’s sales to dealers and distributors located outside the United States are generally denominated in U.S. dollars. The Company does have sales to certain dealers located in the European Union, the United Kingdom and Canada which are denominated in Euros, British Pounds and Canadian Dollars, respectively.

The Company relies on a limited number of suppliers for its contract manufacturing of grills and accessories. A significant disruption in the operations of certain of these manufacturers, or in the transportation of parts and accessories would impact the production of the Company’s products for a substantial period of time, which could have a material adverse effect on the Company’s business, financial condition and results of operations.

Revenue Recognition and Sales Returns and Allowances – The Company recognizes revenue at the amount to which it expects to be entitled when a contract exists with a customer that specifies the goods and services to be provided at an agreed upon sales price and when the performance obligation is satisfied. The performance obligation for most of the Company’s sales transactions is considered complete when control transfers, which is determined when products are shipped or delivered to the customer depending on the terms of the contract. Sales are made on normal and customary short-term credit terms or upon delivery of point-of-sale transactions.

Shipping charges billed to customers are included in net sales and related shipping costs are included in cost of sales. The company has elected to account for shipping and handling activities performed after control has been transferred to the customer as a fulfillment cost.

The Company enters into contractual arrangements with customers in the form of individual customer orders which specify the goods, quantity, pricing, and associated order terms. The Company does not have long-term contracts that are satisfied over time. Due to the nature of the contracts, no significant judgment exists in relation to the identification of the customer contract or satisfaction of the performance obligation. The Company expenses incremental costs of obtaining a contract due to the short-term nature of the contracts.

The Company has certain contractual programs and practices with customers that can give rise to elements of variable consideration such as customer cooperative advertising and volume incentive rebates. The Company estimates the variable consideration using the most likely amount method based on sales and contractual rates with each customer and records the estimated amount of credits for these programs as a reduction to net sales.

[Table of Contents](#)

The Company has entered into contracts with some customers that allow for credits to be claimed for certain matters of operational compliance or for returns to the retail customer from end consumers. Credits that will be issued associated with these items are estimated using the expected value method and are based on actual historical experience and are recorded as a reduction of revenue at the time of recognition or when circumstances change resulting in a change in estimated returns. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities.

New Accounting Pronouncements Recently Adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), which requires entities to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial instruments measured at amortized cost and also applies to some off-balance sheet credit exposures. The Company has adopted this guidance effective January 1, 2023. The adoption of this guidance did not have a material impact on the Company's accompanying condensed consolidated financial statements.

3 – REVENUE

The following table disaggregates revenue by product category, geography, and sales channel for the periods indicated (in thousands):

Revenue by product category	Three Months Ended March 31,	
	2023	2022
Grills	\$ 89,738	\$ 150,431
Consumables	30,045	39,651
Accessories	33,378	33,628
Total revenue	\$ 153,161	\$ 223,710

Revenue by geography	Three Months Ended March 31,	
	2023	2022
North America	\$ 138,937	\$ 207,339
Rest of world	14,224	16,371
Total revenue	\$ 153,161	\$ 223,710

Revenue by sales channel	Three Months Ended March 31,	
	2023	2022
Retail	\$ 132,610	\$ 203,217
Direct to consumer	20,551	20,493
Total revenue	\$ 153,161	\$ 223,710

4 – ACCOUNTS RECEIVABLES, NET

Accounts receivable consists of the following (in thousands):

	March 31, 2023	December 31, 2022
Trade accounts receivable	\$ 114,692	\$ 56,822
Allowance for expected credit losses	(860)	(867)
Reserve for returns, discounts and allowances	(14,241)	(13,905)
Total accounts receivable, net	\$ 99,591	\$ 42,050

5 – INVENTORIES

Inventories consisted of the following (in thousands):

[Table of Contents](#)

	March 31, 2023	December 31, 2022
Raw materials	\$ 6,470	\$ 7,110
Work in process	13,028	12,155
Finished goods	112,883	134,206
Inventories	\$ 132,381	\$ 153,471

Included within inventories are adjustments of \$0.5 million and \$1.3 million at March 31, 2023 and December 31, 2022, respectively, to record inventory to net realizable value.

6 – ACCRUED EXPENSES

Accrued expenses consisted of the following (in thousands):

	March 31, 2023	December 31, 2022
Accrual for inventories in-transit	\$ 7,185	\$ 7,987
Warranty accrual	8,693	7,368
Accrued compensation and bonus	5,600	4,499
Other	34,808	32,441
Accrued expenses	\$ 56,286	\$ 52,295

The changes in the Company's warranty accrual, included in accrued expenses on the accompanying condensed consolidated balance sheets, were as follows for the fiscal periods indicated (in thousands):

	Three Months Ended March 31,	
	2023	2022
Warranty accrual, beginning of period	\$ 7,368	\$ 8,326
Warranty claims	(1,472)	(1,484)
Warranty costs accrued	2,797	1,889
Warranty accrual, end of period	\$ 8,693	\$ 8,731

7 – DERIVATIVES

Interest Rate Swap

On February 25, 2022, the Company entered into a floating-to-fixed interest rate swap agreement to hedge or otherwise protect against the Eurocurrency Base Rate (as defined in the First Lien Credit Agreement) fluctuations on a portion of the Company's variable rate debt. The agreement provides for a notional amount of \$379.2 million, fixed rate of 2.08% and a maturity date of February 28, 2026. This agreement was designated as a cash flow hedge on the exposure of the variability of future cash flows subject to the variable monthly interest rates on \$379.2 million of the term loan portion under the First Lien Term Loan Facility (as defined below). The Company assessed hedge effectiveness at the time of entering into the agreement, utilizing a regression analysis, and determined the hedge is expected to be highly effective.

As a cash flow hedge, the interest rate swap is revalued at current market rates, with the changes in valuation being recorded in other comprehensive income within the accompanying condensed consolidated statements of operations and comprehensive income (loss), to the extent that the hedge is effective. The gains or losses on the interest rate swaps are recorded in accumulated other comprehensive income (loss) within the accompanying condensed consolidated balance sheets and are reclassified into interest expense in the periods in which the interest rate swap affects earnings. The cash flows related to interest settlements and changes in valuation are classified consistent with the treatment of the hedged monthly interest payments generally as operating activities on the accompanying condensed consolidated statement of cash flows.

The Company evaluates hedge effectiveness of the interest rate swap quarterly, or more frequently if necessary, by verifying the critical terms of the interest rate swap continue to match the critical terms of the hedged monthly interest payments. In January 2023, the Company changed the interest reset period from one month to three months on the term loan portion under the First Lien Term Loan Facility (as defined below). As a result, the critical terms of the interest rate swap no longer matched the critical terms of the hedged debt interest payments, resulting in a dedesignation of the interest rate swap from cash flow hedge

[Table of Contents](#)

accounting. At the time of dedesignation the Company reclassified the amounts previously recorded in accumulated other comprehensive income (loss) of \$23.4 million into other income within the accompanying condensed consolidated statements of operations and comprehensive income (loss).

The gross and net balances from the interest rate swap contract position were as follows (in thousands):

	March 31, 2023	December 31, 2022
Gross Asset Fair Value	\$ 18,959	\$ 23,410
Gross Liability Fair Value	—	—
Net Asset Fair Value	\$ 18,959	\$ 23,410

For the three months ended March 31, 2023, as a result of the discontinued cash flow hedge accounting treatment, realized gain and unrealized gain from the interest rate swap were recorded in other income within the accompanying condensed consolidated statements of operations and comprehensive income (loss). For the three months ended March 31, 2022, realized loss and unrealized gain from the interest rate swap were recorded in interest expense and other comprehensive income (loss), respectively, within the accompanying condensed consolidated statements of operations and comprehensive income (loss). The following table presents the realized gains (losses) and unrealized gains from the interest rate swap (in thousands):

	Three Months Ended March 31,	
	2023	2022
Realized gain (loss) from settlement of interest rate swap	\$ 2,346	\$ (434)
Unrealized gain (loss) from change in fair value of interest rate swap	(4,450)	6,589
Unrealized gain from reclassifying accumulated other comprehensive income (loss)	23,409	—
Total gain	\$ 21,305	\$ 6,155

Foreign Currency Contracts

The Company is exposed to foreign currency exchange rate risk related to its purchases and international operations. The Company utilizes foreign currency contracts to manage foreign currency risk in purchasing inventory and capital equipment, and future settlement of foreign denominated assets and liabilities. The volume of the Company's foreign currency contract activity is limited by the amount of transaction exposure in each foreign currency and the Company's election as to whether to hedge the transactions. There are no derivative instruments entered into for speculative purposes.

The Company had outstanding foreign currency contracts as of March 31, 2023 and December 31, 2022. The Company did not elect hedge accounting for any of these contracts. The fair market value of the contracts in an asset position are offset by the fair market value of the contracts in a liability position to reach a net position. For periods where the net position is an asset balance, the balance is recorded within prepaid expenses and other current assets on the accompanying condensed consolidated balance sheets and for periods where the net position is a liability balance, the balance is recorded within other current liabilities on the accompanying condensed consolidated balance sheets. Changes in the net fair value of contracts are recorded in other income in the accompanying condensed consolidated statements of operations and comprehensive income (loss).

The gross and net balances from foreign currency contract positions were as follows (in thousands):

	March 31, 2023	December 31, 2022
Gross Asset Fair Value	\$ —	\$ —
Gross Liability Fair Value	337	1,001
Net Liability Fair Value	\$ 337	\$ 1,001

Gains (losses) from foreign currency contracts were recorded in other income within the accompanying condensed consolidated statements of operations and comprehensive income (loss) as follows (in thousands):

[Table of Contents](#)

	Three Months Ended March 31,	
	2023	2022
Realized gain (loss)	\$ (867)	\$ 1,165
Unrealized gain (loss)	620	(570)
Total gain (loss)	<u>\$ (247)</u>	<u>\$ 595</u>

8 – FAIR VALUE MEASUREMENTS

For financial assets and liabilities recorded at fair value on a recurring or non-recurring basis, fair value is the price the Company would receive to sell an asset, or pay to transfer a liability, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In the absence of such data, fair value is estimated using internal information consistent with what market participants would use in a hypothetical transaction. In determining fair value, observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1: Quoted prices for identical instruments in active markets.
- Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3: Significant inputs to the valuation model are unobservable.

The following table presents information about the fair value measurement of the Company's financial instruments (in thousands):

Financial Instruments Recorded at Fair Value on a Recurring Basis:	Fair Value Measurement Level	As of March 31, 2023	As of December 31, 2022
Assets:			
Derivative assets—interest rate swap contract ⁽¹⁾	2	\$ 18,959	\$ 23,410
Total assets		<u>\$ 18,959</u>	<u>\$ 23,410</u>
Liabilities:			
Derivative liability—foreign currency contracts ⁽²⁾	2	\$ 337	\$ 1,001
Contingent consideration—earn out ⁽³⁾	3	23,790	22,747
Total liabilities		<u>\$ 24,127</u>	<u>\$ 23,748</u>

(1) Included in prepaid expenses and other current assets and other non-current assets in the accompanying condensed consolidated balance sheets

(2) Included in other current liabilities in the accompanying condensed consolidated balance sheets

(3) Included in current and non-current contingent consideration in the accompanying condensed consolidated balance sheets

Transfers of assets and liabilities among Level 1, Level 2 and Level 3 are recorded as of the actual date of the events or change in circumstances that caused the transfer. As of March 31, 2023 and December 31, 2022, there were no transfers between levels of the fair value hierarchy of the Company's assets or liabilities measured at fair value.

The fair value of the Company's derivative assets through its foreign currency contracts is based upon observable market-based inputs that reflect the present values of the differences between estimated future foreign currency rates versus fixed future settlement prices per the contracts, and therefore, are classified within Level 2. The fair value of the Company's interest rate swap contracts held with financial institutions are classified as Level 2 financial instruments, which are valued using observable underlying interest rates and market-determined risk premiums at the reporting date.

On November 10, 2022, the Company entered into the second amendment to the share purchase agreement associated with the Apption Labs business combination to extend the earn out period through the end of fiscal year 2023. This amendment also modified the contingent consideration calculation associated with the achievement of certain revenue, earnings, and successful product launch thresholds for fiscal years 2022 and 2023. In April 2023, the Company used the restricted cash balance to pay \$12.4 million associated with the contingent cash consideration to the sellers based on the achievement of certain thresholds for fiscal year 2022. The remaining undiscounted amounts the Company may be required to pay under the contingent consideration arrangement is \$15.0 million, becoming due during the first half of fiscal year 2024.

[Table of Contents](#)

The fair values of the Company's contingent consideration earn out obligation is estimated using a Black Scholes model. Key assumptions used in these estimates include the weighted average cost of capital and the probability assessments with respect to the likelihood of achieving the forecasted performance targets consistent with the level of risk of achievement. As these are significant unobservable inputs, the contingent consideration earn out obligation is included in Level 3 inputs.

At each reporting date, the Company revalues the contingent consideration obligation to its fair value and records increases and decreases in fair value in the revaluation of contingent consideration in our accompanying condensed consolidated statements of operations and comprehensive income (loss). Changes in the fair value of the contingent consideration obligation results from changes in discount periods and rates, and changes in probability assumptions with respect to the likelihood of achieving the performance targets.

The following table presents the fair value contingent consideration (in thousands):

	Three Months Ended March 31,	
	2023	2022
Contingent consideration, beginning balance	\$ 22,747	\$ 25,300
Payments of contingent consideration	—	—
Change in fair value of contingent consideration	1,043	1,700
Contingent consideration, ending balance	\$ 23,790	\$ 27,000

The following financial instruments are recorded at their carrying amount (in thousands):

Financial Instruments Recorded at Carrying Amount:	As of March 31, 2023		As of December 31, 2022	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Liabilities:				
Debt—Credit Facilities ⁽¹⁾	\$ 446,508	\$ 361,024	\$ 476,070	\$ 393,236
Total liabilities	\$ 446,508	\$ 361,024	\$ 476,070	\$ 393,236

(1) Included in the current portion of notes payable and notes payable, net of current portion in the accompanying condensed consolidated balance sheets. Due to the unobservable nature of the inputs these financial instruments are considered to be Level 3 instruments in the fair value hierarchy.

9 – DEBT AND FINANCING ARRANGEMENTS

Notes Payable

On June 29, 2021, the Company refinanced its existing credit facilities and entered into a new first lien credit agreement, as borrower, with Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent, and other lenders party thereto as joint lead arrangers and joint bookrunners (the "First Lien Credit Agreement"). The First Lien Credit Agreement provides for a \$560.0 million senior secured term loan facility (the "First Lien Term Loan Facility"), including a \$50.0 million delayed draw term loan, and a \$125.0 million revolving credit facility (the "Revolving Credit Facility" and, together with the First Lien Term Loan Facility, the "Credit Facilities").

The First Lien Term Loan Facility accrues interest at a rate per annum that considers both fixed and floating components. Following the completion of the Company's IPO in July 2021, the fixed component ranges from 3.00% to 3.25% per annum based on the Company's Public Debt Rating (as defined in the First Lien Credit Agreement). The floating component is based on the Eurocurrency Base Rate (as defined in the First Lien Credit Agreement) for the relevant interest period. The First Lien Term Loan Facility requires periodic principal payments from December 2021 through June 2028, with any remaining unpaid principal and any accrued and unpaid interest due on the maturity date of June 29, 2028. The delayed draw term loan includes a variable commitment fee, which is based on the fixed interest rate and ranges from 0% to the Applicable Rate (as defined in the First Lien Credit Agreement). During 2022, the Company borrowed \$25.0 million under the delayed draw term loan, for purposes of financing the Company's earn out obligation. The borrowing took place prior to the expiration of the delayed draw term commitment date of December 29, 2022. As of March 31, 2023, the total principal amount outstanding on the First Lien Term Loan Facility was \$404.0 million.

Loans under the Revolving Credit Facility accrue interest at a rate per annum that considers both fixed and floating components. Following completion of the Company's IPO in July 2021, the fixed component ranges from 2.75% to 3.25% per annum based on the Company's most recently determined First Lien Net Leverage Ratio (as defined in the First Lien Credit

[Table of Contents](#)

Agreement). The floating component is based on the Eurocurrency Base Rate for the relevant interest period. The Revolving Credit Facility also has a variable commitment fee, which is based on the Company's most recently determined First Lien Net Leverage Ratio and ranges from 0.25% to 0.50% per annum on undrawn amounts. Letters of credit may be issued under the Revolving Credit Facility in an amount not to exceed \$15.0 million which, when issued, lower the overall borrowing capacity of the facility. The Revolving Credit Facility expires on June 29, 2026 and no principal payments are due before such date. As of March 31, 2023, the Company had drawn down \$42.5 million under the Revolving Credit Facility for general corporate and working capital purposes.

The First Lien Credit Agreement contains certain affirmative and negative covenants that limit the Company's ability to, among other things, incur additional indebtedness or liens (with certain exceptions), make certain investments, engage in fundamental changes or transactions including changes of control, transfer or dispose of certain assets, make restricted payments (including dividends), engage in new lines of business, make certain prepayments and engage in certain affiliate transactions. In addition, the Company is subject to a financial covenant and is required to maintain a First Lien Net Leverage Ratio (as defined in the First Lien Credit Agreement) not to exceed 6.20 to 1.00.

On August 9, 2022, the Company entered into a second amendment (the "Amendment") to the First Lien Credit Agreement to provide for a "Covenant Amendment Period" (as defined therein) through and including the earlier of June 30, 2023 and the date on which the Company, in its sole discretion, delivers written notice to the Administrative Agent of the Company's election to end the Covenant Amendment Period. During that period, the Company's springing First Lien Net Leverage Ratio covenant will be increased from 6.20 : 1.00 to 8.50 : 1.00 and a minimum liquidity covenant of \$35.0 million will be in effect. Liquidity will be calculated as the sum of cash on the Company's balance sheet, availability under the Revolving Credit Facility and availability under the Receivables Financing Agreement (as defined below), and the minimum liquidity covenant will be tested only if and when the Company requests borrowings under the Revolving Credit Facility. During the Covenant Amendment Period, the fixed dollar portion of the "Fixed Dollar Amount" definition shall decrease from \$127.0 million to \$102.0 million, and the use of certain restricted payments baskets will be reduced or eliminated entirely. As of March 31, 2023, the Company was in compliance with these amended covenants under the Amendment.

Accounts Receivable Credit Facility

On November 2, 2020, the Company entered into a receivables financing agreement (as amended, the "Receivables Financing Agreement"). Through the Receivables Financing Agreement, the Company participates in a trade receivables securitization program, administered on its behalf by MUFG Bank Ltd. ("MUFG"), using outstanding accounts receivable balances as collateral, which have been contributed by the Company to its wholly owned subsidiary and special purpose entity, Traeger SPE LLC (the "SPE"). While the Company provides operational services to the SPE, the receivables are owned by the SPE once contributed to it by the Company. The Company is the primary beneficiary and holds all equity interests of the SPE, thus the Company consolidates the SPE without any significant judgments.

On June 29, 2021, the Company entered into Amendment No. 1 to the Receivables Financing Agreement and increased the net borrowing capacity from the prior range of \$30.0 million to \$45.0 million up to \$100.0 million. The borrowing capacity fluctuates at each month end based upon the amount of eligible outstanding domestic accounts receivables to be used as collateral. The Company is required to pay an annual upfront fee for the facility, along with fixed interest on outstanding cash advances of 1.7%, a floating component based on the CP Rate (as defined in the Receivables Financing Agreement), and an unused capacity charge that ranges from 0.25% to 0.5%. The facility is set to terminate on June 29, 2024. The Company was in compliance with the covenants under the Receivables Financing Agreement as of March 31, 2023.

As of March 31, 2023, the Company had drawn down \$40.9 million under this facility for general corporate and working capital purposes.

10 – COMMITMENTS AND CONTINGENCIES

Legal Matters

The Company is subject to various claims, complaints and legal actions in the normal course of business. The Company does not believe it has any currently pending litigation of which the outcome will have a material adverse effect on its operations or financial position.

11 – STOCK-BASED COMPENSATION

[Table of Contents](#)

The Traeger, Inc. 2021 Incentive Award Plan (the "2021 Plan"), became effective as of July 28, 2021, the day prior to the first public trading date of our common stock. The 2021 Plan provides for the grant of stock options, including incentive stock options, and nonqualified stock options, restricted stock, dividend equivalents, restricted stock units, stock appreciation rights, and other stock or cash awards to the Company's employees and consultants and directors of the Company and its subsidiaries. Subject to the adjustment described in the following sentence, the initial number of shares of the Company's common stock available for issuance under awards granted pursuant to the 2021 Plan is equal to 19,983,145 shares, which shares may be authorized but unissued shares, treasury shares, or shares purchased in the open market. On January 1, 2023, an additional 6,131,220 shares of common stock became available for issuance under awards granted pursuant to the 2021 Plan, as a result of the operation of an automatic annual increase provision in the 2021 Plan. Notwithstanding anything to the contrary in the 2021 Plan, no more than 100,000,000 shares of our common stock may be issued pursuant to the exercise of incentive stock options under the 2021 Plan.

The Company's stock-based compensation was classified as follows in the accompanying condensed consolidated statements of operations and comprehensive income (loss) (in thousands):

	Three Months Ended March 31,	
	2023	2022
Cost of revenue	\$ 16	\$ 138
Sales and marketing	730	1,763
General and administrative	7,197	13,582
Total stock-based compensation	\$ 7,943	\$ 15,483

On July 20, 2021, the Board of Directors (the "Board") approved grants of restricted stock units ("RSUs") covering 12,163,242 shares of common stock that became effective in connection with the completion of the Company's IPO, which include RSUs covering 7,782,957 shares granted to the Company's Chief Executive Officer ("CEO") and RSUs covering 4,380,285 shares granted to other employees, directors, and certain non-employees.

CEO Awards

The awards include a combination of time-based and performance-based awards. Specifically, time-based RSUs covering 2,594,319 shares ("RSU CEO Award") and performance-based RSUs ("PSUs") covering 5,188,638 shares ("PSU CEO Award") were granted to the CEO.

RSU CEO Award

The RSU CEO Award will vest as to 20% of the underlying shares on each of the first, second, third, fourth and fifth anniversaries of the closing of the IPO, subject to continued service with the Company as its CEO or executive chairman of its Board.

Upon a termination of the CEO's service by the Company without cause, by the CEO for good reason, or due to the CEO's disability (each as defined in his award agreement) or due to his death (each, a "CEO Qualifying Termination"), then, subject to the CEO's (or his estate's) timely execution and non revocation of a general release of claims and continued compliance with the restrictive covenants to which the CEO is bound through the effective date of the general release of claims, any unvested portion of the RSU CEO Award will vest. To the extent any of the RSU CEO Award vests, the CEO must hold the vested and settled shares for two years following their vesting date, subject to certain exceptions set forth in the award agreement.

PSU CEO Award

The PSU CEO Awards will become earned based on the achievement of stock price goals (measured as a volume-weighted stock price over 60 consecutive trading days) at any time until the tenth anniversary of the closing of the IPO. The PSU CEO Award is divided into five tranches, with the first tranche having a stock price goal of 125% of the IPO price, and each of the next four stock prices goals equal to 125% of the immediately preceding stock price goal. As of March 31, 2023, the first vesting tranche of the PSU CEO Award has been earned based upon achievement of the applicable stock price goal and has vested in accordance with the Letter Agreement (as described below). Other than the first vesting tranche, the PSU CEO Award will vest on the applicable vesting date described in the following table or, if later, the date on which the applicable stock price goal is achieved, subject to the CEO's continued service as our CEO or executive chairman of the Board:

[Table of Contents](#)

Earned PSUs' Vesting Tranche	Vesting Date
First Vesting Tranche	50% on the first anniversary and 50% on the second anniversary of the closing of the IPO
Second Vesting Tranche	50% on the second anniversary and 50% on the third anniversary of the closing of the IPO
Third Vesting Tranche	50% on the third anniversary and 50% on the fourth anniversary of the closing of the IPO
Fourth Vesting Tranche	50% on the fourth anniversary and 50% on the fifth anniversary of the closing of the IPO
Fifth Vesting Tranche	50% on the fifth anniversary and 50% on the sixth anniversary of the closing of the IPO

Upon a CEO Qualifying Termination, then, subject to the CEO's (or his estate's) timely execution and non-revocation of a general release of claims and continued compliance with the restrictive covenants to which the CEO is bound, any previously earned PSUs subject to the CEO PSU Award will vest, and any remaining PSUs that were not previously earned will be forfeited and terminated without consideration. To the extent any of the PSUs subject to the CEO PSU Award vest, the CEO must hold such vested shares for two years following their vesting date, subject to certain exceptions set forth in the award agreement. If the CEO experiences a termination of service other than a CEO Qualifying Termination, all PSUs (including earned PSUs) subject to the PSU CEO Award which have not become vested will be automatically forfeited and terminated as of the termination date without consideration.

In the event the Company incurs a change in control, then any previously-earned PSUs will vest and any remaining PSUs will vest based on the price per share received by or payable with respect to the common stockholders in connection with the transaction, pro-rated to reflect a price per share that falls between two stock price goals.

PSUs that remain unvested as of the expiration date automatically will be forfeited and terminated without consideration.

Letter Agreement

On August 31, 2022, the Board approved a letter agreement between the Company and the Company's CEO (the "Letter Agreement") intended to facilitate a personal tax planning initiative.

The Letter Agreement provided for the accelerated vesting of 2,075,455 unvested shares subject to the RSUs CEO Award and 518,864 earned but unvested shares subject to the PSU CEO Award, and required the CEO to pay the withholding tax associated with the acceleration of the awards by cash or check, rather than by selling vested shares to cover the tax obligation with respect to such accelerated vesting.

In addition, the Letter Agreement imposes certain clawback rights intended to maintain the retention incentives of the RSU CEO Award and the PSU CEO Award by mirroring their former vesting schedule. If the CEO experiences a termination of service, other than due to a qualifying termination (as defined in the applicable award agreements), prior to an original vesting date of an RSU or PSU, the CEO will forfeit and return to the Company that number of shares of the Company's common stock that would not otherwise have vested pursuant to the terms of the original award agreements or, if he has disposed of or transferred such shares, he will deliver to the Company the corresponding value of those shares plus any gain realized in connection with such sale or other transfer.

The approval for the acceleration of vesting was determined to be a modification and therefore, the Company evaluated each of the modified awards to determine the necessary accounting treatment. Vesting of the awards was assessed as probable immediately prior to and after the modification resulting in an acceleration of the remaining expense based on the original grant date fair value. As a result of the modification, the Company recorded approximately \$39.4 million of accelerated stock-based compensation for the year ended December 31, 2022.

Other IPO Awards

The RSUs granted to other employees, directors, and certain non-employees, included 3,635,287 time-based RSUs ("IPO RSUs") and 744,998 performance-based RSUs ("IPO PSUs") granted to certain senior level executives of the Company.

IPO RSUs

The IPO RSUs vest based on certain time-based conditions set forth in the applicable award agreement. IPO RSUs granted to certain senior executives of the Company were originally eligible to vest as to 50% of the underlying shares on each of the third and fourth anniversaries of the closing of the IPO, subject to continued employment with the Company or one of its subsidiaries.

Amendments to RSUs

[Table of Contents](#)

In August 2022, the Board approved an amendment to the vesting schedule applicable to the IPO RSUs held by certain executives and other employees. Pursuant to the amendment, the IPO RSUs are eligible to vest as to one-third of the underlying shares on each of the first, second and third anniversaries of the closing of the IPO, subject to continued employment with the Company or one of its subsidiaries.

In addition, in August 2022, the Board approved an amendment to RSUs previously granted to certain employees impacted by the Company's reduction in workforce. The amendment provided for accelerated vesting of one-third of the RSUs underlying each award then-held by such employees upon any termination of service (as defined in the 2021 Plan), subject to the holder's timely execution and delivery to the Company (and, as applicable, non-revocation) of a general release of claims in favor of the Company.

The approval for the amendment to the vesting schedule was determined to be a modification and therefore, the Company evaluated each of the modified awards to determine the necessary accounting treatment. Awards where vesting was probable prior to and after the modification resulted in an acceleration of a portion of the remaining expense, consistent with the accelerated vesting schedule, based on the original grant date fair value. Awards where vesting was not probable prior to modification resulted in remeasurement of the fair value as of the modification date, which resulted in a decrease in total fair value of awards of approximately \$6.7 million due to a decrease in the fair value between the original grant date and the modification date. Due to the decrease in the fair value between the original grant date and modification date, the Company recorded a cumulative-effect adjustment. As a result of the accelerated vesting schedule, net of the cumulative-effect adjustment, the Company recorded \$1.1 million of accelerated stock-based compensation for the year ended December 31, 2022.

IPO PSUs

The IPO PSUs consist of two equal tranches, with the first tranche having a stock price goal of 200% of the IPO price and the second tranche having a stock price goal of 300% of the IPO price. Once earned, the applicable IPO PSU will vest as to (i) 50% of the earned PSU upon the later of the first anniversary of the closing of the IPO or the achievement of the applicable stock price goal and (ii) 50% of the earned PSUs upon the later of the second anniversary of the closing of the IPO or the first anniversary of when the respective stock price goal is achieved with respect to the applicable vesting tranche, in each case, subject to continued employment with the Company or one of its subsidiaries.

Upon a termination of employment due to an executive's disability (each defined in the applicable award agreement) or due to his or her death, then, subject to such executive's (or his or her estate's) timely execution and non-revocation of a general release of claims and continued compliance with the restrictive covenants to which such executive is bound, any previously earned PSUs subject to the IPO PSUs will vest, and any remaining PSUs subject to the IPO PSU award that were not previously earned will be automatically forfeited and terminated as of the termination date without consideration.

In the event the Company incurs a change in control, then any previously-earned PSUs will vest and any remaining PSUs will vest based on the price per share received by or payable with respect to the common stockholders in connection with the transaction, pro-rated to reflect a price per share that falls between two stock price goals.

PSUs that remain unvested as of the expiration date automatically will be forfeited and terminated without consideration.

For RSUs and PSUs, the compensation expense is recognized on a straight-line basis over the vesting schedule and on an accelerated basis over the tranche's requisite service period, respectively. In addition, when an award is forfeited prior to the vesting date, the Company will recognize an adjustment for the previously recognized expense in the period of the forfeiture, with the exception of performance-based awards for which the requisite service period has been provided.

The Company uses the Monte Carlo pricing model to estimate the fair value of its PSUs as of the grant date, and uses various simulations of future stock prices through the Stochastic model to estimate the fair value over the remaining term of the performance period as of the grant date.

A summary of the time-based restricted stock unit activity during the three months ended March 31, 2023 was as follows:

[Table of Contents](#)

	Units	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2022	5,923,835	\$ 6.73
Granted	18,821	3.95
Vested	(18,284)	14.30
Forfeited	(134,554)	8.75
Outstanding at March 31, 2023	5,789,818	\$ 6.65

As of March 31, 2023, the Company had \$26.4 million of unrecognized stock-based compensation expense related to unvested time-based restricted stock units that is expected to be recognized over a weighted-average period of 1.83 years.

A summary of the performance-based restricted stock unit activity during the three months ended March 31, 2023 was as follows:

	Units	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2022	4,714,242	\$ 12.59
Granted	—	—
Vested	—	—
Forfeited	—	—
Outstanding at March 31, 2023	4,714,242	\$ 12.59

As of March 31, 2023, the Company had \$33.2 million of unrecognized stock-based compensation expense related to unvested performance-based units that is expected to be recognized over a weighted-average period of 3.03 years.

CEO and IPO PSU Cancellations; Performance Shares

On April 13, 2023, following mutual agreement between the Company and each named executive officer, the Board approved the cancellation and termination of the unearned CEO PSUs and IPO PSUs originally granted to the executives on August 2, 2021. As a result, the Company expects to recognized approximately \$27.5 million of stock-based compensation expense during the second quarter of 2023 related to the cancellations.

On the same day, the Board approved a grant to the CEO of an award of 1,037,728 performance-based restricted shares (the "Performance Shares"). The Performance Shares were issued under the 2021 Plan and are intended to retain and incentivize the CEO to lead the Company to sustained, long-term superior financial performance.

The Performance Shares are eligible to be earned upon the achievement of an Adjusted EBITDA goal during the fiscal year ending on December 31, 2023. If the Adjusted EBITDA goal is achieved, the earned Performance Shares will vest on March 31, 2024.

If the Adjusted EBITDA goal is not achieved, then the Performance Shares instead will become eligible to be earned based on the achievement of a stock price goal of \$18.00 per share (the "Stock Price Goal") for the period beginning on January 1, 2024 and ending on August 2, 2031. If the Stock Price Goal is achieved, the earned Performance Shares will vest on the later of March 31, 2024 and the date on which the Stock Price Goal is achieved.

The vesting of the Performance Shares is in all cases subject to the CEO's continued service as the Company's Chief Executive Officer or Executive Chairman of our Board.

Upon a termination of the CEO's service to the Company without cause, by the CEO for good reason, or due to the CEO's death or disability (each as defined in his award agreement), any previously earned Performance Shares will vest, and any remaining Performance Shares will be forfeited and terminated without consideration as of the date of termination. The vesting of any Performance Shares upon a qualifying termination will be subject to the CEO's timely execution and non-revocation of a general release of claims, and continued compliance with customary restrictive covenants.

In the event the Company incurs a change in control (as defined in the 2021 Plan), then any previously-earned Performance Shares will vest, and any remaining Performance Shares will vest if the Stock Price Goal is achieved based on the price per

[Table of Contents](#)

share received by or payable to our holders of our common stock in connection with the transaction. Any remaining Performance Shares will be forfeited and terminated without consideration as of immediately prior to the change in control.

The CEO is required to make an election under Section 83(b) of the Internal Revenue Code of 1986, as amended, with respect to the Performance Shares, and to pay the withholding tax associated with the issuance of the Performance Shares. To the extent the Performance Shares vest, the CEO must hold such shares for two years following the applicable vesting date, subject to certain exceptions set forth in the award agreement.

12 – INCOME TAXES

For the three months ended March 31, 2023 and 2022, the Company recorded an income tax expense of \$0.2 million and \$0.2 million, respectively.

The Company regularly evaluates the realizability of its deferred tax assets and establishes a valuation allowance if it is more likely than not that some or all the deferred tax assets will not be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, loss carryback and tax planning strategies. Generally, more weight is given to objectively verifiable evidence, such as the cumulative loss in recent years, as a significant piece of negative evidence to overcome. As of March 31, 2023, the Company's U.S. operations have resulted in losses, and as such, the Company maintains a valuation allowance against substantially all its U.S. deferred tax assets.

13 – RELATED PARTY TRANSACTIONS

The Company outsources a portion of its customer service and support through a third party who is an affiliate of the Company through common ownership. The total amount of expenses the Company recorded associated with such services totaled \$1.0 million and \$1.7 million for the three months ended March 31, 2023 and 2022, respectively. Amounts payable to the third party as of March 31, 2023 and December 31, 2022 was \$0.7 million and \$0.4 million, respectively.

14 – EARNINGS (LOSS) PER SHARE

The Company computes basic earnings (loss) per share ("EPS") attributable to common stockholders by dividing net income (loss) attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted EPS is calculated by adjusting weighted average shares outstanding for the dilutive effect of potential common shares, determined using the treasury-stock method. For purposes of the diluted EPS calculation, restricted stock units are considered to be potential common shares.

The following table sets forth the computation of the Company's basic and diluted EPS attributable to common stockholders for the fiscal periods indicated (in thousands, except share and per share amounts):

	Three Months Ended March 31,	
	2023	2022
Net income (loss)	\$ 8,018	\$ (8,960)
Weighted-average common shares outstanding—basic	122,699,114	117,889,233
Effect of dilutive securities:		
Restricted stock units	—	—
Weighted-average common shares outstanding—diluted	122,699,114	117,889,233
Earnings (loss) per share		
Basic and diluted	\$ 0.07	\$ (0.08)

The following table includes the number of units that may be dilutive common shares in the future, and were not included in the computation of diluted earnings (loss) per share because the effect was anti-dilutive for the fiscal periods indicated:

	Three Months Ended March 31,	
	2023	2022
Restricted stock units	10,504,060	11,629,644

15 – RESTRUCTURING PLAN

In July 2022, the Board approved a restructuring plan (the "2022 restructuring plan") as part of its efforts to reduce the Company's costs and drive long-term operational efficiencies due to challenging macroeconomic pressures. As part of the 2022 restructuring plan, the Company eliminated approximately 14% of its global headcount, suspended operations of Traeger Provisions (the Company's premium frozen meal kit business), and postponed nearshoring efforts to manufacture product in Mexico. These actions were substantially completed in the third quarter of fiscal 2022.

A summary of the activity in the restructuring reserve in connection with the Company's 2022 restructuring plan recorded in accrued expenses within the accompanying condensed consolidated balance sheets as follows (in thousands):

	<u>Employee Related Costs</u>	<u>Contract Exit Costs</u>
Balance at December 31, 2022	\$ 135	\$ 2,953
Net additions charged to expense	—	—
Cash payments against reserve	(116)	(2,673)
Balance at March 31, 2023	<u>\$ 19</u>	<u>\$ 280</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations should be read together with our consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and the related notes included in our [Annual Report on Form 10-K](#) for the year ended December 31, 2022 (our "Annual Report on Form 10-K"), filed with the Securities and Exchange Commission (the "SEC") on March 16, 2023. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. As a result of many important factors, such as those set forth in Part I, Item 1A. "Risk Factors" of our [Annual Report on Form 10-K](#), our actual results may differ materially from those anticipated in these forward-looking statements. For convenience of presentation, some of the numbers have been rounded in the text below.

Overview

Traeger is the creator and category leader of the wood pellet grill, an outdoor cooking system that ignites all-natural hardwoods to grill, smoke, bake, roast, braise, and barbecue. Our grills are versatile and easy to use, empowering cooks of all skill sets to create delicious meals with a wood-fired flavor that cannot be replicated with gas, charcoal, or electric grills. Grills are at the core of our platform and are complemented by Traeger wood pellets, rubs, sauces, and accessories.

Our marketing strategy has been instrumental in building our brand and driving customer advocacy and revenue. We have disrupted the outdoor cooking market and created a passionate community, the Traegerhood, which includes foodies, pitmasters, backyard heroes, moms and dads, professional athletes, outdoorsmen and outdoorswomen, and world-class chefs. This community, together with our various marketing initiatives, has helped to promote our brand and products to the wider consumer population and supported our efforts to redefine outdoor cooking as an experience accessible to everyone. We have an active online and social media presence and a content-rich website that drives significant customer engagement and brings our Traegerhood together. We also directly engage with our current and target customers by sponsoring and participating in a variety of events, including live shows, outdoor festivals, rodeos, music and film festivals, barbecue competitions, fishing tournaments, and retailer events. We believe the style and authenticity of our customer engagement reinforces our brand and drives new and existing customer interest in our products and community.

Our revenue is primarily generated through the sale of our wood pellet grills, consumables and accessories. We currently offer six series of grills – Pro (with and without WiFIRE), Ironwood and Timberline – as well as a selection of smaller, portable grills within our Town and Travel Series and a special Club Lineup through targeted channels. Our grills are available in a number of different sizes and can be upgraded through a variety of accessories. A growing number of our grills feature WiFIRE technology, which allows users to monitor and adjust their grills remotely using our Traeger app. Our consumables include our wood pellets, which are made from natural, virgin hardwood and are available in a variety of flavors, as well as rubs and sauces. Our accessories include grill covers, liners, tools, MEATER smart thermometers, apparel and other ancillary items.

We sell our grills using an omnichannel distribution strategy that consists primarily of retail and direct to consumer ("DTC") channels. Our retail channel covers brick-and-mortar retailers, e-commerce platforms, and multichannel retailers, who, in turn, sell our grills to their end customers. Our retailers include Ace Hardware, Amazon, Costco, The Home Depot, and Best Buy, among others, as well as a significant number of independent retailers that cater to local communities and specific categories, such as hardware, camping, outdoor, farm, ranch, barbecue and other categories. Our DTC channel covers sales directly to customers through our website and Traeger app, as well as certain country- and region-specific Traeger or distributor websites. Our consumables and accessories are available through the same channels as our grills.

Over the last several years, we have made significant investments in our supply chain and manufacturing operations. Our supply chain includes third party manufacturers for our grills and accessories and pellet production facilities for our wood pellets that we own or lease. We work closely with our manufacturers to evolve on design, manufacturing process and product quality. Our grills are currently manufactured in China and Vietnam, our wood pellets are produced at facilities located in New York, Oregon, Georgia, and Texas, and our MEATER smart thermometer accessories are currently manufactured in Hong Kong. We have entered into manufacturing agreements covering the supply of substantially all of our grills and accessories, pursuant to which we make purchases on a purchase order basis. We rely on several third-party suppliers for the components used in our grills, including integrated circuits, processors, and system on chips.

Our revenue decreased by 31.5% for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022, and was \$153.2 million for the three months ended March 31, 2023, down from \$223.7 million for the three

[Table of Contents](#)

months ended March 31, 2022. We recorded net income of \$8.0 million for the three months ended March 31, 2023, compared to net loss of \$9.0 million for the three months ended March 31, 2022.

Key Factors Affecting Our Financial Condition and Results of Operations

We believe that our financial condition and results of operations have been, and will continue to be, affected by a number of factors that present significant opportunities for us but also pose risks and challenges, including those below and in Part I, Item 1A. "Risk Factors" of our [Annual Report on Form 10-K](#).

Macroeconomic Conditions

Continuing global economic uncertainty, political conditions and fiscal challenges in the U.S. and abroad could result in adverse macroeconomic conditions, including inflation, slower growth or recession. In particular, in the first quarter of 2023, we continued to experience inflationary pressure and a slowdown in consumer demand. These challenging macroeconomic pressures have resulted in a decline in our revenue in the first quarter of 2023 compared to the prior year period. If these macroeconomic trends continue through the remainder of fiscal year end 2023, we could experience lower revenue and margins as compared to the corresponding prior year period.

Supply chain constraints have led to higher product component and freight costs, which have increased our cost of revenues. If these macroeconomic uncertainties or supply chain challenges persist or worsen in the future, we may observe reduced customer demand for our offerings, increased competition for critical components, challenges fulfilling certain customer orders or continued increases in component and freight costs which could impact our operating results, including our ability to achieve historical levels of revenue

Components of Results of Operations

Revenue

We derive substantially all of our revenue from the sale of grills, consumables and accessories in North America, which includes the United States and Canada. We recognize revenue, net of product returns, for our grills, consumables and accessories generally at the time of delivery to retailers through our retail channel and to customers through our DTC channel. Estimated product returns are recorded as a reduction of revenue at the time of recognition and are calculated based on product returns history, observable changes in return behavior, and expected returns based on sales volume and mix. We also have certain contractual programs that can give rise to elements of variable consideration, such as volume incentive rebates, with estimated amounts of credits recorded as a reduction to revenue.

Although we experience demand for our products throughout the year, we believe there can be certain seasonal fluctuations in our revenue. We have typically experienced moderately higher levels of sales of our grills in the first and second quarters of the year as our retailers purchase inventory in advance of warmer weather, when demand for outdoor cooking products is the highest across our key markets. Higher sales also coincide with social events and national holidays, which occur during the same warm weather timeframe.

Gross Profit

Gross profit reflects revenue less cost of revenue. Cost of revenue consists of product costs, including the costs of components, costs of products from our third-party manufacturers, direct and indirect manufacturing costs across all products, packaging, inbound freight and duties, warehousing and fulfillment, warranty costs, product quality testing and inspection costs, excess and obsolete inventory write-downs, cloud-hosting costs for our WiFIRE connected grills, depreciation of tooling and manufacturing equipment, amortization of internal use software and patented technology, and certain employee-related expenses.

We calculate gross margin as gross profit divided by revenue. Gross margin can be impacted by several factors, including, in particular, product mix and sales channel mix. For example, gross margin on sales through our DTC channel is generally higher than gross margin on sales through our retail channel. If our DTC sales grow faster than sales from our retail channel, and if we are able to realize greater economies of scale or product cost improvements through engineering and sourcing, we would expect a favorable impact to overall gross margin over time. Additionally, gross margin on sales of certain of our products is higher than for others. If revenue from sales of wood pellets increased as a percentage of total revenue, we would expect to see an increase in overall gross margin. These favorable anticipated gross margin impacts may not be realized, or may be offset by other unfavorable gross margin factors. Additionally, any new products that we develop, or our planned

[Table of Contents](#)

expansion into new geographies, may impact our future gross margin. External factors beyond our control, such as duties and tariffs and costs of doing business in certain geographies can also impact gross margin.

Sales and Marketing

Sales and marketing expense consists primarily of the costs associated with advertising and marketing of our products and employee-related expenses, including salaries, benefits, and stock-based compensation expense, as well as sales incentives and professional services. These costs can include print, internet and television advertising, travel-related expenses, direct customer acquisition costs, costs related to conferences and events, and broker commissions. We expect our sales and marketing expense to decrease in the short-term and increase on an absolute dollar basis in the long-term as we continue to reduce our costs to drive operational efficiencies while continuing to increase the scope of outreach to potential new customers to drive long-term revenue growth. We also anticipate that sales and marketing expense as a percentage of revenue will fluctuate from period to period based on revenue for such period and the timing of the expansion of our sales and marketing functions, as these activities may vary in scope and scale over future periods.

General and Administrative

General and administrative expense consists primarily of employee-related expenses and facilities for our executive, finance, accounting, legal, human resources, information technology and other administrative functions. General and administrative expense also includes fees for professional services, such as external legal, accounting, and information and technology services, and insurance.

In addition, general and administrative expense includes research and development expenses incurred to develop and improve our future products and processes, which primarily consist of employee and facilities-related expenses, including salaries, benefits and stock-based compensation expense, as well as fees for professional services, costs related to prototype tooling and materials, and software platform costs. Research and development expense was \$2.2 million and \$4.9 million for the three months ended March 31, 2023 and 2022, respectively.

As a result of the 2022 restructuring plan, we expect general and administrative expense, including our research and development expenses and external legal and accounting expenses, to normalize as we continue to manage our investments to support our growth and develop new and enhance existing products. We anticipate that general and administrative expense as a percentage of revenue will vary from period to period, but we expect to leverage these expenses over time as we grow our revenue.

Amortization of Intangible Assets

Amortization of intangible assets primarily consists of amortization of identified finite-lived customer relationships, distributor relationships, non-compete arrangements and trademark assets that were allocated a considerable portion of the purchase price from the corporate reorganization and acquisition of our business in 2017, as well as the July 2021 acquisition of Apption Labs Limited and its subsidiaries (collectively, "Apption Labs") pursuant to a share purchase agreement (the "Share Purchase Agreement"). These costs are amortized on a straight-line basis over 2.5 to 25 year useful lives and, as a result, amortization expense on these assets is expected to remain stable over the coming years. Future business acquisitions may result in incremental amortization of intangible assets acquired in any such transactions.

Change in Fair Value of Contingent Consideration

The fair values of our contingent consideration earn out obligation associated with the Apption Labs business combination is estimated based on probability adjusted present values of the consideration expected to be transferred using significant inputs. At each reporting date, we revalue the contingent consideration obligation to its fair value and records increases and decreases in fair value in the change in fair value of contingent consideration in our accompanying condensed consolidated statements of operations and comprehensive income (loss). Changes in the fair value of the contingent consideration obligation results from changes in discount periods and rates, and changes in probability assumptions with respect to the likelihood of achieving the performance targets in the Share Purchase Agreement.

Total Other Income (Expense)

Total other income (expense) consists of interest expense and other income. Interest expense includes interest and other fees associated with our Credit Facilities and Receivables Financing Agreement (each as defined below). Other income also consists of any unrealized gains (losses) from our interest rate swap derivative contract subsequent to the dedesignation of the

[Table of Contents](#)

swap contract from a cash flow hedge, foreign currency realized and unrealized gains and losses resulting from exchange rate fluctuations on transactions denominated in a currency other than the U.S. Dollar and from the foreign currency contracts that we use to manage our exposure to foreign currency exchange rate risk related to our purchases and international operations.

Results of Operations

The following tables summarize key components of our results of operations for the periods presented. The period-to-period comparisons of our historical results are not necessarily indicative of the results that may be expected in the future.

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
	<i>(unaudited)</i> <i>(dollars in thousands)</i>			
Revenue	\$ 153,161	\$ 223,710	\$ (70,549)	(31.5)%
Cost of revenue	97,738	141,066	(43,328)	(30.7)%
Gross profit	55,423	82,644	(27,221)	(32.9)%
Operating expenses:				
Sales and marketing	22,075	34,854	(12,779)	(36.7)%
General and administrative	26,679	40,716	(14,037)	(34.5)%
Amortization of intangible assets	8,889	8,889	—	— %
Change in fair value of contingent consideration	1,043	1,700	(657)	(38.6)%
Total operating expense	58,686	86,159	(27,473)	(31.9)%
Loss from operations	(3,263)	(3,515)	252	(7.2)%
Other income (expense):				
Interest expense	(10,454)	(5,837)	4,617	79.1 %
Other income, net	21,899	544	21,355	3925.6 %
Total other income (expense)	11,445	(5,293)	16,738	316.2 %
Income (loss) before provision for income taxes	8,182	(8,808)	16,990	(192.9)%
Provision for income taxes	164	152	12	7.9 %
Net income (loss)	\$ 8,018	\$ (8,960)	\$ 16,978	(189.5)%

Comparison of the Three Months Ended March 31, 2023 and 2022

Revenue

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
	<i>(dollars in thousands)</i>			
Revenue:				
Grills	\$ 89,738	\$ 150,431	\$ (60,693)	(40.3)%
Consumables	30,045	39,651	(9,606)	(24.2)%
Accessories	33,378	33,628	(250)	(0.7)%
Total Revenue	\$ 153,161	\$ 223,710	\$ (70,549)	(31.5)%

Revenue decreased by \$70.5 million, or 31.5%, to \$153.2 million for the three months ended March 31, 2023 compared to \$223.7 million for the three months ended March 31, 2022. The decrease was driven by lower unit volume for grills and consumables, partially offset by higher selling prices.

Revenue from our grills decreased by \$60.7 million, or 40.3%, to \$89.7 million for the three months ended March 31, 2023 compared to \$150.4 million for the three months ended March 31, 2022. The decrease was primarily driven by lower unit volume, partially offset by a higher average selling price resulting from the introduction of new product.

[Table of Contents](#)

Revenue from our consumables decreased by \$9.6 million, or 24.2%, to \$30.0 million for the three months ended March 31, 2023 compared to \$39.7 million for the three months ended March 31, 2022. The decrease was driven by lower unit volume of wood pellets and other consumables.

Revenue from our accessories decreased by \$0.3 million, or 0.7%, to \$33.4 million for the three months ended March 31, 2023 compared to \$33.6 million for the three months ended March 31, 2022. The decrease was driven primarily by lower unit volume of Traeger-branded accessories, partially offset by increased sales of MEATER smart thermometers.

Gross Profit

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
	<i>(dollars in thousands)</i>			
Gross profit	\$ 55,423	\$ 82,644	\$ (27,221)	(32.9)%
Gross margin (Gross profit as a percentage of revenue)	36.2 %	36.9 %		

Gross profit decreased by \$27.2 million, or 32.9%, to \$55.4 million for the three months ended March 31, 2023 compared to \$82.6 million for the three months ended March 31, 2022. Gross margin decreased to 36.2% for the three months ended March 31, 2023 from 36.9% for the three months ended March 31, 2022. The decrease in gross margin was driven primarily by the timing of marketplace promotional investments and higher product costs, partially offset by favorable domestic logistic costs, as well as foreign exchange rates.

Sales and Marketing

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
	<i>(dollars in thousands)</i>			
Sales and marketing	\$ 22,075	\$ 34,854	\$ (12,779)	(36.7)%
As a percentage of revenue	14.4 %	15.6 %		

Sales and marketing expense decreased by \$12.8 million, or 36.7%, to \$22.1 million for the three months ended March 31, 2023 compared to \$34.9 million for the three months ended March 31, 2022. As a percentage of revenue, sales and marketing expense decreased to 14.4% for the three months ended March 31, 2023 from 15.6% for the three months ended March 31, 2022. The decrease in sales and marketing expense was driven by decreases in demand creation costs, employee expenses, professional service fees, and travel and entertainment costs.

General and Administrative

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
	<i>(dollars in thousands)</i>			
General and administrative	\$ 26,679	\$ 40,716	\$ (14,037)	(34.5)%
As a percentage of revenue	17.4 %	18.2 %		

General and administrative expense decreased by \$14.0 million, or 34.5%, to \$26.7 million for the three months ended March 31, 2023 compared to \$40.7 million for the three months ended March 31, 2022. As a percentage of revenue, general and administrative expense decreased to 17.4% for the three months ended March 31, 2023 from 18.2% for the three months ended March 31, 2022. The decrease in general and administrative expense was driven by lower stock-based compensation expense of \$6.4 million, lower professional service fees, and lower employee expenses, partially offset by losses from the sale of property, plant and equipment.

Amortization of Intangible Assets

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
	<i>(dollars in thousands)</i>			
Amortization of intangible assets	\$ 8,889	\$ 8,889	\$ —	— %
<i>As a percentage of revenue</i>	5.8 %	4.0 %		

Amortization of intangible assets, substantially attributable to the 2017 corporate reorganization and acquisition of the Company and the July 2021 acquisition of Apption Labs, remained flat at \$8.9 million for the three months ended March 31, 2023 compared to \$8.9 million for the three months ended March 31, 2022.

Change in Fair Value of Contingent Consideration

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
	<i>(dollars in thousands)</i>			
Change in fair value of contingent consideration	\$ 1,043	\$ 1,700	\$ (657)	(38.6)%
<i>As a percentage of revenue</i>	0.7 %	0.8 %		

Change in fair value of contingent consideration, attributable to the revalued earn out obligation associated with the Apption Labs business combination, decreased \$0.7 million, or 38.6%, to \$1.0 million for the three months ended March 31, 2023 compared to \$1.7 million for the three months ended March 31, 2022. The change in fair value was primarily driven by a shorter discount period.

Total Other Income (Expense)

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
	<i>(dollars in thousands)</i>			
Interest expense	\$ (10,454)	\$ (5,837)	\$ 4,617	79.1 %
Other income, net	21,899	544	21,355	3925.6 %
Total other income (expense)	\$ 11,445	\$ (5,293)	\$ 16,738	316.2 %
<i>As a percentage of revenue</i>	7.5 %	(2.4)%		

Total other income increased by \$16.7 million, or 316.2%, to total other income of \$11.4 million for the three months ended March 31, 2023 compared to total other expense of \$5.3 million for the three months ended March 31, 2022. This increase was primarily due to the hedge dedesignation of the interest rate swap resulting in the reclassification from accumulated other comprehensive income (loss) to other income, partially offset by increased interest expense driven by a change in timing to quarterly interest payments on our term loan portion under the First Lien Term Loan Facility.

Liquidity and Capital Resources

Historically, our cash requirements have principally been for working capital purposes, capital expenditures, and debt service payments. We have funded our operations through cash flows from operating activities, cash on hand, and borrowings under our credit facilities and receivables financing agreement. The Company maintains the majority of its cash and cash equivalents in accounts with major U.S. and multi-national financial institutions including JPMorgan Chase Bank, HSBC, World First Bank, Handelsbanken, and Stadtparkasse München, and our deposits at these institutions exceed insured limits. Market conditions can impact the viability of these institutions. In the event of failure of any of the financial institutions where we maintain our cash and cash equivalents, there can be no assurance that we would be able to access uninsured funds in a timely manner or at all. Any inability to access or delay in accessing these funds could adversely affect our business and financial position.

As of March 31, 2023, we had cash and cash equivalents of \$15.2 million, restricted cash of \$12.5 million, \$82.5 million borrowing capacity under our Revolving Credit Facility (as defined below) and \$0.1 million borrowing capacity under our Receivables Financing Agreement (as defined below). As of March 31, 2023, we had drawn down \$42.5 million on the

[Table of Contents](#)

Revolving Credit Facility and \$40.9 million on the Receivables Financing Agreement. As of March 31, 2023, the total principal amount outstanding under our First Lien Term Loan Facility was \$404.0 million. Based on our current business plan and revenue prospects, we continue to believe that our existing cash and cash equivalents, restricted cash, availability under our Revolving Credit Facility and Receivables Financing Agreement, and our anticipated cash flows from operating activities will be sufficient to meet our working capital and operating resource expenditure requirements for at least the next twelve months from the date of this Quarterly Report on Form 10-Q. However, our future working capital requirements will depend on many factors, including our rate of revenue growth and profitability, the timing and size of future acquisitions, and the timing of introductions of new products and investments in our supply chain and implementation of technologies.

We may from time to time seek to raise additional equity or debt financing to support our growth or in connection with the acquisition of complementary businesses. Any equity financing we may undertake could be dilutive to our existing stockholders, and any additional debt financing we may undertake could require debt service and financial and operational requirements that could adversely affect our business. There is no assurance we would be able to obtain future financing on acceptable terms or at all. See Part I, Item 1A. "Risk Factors" in our [Annual Report on Form 10-K](#).

Cash Flows

The following table sets forth cash flow data for the periods indicated therein (in thousands):

	Three Months Ended March 31,	
	2023	2022
Net cash used in operating activities	\$ (23,590)	\$ (46,911)
Net cash provided by (used in) investing activities	245	(4,648)
Net cash provided by (used in) financing activities	(478)	45,917
Net decrease in cash, cash equivalents and restricted cash	\$ (23,823)	\$ (5,642)

Cash Flow from Operating Activities

During the three months ended March 31, 2023, net cash used in operating activities consisted of a net income of \$8.0 million and non-cash adjustments to net income of \$6.0 million, partially offset by net changes in operating assets and liabilities of \$37.6 million. Non-cash adjustments consisted of unrealized gains on derivative contracts of \$19.6 million, amortization of intangible assets of \$10.6 million, stock-based compensation of \$7.9 million, and depreciation of property, plant, and equipment of \$3.6 million. The decrease in net cash from net changes in operating assets and liabilities during the three months ended March 31, 2023, was primarily due to an increase in accounts receivable of \$57.1 million partially offset by a decrease in inventories of \$21.1 million.

During the three months ended March 31, 2022, net cash used in operating activities consisted of net loss of \$9.0 million and non-cash adjustments to net loss of \$31.6 million, partially offset by net changes in operating assets and liabilities of \$69.5 million. Non-cash adjustments consisted of depreciation of property, plant, and equipment of \$2.5 million, amortization of intangible assets of \$10.6 million, stock-based compensation of \$15.5 million, and unrealized losses on derivative contracts of \$0.6 million. The decrease in net cash from net changes in operating assets and liabilities during the three months ended March 31, 2022, was primarily due to an increase in accounts receivable of \$70.4 million and an increase in inventories of \$18.6 million, partially offset by an increase in accounts payable and accrued expenses of \$17.6 million.

Cash Flow from Investing Activities

During the three months ended March 31, 2023, net cash provided by investing activities was \$0.2 million. The cash flow provided was driven primarily from the sale of property, plant, and equipment of \$2.5 million, partially offset by the purchase of property, plant, and equipment of \$2.1 million primarily related to the purchase of tooling equipment, and internal-use software and website development costs.

During the three months ended March 31, 2022, net cash used in investing activities was \$4.6 million. The cash flow used was driven by the purchase of property, plant, and equipment of \$4.5 million primarily related the purchase of tooling equipment, the purchase of wood pellet production equipment, and internal-use software and website development costs.

Cash Flow from Financing Activities

[Table of Contents](#)

During the three months ended March 31, 2023, net cash used in financing activities was \$0.5 million. The cash flow used was driven primarily by net repayments on our lines of credit under the Revolving Credit Facility and Receivables Financing Agreement of \$0.3 million for general corporate and working capital purposes.

During the three months ended March 31, 2022, net cash provided by financing activities was \$45.9 million. The cash flow provided was driven primarily by aggregate net borrowings on our lines of credit under the Revolving Credit Facility and Receivables Financing Agreement of \$46.0 million for general corporate and working capital purposes.

Credit Facilities

On June 29, 2021, we refinanced our existing credit facilities and entered into a new first lien credit agreement, as borrower, with Credit Suisse AG, Cayman Islands Branch, as administrative agent (in such capacity, the "Administrative Agent") and collateral agent, and other lenders party thereto as joint lead arrangers and joint bookrunners (the "First Lien Credit Agreement"). The First Lien Credit Agreement provides for a senior secured term loan facility (the "First Lien Term Loan Facility") and a revolving credit facility (the "Revolving Credit Facility" and, together with the First Lien Term Loan Facility, the "Credit Facilities").

First Lien Credit Agreement

The First Lien Credit Agreement provides for a \$560.0 million First Lien Term Loan Facility (including a \$50.0 million delayed draw term loan) and a \$125.0 million Revolving Credit Facility.

The First Lien Term Loan Facility accrues interest at a rate per annum that considers both fixed and floating components. Following the completion of our IPO in July 2021, the fixed component ranges from 3.00% to 3.25% per annum based on our Public Debt Rating (as defined in the First Lien Credit Agreement). The floating component is based on the Eurocurrency Base Rate (as defined in the First Lien Credit Agreement) for the relevant interest period. The First Lien Term Loan Facility requires periodic principal payments from December 2021 through June 2028, with any remaining unpaid principal and any accrued and unpaid interest due on the maturity date of June 29, 2028. The delayed draw term loan includes a variable commitment fee, which is based on the fixed interest rate and ranges from 0% to the Applicable Rate (as defined in the First Lien Credit Agreement). During 2022, the Company borrowed \$25.0 million under the delayed draw term loan, for purposes of financing the Company's earn out obligation. The borrowing took place prior to the expiration of the delayed draw term commitment date of December 29, 2022. As of March 31, 2023, the total principal amount outstanding on the First Lien Term Loan Facility was \$404.0 million.

Loans under the Revolving Credit Facility accrue interest at a rate per annum that considers both fixed and floating components. Following completion of our IPO in July 2021, the fixed component ranges from 2.75% to 3.25% per annum based on our most recently determined First Lien Net Leverage Ratio (as defined in the First Lien Credit Agreement). The floating component is based on the Eurocurrency Base Rate for the relevant interest period. The Revolving Credit Facility also has a variable commitment fee, which is based on our most recently determined First Lien Net Leverage Ratio and ranges from 0.25% to 0.50% per annum on undrawn amounts. Letters of credit may be issued under the Revolving Credit Facility in an amount not to exceed \$15.0 million which, when issued, lower the overall borrowing capacity of the facility. The Revolving Credit Facility expires on June 29, 2026 and no principal payments are due before such date. As of March 31, 2023 we had drawn down \$42.5 million under the Revolving Credit Facility for general corporate and working capital purposes.

Except as noted below, the Credit Facilities are collateralized by substantially all of the assets of TGP Holdings III LLC, TGFX Holdings II LLC, Traeger Pellet Grills Holdings LLC and certain subsidiaries of Traeger Pellet Grills Holdings LLC, including intellectual property, mortgages and the equity interest of each of these respective entities. The assets of Traeger SPE LLC, substantively consisting of our accounts receivable, collateralize the receivables financing agreement discussed below and do not collateralize the Credit Facilities. There are no guarantees from parent entities above Traeger, Inc.

The First Lien Credit Agreement contains certain affirmative and negative covenants that limit our ability to, among other things, incur additional indebtedness or liens (with certain exceptions), make certain investments, engage in fundamental changes or transactions including changes of control, transfer or dispose of certain assets, make restricted payments (including dividends), engage in new lines of business, make certain prepayments and engage in certain affiliate transactions. In addition, we are subject to a financial covenant whereby we are required to maintain a First Lien Net Leverage Ratio (as defined in the First Lien Credit Agreement) not to exceed 6.20 to 1.00. As of March 31, 2023, we were in compliance with the covenants under the Credit Facilities.

[Table of Contents](#)

On August 9, 2022, the Company entered into a second amendment (the “Amendment”) to the First Lien Credit Agreement to provide for a “Covenant Amendment Period” (as defined therein) through and including the earlier of June 30, 2023, and the date on which the Company, in its sole discretion, delivers written notice to the Administrative Agent of the Company's election to end the Covenant Amendment Period. During that period, the Company's springing First Lien Net Leverage Ratio covenant will be increased from 6.20 : 1.00 to 8.50 : 1.00 and a minimum liquidity covenant of \$35.0 million will be in effect. Liquidity will be calculated as the sum of cash on the Company's balance sheet, availability under the Revolving Credit Facility and availability under the Receivables Financing Agreement (as defined below), and the minimum liquidity covenant will be tested only if and when the Company requests borrowings under the Revolving Credit Facility. During the Covenant Amendment Period, the fixed dollar portion of the “Fixed Dollar Amount” definition shall decrease from \$127.0 million to \$102.0 million, and the use of certain restricted payments baskets will be reduced or eliminated entirely. As of March 31, 2023, the Company was in compliance with these amended covenants under the Amendment.

Accounts Receivable Credit Facility

On November 2, 2020, we entered into a receivables financing agreement (as amended, the “Receivables Financing Agreement”). Through the Receivables Financing Agreement, we participate in a trade receivables securitization program, administered on our behalf by MUFG Bank Ltd. (“MUFG”), using outstanding accounts receivables balances as collateral, which have been contributed by us to our wholly owned subsidiary, Traeger SPE LLC (the “SPE”). While we provide operational services to the SPE, the receivables are owned by the SPE once contributed to it by us. We are the primary beneficiary and hold all equity interests of the SPE, thus we consolidate the SPE without any significant judgments.

On June 29, 2021, we entered into Amendment No. 1 to the Receivables Financing Agreement and increased the net borrowing capacity from the prior range of \$30.0 million to \$45.0 million up to \$100.0 million. The borrowing capacity fluctuates at each month end based upon the amount of eligible outstanding domestic accounts receivables to be used as collateral. Absent any cash advances that exceed the SPE's available cash, the SPE collects proceeds from the receivables and transfers available cash to us on a regular basis. We are required to pay an annual upfront fee for the facility, along with fixed interest on outstanding cash advances of 1.7%, a floating component based on the CP Rate (as defined in the Receivables Financing Agreement), and an unused capacity charge that ranges from 0.25% to 0.50%. The facility is set to terminate on June 29, 2024. The Company was in compliance with the covenants under the Receivables Financing Agreement as of March 31, 2023.

As of March 31, 2023, the Company had drawn down \$40.9 million under this facility for general corporate and working capital purposes.

Contractual Obligations

There have been no material changes to our contractual obligations as of March 31, 2023 from those disclosed in our [Annual Report on Form 10-K](#). Refer to the heading “Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” included in our [Annual Report on Form 10-K](#) for a discussion of our debt and operating lease obligations, respectively.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of our financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

Our critical accounting policies and estimates are described under the heading “Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in our [Annual Report on Form 10-K](#), the notes to the consolidated financial statements included therein and Note 2 – *Summary of Significant Accounting Policies* to the accompanying unaudited condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q. During the three months ended March 31, 2023, there were no material changes to our critical accounting policies and estimates from those discussed in our [Annual Report on Form 10-K](#).

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, see Note 2 – *Summary of Significant Accounting Policies* to the accompanying unaudited condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our disclosures regarding our exposure to market risk as described in Part II, Item 7A. “Quantitative and Qualitative Disclosures about Market Risk” of our [Annual Report on Form 10-K](#).

ITEM 4. CONTROLS AND PROCEDURES

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2023, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are from time to time subject to various legal proceedings, claims, and governmental inspections, audits, or investigations that arise in the ordinary course of our business. We believe that the ultimate resolution of these matters would not be expected to have a material adverse effect on our business, financial condition, or operating results.

ITEM 1A. RISK FACTORS

There have been no material changes with respect to the risk factors disclosed in Part I, Item 1A. "Risk Factors" of our [Annual Report on Form 10-K](#).

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities; Purchases of Equity Securities by the Issuer or Affiliated Purchaser

None.

Use of Proceeds

Not applicable.

[Table of Contents](#)

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed/Furnished Herewith
		Form	Date	Number	
3.1	Certificate of Incorporation of Traeger, Inc.	8-K	08/03/21	3.1	
3.2	Bylaws of Traeger, Inc.	8-K	08/03/21	3.2	
10.1	Performance-Based Restricted Stock Agreement by and between Traeger, Inc. and Jeremy Andrus, dated April 13, 2023				*
31.1	Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)				*
31.2	Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)				*
32.1	Certificate of Chief Executive Officer pursuant to 18 U.S.C. Section 1350				**
32.2	Certificate of Chief Financial Officer pursuant to 18 U.S.C. Section 1350				**
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				*
101.SCH	Inline XBRL Taxonomy Extension Schema Document				*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				*

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 10, 2023

TRAEGER, INC.

By: /s/ Jeremy Andrus
Name: Jeremy Andrus
Title: Chief Executive Officer
(Principal Executive Officer)

Date: May 10, 2023

By: /s/ Dominic Blosil
Name: Dominic Blosil
Title: Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

TRAEGER, INC.

2021 INCENTIVE AWARD PLAN

**PERFORMANCE-BASED RESTRICTED STOCK GRANT NOTICE AND
PERFORMANCE-BASED RESTRICTED STOCK AWARD AGREEMENT**

Traeger, Inc., a Delaware corporation (the “*Company*”) previously granted to the participant listed below (“*Participant*”) an award of 5,188,638 performance-based Restricted Stock Units (the “*PSUs*”), subject to the terms and conditions of the Traeger, Inc. 2021 Incentive Award Plan (as amended from time to time, the “*Plan*”) and the Performance-Based Restricted Stock Unit Grant Notice and Performance-Based Restricted Stock Unit Agreement, dated as of August 2, 2021 (collectively with the exhibits attached thereto, the “*PSU Agreement*”).

Pursuant to the PSU Agreement, 1,037,728 of the PSUs became Earned PSUs (as defined in **Exhibit B** attached to the PSU Agreement) and 518,864 Earned PSUs previously became vested. In addition, pursuant to that certain Letter Agreement between Participant and the Company, dated as of August 31, 2022 (the “*PSU Letter Agreement*”), the remaining 518,864 Earned PSUs previously became vested.

Effective as of the Grant Date listed below: (i) the 1,037,728 Earned PSUs that are vested as of the Grant Date shall be referred to as the “*Vested PSUs*”, and shall remain subject to the terms and conditions of the PSU Agreement and the PSU Letter Agreement, (ii) the remaining 4,150,910 PSUs subject to the PSU Agreement are hereby cancelled, and the PSU Agreement is hereby terminated solely with respect to such cancelled PSUs and (iii) the Company hereby grants to Participant the shares of Restricted Stock (the “*Restricted Shares*”) described in this Performance-Based Restricted Stock Grant Notice (the “*Grant Notice*”), subject to the terms and conditions of the Plan, the Performance-Based Restricted Stock Agreement attached as **Exhibit A**, the Vesting Schedule attached as **Exhibit B**, the Release attached as **Exhibit C** and the 83(b) Election attached as **Exhibit D** (collectively, the “*Agreement*”). Capitalized terms not specifically defined in this Grant Notice or the Agreement have the meanings given to them in the Plan.

Participant:	Jeremy Andrus
Grant Date:	April 13, 2023
Number of Restricted Shares:	1,037,728
Expiration Date:	August 2, 2031
Vesting Schedule:	Exhibit B

By accepting (whether in writing, electronically or otherwise) the Restricted Shares, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement.

TRAEGER, INC.

By: /s/ Courtland Astill
Name: Courtland Astill
Title: Interim General Counsel

PARTICIPANT

/s/ Jeremy Andrus
Jeremy Andrus

PERFORMANCE-BASED RESTRICTED STOCK AGREEMENT

WHEREAS, the Company previously granted an award of 5,188,638 PSUs to Participant pursuant to the Plan and the PSU Agreement, effective as of August 2, 2021;

WHEREAS, (i) pursuant to the PSU Agreement, 1,037,728 of the PSUs became Earned PSUs (as defined in **Exhibit B** attached to the PSU Agreement) and 518,864 Earned PSUs became vested and (ii) pursuant to the PSU Letter Agreement, the remaining 518,864 Earned PSUs became vested;

WHEREAS, the 1,037,728 Earned PSUs that are vested as of the Grant Date (set forth on the Grant Notice to which this Agreement is attached) shall be referred to as the “*Vested PSUs*”, and shall remain subject to the terms and conditions of the PSU Agreement and the PSU Letter Agreement;

WHEREAS, the parties desire to cancel the remaining 4,150,910 PSUs and terminate the PSU Agreement solely with respect to such cancelled PSUs;

WHEREAS, in connection therewith, the parties desire to enter into this Performance-Based Restricted Stock Agreement, effective as of the Grant Date, evidencing the grant by the Company to Participant of 1,037,728 Restricted Shares;

WHEREAS, the Company and Participant previously entered into that certain letter agreement, dated as of August 2, 2021 (the “*Side Letter*”), which refers to the PSUs and the PSU Award Agreement;

WHEREAS, for purposes of the Side Letter, references to the “PSU Award” and the related award agreement shall include this award of Restricted Shares and this Agreement; and

WHEREAS, notwithstanding anything in the Side Letter to the contrary, the Company acknowledges that Participant shall be eligible to receive an equity-based compensation award in calendar year 2024, subject to Participant’s continued Service (as defined in the Agreement) through the applicable grant date, the terms and conditions of which (including type(s), size and vesting schedule(s)) the Administrator will determine in its sole discretion.

NOW, THEREFORE, the Company and Participant hereby agree as follows:

**ARTICLE I.
GENERAL**

1.1 Issuance of Restricted Shares. Effective as of April 27, 2023, the Restricted Shares are issued to Participant and the Company caused (a) a stock certificate or certificates representing the Restricted Shares to be registered in Participant’s name or (b) the Restricted Shares to be held in book-entry form. If a stock certificate is issued, the certificate will be delivered to, and held in accordance with this Agreement by, the Company or its authorized representatives and will bear the restrictive legends required by this Agreement. If the Restricted Shares are held in book-entry form, then the book-entry will indicate that the Restricted Shares are subject to the restrictions of this Agreement.

1.2 Incorporation of Terms of Plan. The Restricted Shares are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference.

1.3 Definitions. Capitalized terms not specifically defined in this Agreement have the meanings specified in the Grant Notice or in the Plan. In addition, the following defined terms shall apply:

(a) “*Cause*” means the occurrence of any one or more of the following events:

(i) Participant’s willful misconduct or gross negligence in the performance of Participant’s duties as Chief Executive Officer or, if applicable, Executive Chairman of the Board, in either case, which causes the Company or its Subsidiaries material harm;

(ii) Participant's repeated willful failure to follow the lawful directives of the Board that are not inconsistent with his position as Chief Executive Officer or, if applicable, as Executive Chairman of the Board (other than as a result of death or physical or mental incapacity), in either case, which causes the Company or its Subsidiaries material harm;

(iii) Participant's conviction of, or pleading of guilty or nolo contendere to, a felony or any crime involving moral turpitude if it impacts the reputation or goodwill of the Company or its Subsidiaries;

(iv) Participant's performance of any material act of theft, embezzlement, fraud, dishonesty or misappropriation of the property of the Company or its Subsidiaries;

(v) Participant's use of illegal drugs, or Participant's abuse of alcohol that materially impairs Participant's ability to perform Participant's duties contemplated hereunder; or

(vi) Participant's material breach of any obligation under any written agreement with the Company or its Subsidiaries or under any applicable written policy of the Company or its Subsidiaries that has been provided to or made available to Participant (including any code of conduct or harassment policies) which causes the Company material harm.

Notwithstanding the foregoing, "Cause" shall not include or be predicated upon any act or omission by Participant which is taken or made either (A) at the direction of the Board, (B) in good faith under Participant's reasonable belief that the act or omission was in the best interest of the Company or its Subsidiaries, (C) pursuant to the advice of the Company's counsel, or (D) to comply with a lawful court order, directive from a federal, state or local government agency or industry regulatory authority, or subpoena. The Company shall provide Participant with a written notice detailing the specific circumstances alleged to constitute Cause within 90 days after the Board (other than Participant) first knows, or with the exercise of reasonable diligence would know, of the occurrence of such circumstances, and, except with respect to clause (iii) above, any determination of Cause by the Company will be made by a resolution approved by a majority of the members of the Board (other than Participant, as applicable) within 30 days following the expiration of Participant's cure period followed by a termination of Participant's employment within such 30 day period, provided that no such determination or termination may be made until Participant has been given written notice detailing the specific Cause event and a period of 30 days following receipt of such notice to cure such event (if susceptible to cure) in all material respects to the reasonable satisfaction of the Board. Otherwise, any claim of such circumstances as "Cause" shall be deemed irrevocably waived by the Company. Notwithstanding anything to the contrary contained herein, Participant's right to cure shall not apply if there are habitual breaches by Participant.

(b) "**Disability**" means a permanent and total disability under Code Section 22(e)(3).

(c) "**Good Reason**" means the occurrence of any one or more of the following events without Participant's prior written consent, unless the Company fully corrects the circumstances constituting Good Reason (provided such circumstances are capable of correction) as provided below:

(i) material diminution in Participant's duties, authorities or responsibilities (other than temporarily while physically or mentally incapacitated or as required by Applicable Laws) or removal from any of Participant's executive officer positions;

(ii) a change in the geographic location of Participant's principal work location with the Company by more than 35 miles from its existing location;

(iii) assignment to Participant of any duties inconsistent with Participant's position, titles and offices as set forth in the Employment Agreement (as defined below); or

(iv) the Company's material breach of this Agreement, that certain Management Stockholders' Agreement by and between the Company and Participant, dated as of July 28, 2021, the Employment Agreement, the Side Letter, or any amendment to any of the

foregoing, or any agreement that supersedes either or both of the Employment Agreement and/or the Side Letter.

Notwithstanding the foregoing, Participant will not be deemed to have resigned for Good Reason unless (A) Participant provides the Company with written notice setting forth in reasonable detail the facts and circumstances claimed by Participant to constitute Good Reason within 90 days after the date of the occurrence of any event that Participant knows or should reasonably have known to constitute Good Reason, (B) the Company fails to cure such acts or omissions in all material respects to the reasonable satisfaction of Participant within 30 days following its receipt of such notice (provided that the Company's right to cure shall not apply if there are habitual breaches by the Company), and (C) the effective date of Participant's termination for Good Reason occurs no later than 60 days after the expiration of the Company's cure period. Otherwise, any claim of such circumstances as "Good Reason" shall be deemed irrevocably waived by Participant.

(d) "**Qualifying Termination**" means a termination of Participant's Service by the Company without Cause, by Participant for Good Reason or due to Participant's death or Disability.

(e) "**Service**" means Participant's employment or service with the Company as its Chief Executive Officer, or as Executive Chairman.

ARTICLE II. VESTING, FORFEITURE AND ESCROW

1.1 **General Vesting.** The Restricted Shares will be earned and vest in connection with the achievement of the Adjusted EBITDA Goal or Price Per Share Goal, as applicable, as defined in and as set forth in **Exhibit B**, subject to Participant's continued Service through the applicable Vesting Date(s) (as defined in **Exhibit B**), except to the extent provided in Sections 2.2 and 2.3 below. Any Restricted Shares that are not Vested Shares (as defined in **Exhibit B**) are referred to herein as "**Unvested Shares**".

1.2 **Change in Control.** If (i) a Change in Control occurs, (ii) Participant remains in continued Service until at least immediately prior to the Change in Control, and (iii) the Restricted Shares remain Unvested Shares as of immediately prior to such Change in Control, then:

(a) Any then-unvested Earned Restricted Shares (as defined in **Exhibit B**) will vest immediately prior to the closing of such Change in Control and become Vested Shares.

(b) With respect to any Restricted Shares that are not Earned Restricted Shares, regardless of whether the Change in Control occurs during the Adjusted EBITDA Performance Period or the PPS Performance Period (each, as defined in **Exhibit B**), the Restricted Shares shall become Earned Restricted Shares as of immediately prior to the closing of such Change in Control if the Price Per Share Goal is first achieved based on the CIC Price (or, with respect to a Non-Transactional Change in Control, if the Price Per Share Goal is achieved as of the Change in Control date). Any Restricted Shares that become Earned Restricted Shares in accordance with this Section 2.2(b) will vest and become Vested Shares immediately prior to the closing of such Change in Control. Notwithstanding the generality of the foregoing, in the event that the Price Per Share Goal was achieved prior to the Change in Control, no additional Restricted Shares shall become Earned Restricted Shares pursuant to the first sentence of this Section 2.2(b) with respect to the Price Per Share Goal.

(c) Notwithstanding anything to the contrary contained in Section 8.3 of the Plan, if, following the application of Section 2.2(b), any Restricted Shares have not become Earned Restricted Shares as of (or in connection with) the Change in Control, then such Restricted Shares automatically will be forfeited and terminated as of immediately prior to such Change in Control without consideration therefor.

1.3 **Termination of Service.**

(a) If Participant experiences a Qualifying Termination, then (i) any Restricted Shares that are Earned Restricted Shares as of the date of such Qualifying Termination will vest and

become Vested Shares as of such termination date and (ii) any Restricted Shares that are not Earned Restricted Shares as of such Qualifying Termination will be forfeited and terminated without consideration therefor. For clarity, if the Qualifying Termination occurs following the end of the Adjusted EBITDA Performance Period (as defined in Exhibit B) but prior to the filing of the Company's Annual Report on Form 10-K for the Adjusted EBITDA Performance Period, the Restricted Shares shall remain outstanding and eligible to vest and become Vested Shares upon the filing of such Annual Report on Form 10-K if the Adjusted EBITDA Goal is achieved.

(b) The treatment set forth in Section 2.3(a)(i) is subject to and conditioned upon Participant's (or Participant's estate's) timely execution, delivery and non-revocation of a general release of claims in the form attached hereto as **Exhibit C** (the "**Release**") and continued compliance with the Restrictive Covenants (as defined below) through the effective date of the Release. The Release shall be delivered to Participant (or Participant's estate's) within five business days following the termination date, and Participant shall have 21 days thereafter (or 45 days, if necessary to comply with Applicable Law) to execute and deliver the Release to the Company. The Company may update the Release attached hereto to the extent necessary to reflect changes in law.

(c) If Participant experiences a termination of Service for any reason other than a Qualifying Termination, all Restricted Shares that have not become Vested Shares on or prior to the date of such termination of Service (including any Earned Restricted Shares) automatically will be forfeited and terminated as of the termination date without consideration therefor.

1.4 Forfeiture.

(a) Any Restricted Shares that remain outstanding and are not Earned Restricted Shares as of the close of business on the Expiration Date automatically will be forfeited and terminated at the close of business on the Expiration Date without consideration therefor.

(b) Upon Participant's material breach of any of the Restrictive Covenants, any Unvested Shares that remain outstanding as of the date of such breach (if any) automatically will be forfeited and terminated as of the date that such breach is determined by a court of competent jurisdiction.

1.5 Escrow.

(a) Unvested Shares will be held by the Company or its authorized representatives until (i) they are forfeited, (ii) they become Vested Shares or (iii) this Agreement is no longer in effect. By accepting this Award, Participant appoints the Company and its authorized representatives as Participant's attorney(s)-in-fact to take all actions necessary to effect any transfer of forfeited Unvested Shares (and Retained Distributions (as defined below)) to the Company as may be required pursuant to the Plan or this Agreement and to execute such representations or other documents or assurances as the Company or such representatives reasonably deem necessary or advisable in connection with any such transfer. The Company, or its authorized representative, will not be liable for any good faith act or omission with respect to the holding in escrow or transfer of the Restricted Shares.

(b) As soon as reasonably practicable following the date on which an Unvested Share becomes a Vested Share, the Company will cause a new certificate without the legend required by this Agreement representing the Share to be delivered to Participant or, if the Share is held in book-entry form, cause the notations indicating the Share is subject to the restrictions of this Agreement to be removed.

1.6 Rights as Stockholder; Dividends. Except as otherwise provided in this Agreement or the Plan, upon issuance of the Restricted Shares by the Company, Participant will have all other rights of a stockholder with respect to the Restricted Shares, including the right to vote such Restricted Shares and to receive dividends or other distributions paid or made with respect to the Restricted Shares. Notwithstanding the generality of the foregoing, all cash dividends and other distributions made or declared with respect to Unvested Shares ("**Retained Distributions**") will be held by the Company until the time (if ever) when the Unvested Shares to which such Retained Distributions relate become Vested Shares. The Company will establish a separate Retained Distribution bookkeeping account ("**Retained**

Distribution Account”) for each Unvested Share with respect to which Retained Distributions have been made or declared in cash and credit the Retained Distribution Account (without interest) on the date of payment with the amount of such cash made or declared with respect to the Unvested Share. Retained Distributions (including any Retained Distribution Account balance) with respect to a Share will be paid to Participant on the date (if ever) that such Share becomes a Vested Share. Retained Distributions (including any Retained Distribution Account balance) relating to Unvested Shares will immediately and automatically be forfeited upon forfeiture of the Unvested Share with respect to which the Retained Distributions were paid or declared.

ARTICLE III. TAXATION AND TAX WITHHOLDING

1.1 Representation. Participant represents to the Company that Participant has reviewed with Participant’s own tax advisors the tax consequences of this award of Restricted Shares (the “*Award*”) and the transactions contemplated by the Grant Notice and this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

1.2 Section 83(b) Election. Participant shall make an election under Section 83(b) of the Code with respect to all of the Restricted Shares, and Participant shall deliver a copy of the election to the Company promptly after filing the election with the Internal Revenue Service.

1.3 Tax Withholding.

(a) Payment of the withholding tax obligations with respect to the Award shall be by cash or check, or a combination thereof.

(b) Participant acknowledges that Participant is ultimately liable and responsible for all taxes owed in connection with the Restricted Shares, regardless of any action the Company or any affiliate takes with respect to any tax withholding obligations that arise in connection with the Restricted Shares. Neither the Company nor any affiliate makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the Restricted Shares or the subsequent sale of the Restricted Shares. The Company and its affiliates do not commit and are under no obligation to structure this Award to reduce or eliminate Participant’s tax liability.

ARTICLE IV. RESTRICTIVE LEGENDS AND TRANSFERABILITY

1.1 Legends. Any certificate representing a Restricted Share will bear the following legend until the Restricted Share becomes a Vested Share:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO FORFEITURE IN FAVOR OF THE COMPANY AND MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF A RESTRICTED STOCK AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

1.2 Transferability.

(a) General. The Restricted Shares and Retained Distributions are subject to the restrictions on transfer in the Plan. Any attempted transfer or disposition of Unvested Shares or related Retained Distributions prior to the time the Unvested Shares become Vested Shares will be null and void. The Company will not be required to (i) transfer on its books any Restricted Share that has been sold or otherwise transferred in violation of this Agreement or (ii) treat as owner of such Restricted Share or accord the right to vote or pay dividends to any purchaser or other transferee to whom such Restricted Share has been so transferred. The Company may issue appropriate “stop transfer” instructions to its transfer agent, if any, or make appropriate notations to the same effect in its records.

(b) In addition, notwithstanding anything to the contrary contained herein, Participant shall not, without the consent of the Administrator (which shall not be unreasonably withheld), sell, pledge, assign, hypothecate, transfer or otherwise dispose of (collectively, “**Transfer**”) any Shares issued under this Agreement prior to the second (2nd) anniversary of the applicable Vesting Date (the “**Post-Vesting Transfer Restrictions**”). Notwithstanding the foregoing, the Post-Vesting Transfer Restrictions shall not apply to (i) any Transfer of Shares to the Company, (ii) any Transfer following Participant’s termination of Service due to death or Disability, including without limitation by will or pursuant to the laws of descent and distribution, (iii) subject to the consent of the Administrator (which shall not be unreasonably withheld), any Transfer of the Shares to an estate planning vehicle of Participant or (iv) any Transfer upon the occurrence of or following a Change in Control (or such earlier time as is necessary in order for Participant to participate in such Change in Control transaction with respect to the Shares and receive the consideration payable with respect thereto in connection with such Change in Control). If any Shares are Transferred to an estate planning vehicle of Participant in accordance with the foregoing sentence, then the Shares shall continue to be subject to all terms and conditions set forth herein (including with respect to the Post-Vesting Transfer Restrictions) and Participant and the transferee shall execute any documents reasonably requested by the Administrator to (x) confirm the status of the transferee as an estate planning vehicle of Participant, (y) satisfy any requirements for the Transfer under Applicable Law and (z) evidence such Transfer.

ARTICLE V. OTHER PROVISIONS

1.1 Adjustments. Participant acknowledges that the Restricted Shares and the Price Per Share Goal are subject to adjustment, modification and/or termination in certain events as provided in this Agreement and the Plan. For purposes of clarity, in connection with an Equity Restructuring the Price Per Share Goal shall be subject to Section 8.1 of the Plan.

1.2 Clawback. Notwithstanding Section 10.13 of the Plan, the Award and the Restricted Shares shall be subject to (a) any Company clawback or recoupment policy required in order to comply with Applicable Law, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder and (b) any Company clawback or recoupment policy approved by the Company’s Board which applies to the senior executives of the Company. The Company and Participant acknowledge that neither this Section 5.2 nor Section 10.13 of the Plan are intended to limit any clawback and/or disgorgement of the Award and/or the Shares issuable hereunder pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.

1.3 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the Company’s General Counsel at the Company’s principal office or the General Counsel’s then-current email address or facsimile number. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant (or, if Participant is then deceased, to the Designated Beneficiary) at Participant’s last known mailing address, email address or facsimile number in the Company’s personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post office regularly maintained by the United States Postal Service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation.

1.4 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

1.5 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws.

1.6 Successors and Assigns. The Company may assign any of its rights under this Agreement to a single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in this Agreement or the

Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

1.7 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Grant Notice, this Agreement and the Restricted Shares will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

1.8 Restrictive Covenants. In consideration of the benefits being provided to Participant pursuant to this Agreement, Participant agrees to be bound by the restrictive covenants (the "**Restrictive Covenants**") contained in Section 9 of the Amended and Restated Employment Agreement by and between Traeger Pellet Grills, LLC and Participant, dated as of September 27, 2017 (the "**Employment Agreement**"), which are incorporated herein by reference.

1.9 Agreement; Amendment. The Plan, the Grant Notice and the Agreement (including any exhibit to the Grant Notice and/or the Agreement) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the PSUs and the Restricted Shares described herein; provided, however, that the Vested PSUs shall remain subject to the terms and conditions of the PSU Agreement and the PSU Letter Agreement. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board; provided, however, that except as may otherwise be provided by Article VIII and Sections 10.4 and 10.6 of the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the Restricted Shares without the prior written consent of Participant.

1.10 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

1.11 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Award.

1.12 Not a Contract of Service. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes with or restricts in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

1.13 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

* * * * *

EARNED RESTRICTED SHARES; VESTING SCHEDULE

Earned Restricted Shares

Adjusted EBITDA Goal

Subject to Sections 2.2 through 2.4 of the Agreement, the Restricted Shares set forth below will become “***Earned Restricted Shares***” based on the achievement of the Adjusted EBITDA Goal in the table below during the Adjusted EBITDA Performance Period.

Vesting Tranche	Adjusted EBITDA Goal	Number of Earned Restricted Shares
“EBITDA Vesting Tranche”	[\$***]	1,037,728

If the Company does not attain the Adjusted EBITDA Goal set forth above during the Adjusted EBITDA Performance Period, no Restricted Shares shall become Earned Restricted Shares as a result of reaching the Adjusted EBITDA Goal, and such Restricted Shares instead shall be eligible to become Earned Restricted Shares based on the achievement of the Price Per Share Goal, as described below.

Price Per Share Goal

Subject to Sections 2.2 through 2.4 of the Agreement, the Restricted Shares set forth below will become “***Earned Restricted Shares***” based on the achievement of the Price Per Share Goal set forth in the table below, subject to certification by the Administrator that the Price Per Share Goal has been achieved (provided that no such certification shall be required in the event the Price Per Share Goal is achieved as a result of the occurrence of a Change in Control). Except in connection with a Qualifying Termination or a Change in Control, the Restricted Shares subject to the Price Per Share Tranche will become Earned Restricted Shares based on the achievement of the Price Per Share Goal during the PPS Performance Period.

Vesting Tranche	Price Per Share Goal	Number of Earned Restricted Shares
“Price Per Share Tranche”	\$18.00	1,037,728

For the avoidance of doubt, the Price Per Share Goal for an Earned Restricted Share may be achieved only once during the PPS Performance Period. For example, if the Price Per Share Goal is determined by the Administrator to have been satisfied on January 1, 2025, the Price Per Share thereafter drops below such level and again reaches \$18.00 per share during the 30 consecutive trading day period ending September 30, 2025, no additional Restricted Shares shall become Earned Restricted Shares as a result of reaching the same Price Per Share Goal for a second time.

Vesting of Earned Restricted Shares

Subject to Sections 2.2 through 2.4 of the Agreement, with respect to any Restricted Shares that become Earned Restricted Shares, such Earned Restricted Shares shall vest and become “***Vested Shares***” on the applicable “***Vesting Date***” set forth in the table below based on such Earned Restricted Shares’ Vesting Tranche.

Earned Restricted Shares' Vesting Tranche	Vesting Date
EBITDA Vesting Tranche	100% on March 31, 2024
Price Per Share Vesting Tranche	100% on the later of March 31, 2024 or the date on which the Price Per Share Goal is achieved

In no event may more than 1,037,728 Restricted Shares vest pursuant to this Award following the Grant Date.

Definitions

“**Adjusted EBITDA**” means Adjusted EBITDA as reported in the Company’s Annual Report on Form 10-K for the Adjusted EBITDA Performance Period.

“**Adjusted EBITDA Goal**” means the target Adjusted EBITDA as set forth in the table above, measured over the Adjusted EBITDA Performance Period.

“**Adjusted EBITDA Performance Period**” means the period beginning on (and including) January 1, 2023 and ending on (and including) December 31, 2023.

“**CIC Price**” means the price per share of Common Stock (or, in connection with a sale or other disposition of all or substantially all of the Company’s assets, the implied price per share of Common Stock) paid by an acquiror in connection with such Change in Control or, to the extent that the consideration in the Change in Control transaction is paid in stock of the acquiror or its affiliate, then, unless otherwise determined by the Administrator, the CIC Price shall mean the value of the consideration paid per Share based on the average of the closing trading prices of a share of such acquiror stock on the principal exchange on which such shares are then traded for each trading day during the five consecutive trading days ending on and including the date on which a Change in Control occurs. In the event the consideration in the Change in Control takes any other form, the value of such consideration shall be determined by the Administrator in its good faith reasonable discretion in a manner intended to not diminish the value of the Award to Participant.

“**PPS Performance Period**” means the period beginning on (and including) January 1, 2024 and ending on (and including) the Expiration Date.

“**Price Per Share**” means the Fair Market Value per Share.

“**Price Per Share Goal**” means a target average Price Per Share as set forth in the table above measured over any 30 consecutive trading-day period; provided, however, that if a Change in Control occurs, then the Price Per Share Goals shall be evaluated solely by reference to the CIC Price (other than in connection with a Change in Control that is solely a Non-Transactional Change in Control). For the avoidance of doubt, the Price Per Share does not need to be maintained over the 30 consecutive trading day period and achievement of the Price Per Share Goal shall be determined based on the average Price Per Share over a 30 consecutive trading-day period.

“**Vesting Tranche**” means each of the EBITDA Vesting Tranche and the Price Per Share Vesting Tranche.

GENERAL RELEASE

1. Release. For valuable consideration, the receipt and adequacy of which is hereby acknowledged, the undersigned does hereby release and forever discharge the "**Releasees**" hereunder, consisting of Traeger, Inc., a Delaware corporation ("**Company**"), and the Company's partners, subsidiaries, associates, affiliates, successors, heirs, assigns, directors, officers and employees of and from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, damages, losses, costs, attorneys' fees or expenses, of any nature whatsoever, known or unknown, fixed or contingent (hereinafter called "**Claims**"), which the undersigned now has or may hereafter have against the Releasees, or any of them, by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof. The Claims released herein include, without limiting the generality of the foregoing, any Claims in any way arising out of, based upon, or related to the employment or service, or termination of employment or service, of the undersigned by the Releasees, or any of them; any alleged breach of any express or implied contract of employment or service; any alleged torts or other alleged legal restrictions on Releasees' right to terminate the employment or service of the undersigned; and any alleged violation of any federal, state or local statute or ordinance including, without limitation, Title VII of the Civil Rights Act of 1964, the Age Discrimination In Employment Act ("**ADEA**"), the Americans With Disabilities Act.

2. Claims Not Released. Notwithstanding the foregoing, this general release (the "**Release**") shall not operate to release any rights or claims of the undersigned (i) to payments or benefits under the performance-based restricted stock agreement between the undersigned and the Company (to which this Release is attached) or as a holder of any securities of the Company, (ii) to accrued or vested benefits the undersigned may have, if any, as of the date hereof under any applicable plan, policy, practice, program, contract or agreement with the Company, (iii) to any Claims, including claims for indemnification and/or advancement of expenses arising under any indemnification agreement between the undersigned and the Company, under any directors' and officers' liability insurance policy or under the bylaws, certificate of incorporation or other similar governing document of the Company, (iv) to any Claims which cannot be waived by an employee under applicable law or (v) with respect to the undersigned's right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator.

3. Exceptions. Notwithstanding anything in this Release to the contrary, nothing contained in this Release shall prohibit the undersigned from (i) filing a charge with, reporting possible violations of federal law or regulation to, participating in any investigation by, or cooperating with any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of applicable law or regulation and/or (ii) communicating directly with, cooperating with, or providing information (including trade secrets) in confidence to, any federal, state or local government regulator (including, but not limited to, the U.S. Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission, or the U.S. Department of Justice) for the purpose of reporting or investigating a suspected violation of law, or from providing such information to the undersigned's attorney or in a sealed complaint or other document filed in a lawsuit or other governmental proceeding. Pursuant to 18 USC Section 1833(b), (1) the undersigned will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (y) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and (2) the undersigned acknowledges that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

4. Representations. The undersigned represents and warrants that there has been no assignment or other transfer of any interest in any Claim which the undersigned may have against Releasees, or any of them, and the undersigned agrees to indemnify and hold Releasees, and each of them, harmless from any liability, Claims, demands, damages, costs, expenses and attorneys' fees incurred by Releasees, or any of them, as the result of any such assignment or transfer or any rights or Claims under any such assignment or transfer. It is the intention of the parties that this indemnity does

not require payment as a condition precedent to recovery by the Releasees against the undersigned under this indemnity.

5. No Action. The undersigned agrees that if the undersigned hereafter commences any suit arising out of, based upon, or relating to any of the Claims released hereunder or in any manner asserts against Releasees, or any of them, any of the Claims released hereunder, then the undersigned agrees to pay to Releasees, and each of them, in addition to any other damages caused to Releasees thereby, all attorneys' fees incurred by Releasees in defending or otherwise responding to said suit or Claim. Notwithstanding the foregoing, this provision shall not apply to any suit or Claim to the extent it challenges the effectiveness of this Release with respect to a claim under the ADEA.

6. No Admission. The undersigned further understands and agrees that neither the payment of any sum of money nor the execution of this Release shall constitute or be construed as an admission of any liability whatsoever by the Releasees, or any of them, who have consistently taken the position that they have no liability whatsoever to the undersigned.

7. OWBPA. The undersigned agrees and acknowledges that this Release constitutes a knowing and voluntary waiver and release of all Claims the undersigned has or may have against the Company and/or any of the Releasees as set forth herein, including, but not limited to, all Claims arising under the Older Worker's Benefit Protection Act and the ADEA. In accordance with the Older Worker's Benefit Protection Act, the undersigned is hereby advised as follows:

- (i) the undersigned has read the terms of this Release, and understands its terms and effects, including the fact that the undersigned agreed to release and forever discharge the Company and each of the Releasees, from any Claims released in this Release;
- (ii) the undersigned understands that, by entering into this Release, the undersigned does not waive any Claims that may arise after the date of the undersigned's execution of this Release, including without limitation any rights or claims that the undersigned may have to secure enforcement of the terms and conditions of this Release;
- (iii) the undersigned has signed this Release voluntarily and knowingly in exchange for the consideration described in this Release, which the undersigned acknowledges is adequate and satisfactory to the undersigned and which the undersigned acknowledges is in addition to any other benefits to which the undersigned is otherwise entitled;
- (iv) the Company advises the undersigned to consult with an attorney prior to executing this Release;
- (v) the undersigned has been given at least [21]¹ days in which to review and consider this Release. To the extent that the undersigned chooses to sign this Release prior to the expiration of such period, the undersigned acknowledges that the undersigned has done so voluntarily, had sufficient time to consider the Release, to consult with counsel and that the undersigned does not desire additional time and hereby waives the remainder of the [21]-day period; and
- (vi) the undersigned may revoke this Release within seven days from the date the undersigned signs this Release and this Release will become effective upon the expiration of that revocation period if the undersigned has not revoked this Release during such seven-day period. If the undersigned revokes this Release during such seven-day period, this Release will be null and void and of no force or effect on either the Company or the undersigned and the undersigned will not be entitled to any of the payments or benefits which are expressly conditioned upon the execution and non-revocation of this Release. Any revocation must be in writing and sent to [name], via electronic mail at [email address], on or before 11:59 p.m. Mountain time on the seventh day after this Release is executed by the undersigned.

¹ NTD: Use 45 days in a group termination, and include information regarding terminated positions.

8. Acknowledgement. The undersigned acknowledges that different or additional facts may be discovered in addition to what is now known or believed to be true by the undersigned with respect to the matters released in this Release, and the undersigned agrees that this Release shall be and remain in effect in all respects as a complete and final release of the matters released, notwithstanding any different or additional facts.

9. Governing Law. This Release is deemed made and entered into in the State of Utah, and in all respects shall be interpreted, enforced and governed under the internal laws of the State of Utah, to the extent not preempted by federal law.

IN WITNESS WHEREOF, the undersigned has executed this Release this ____ day of _____, ____.

Jeremy Andrus

**ELECTION UNDER SECTION 83(b)
OF THE INTERNAL REVENUE CODE OF 1986**

The undersigned taxpayer hereby elects, pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, to include in taxpayer's gross income for the taxable year in which the property was transferred the excess (if any) of the fair market value of the property described below, over the amount the undersigned paid for such property, if any, and supplies herewith the following information in accordance with the Treasury regulations promulgated under Section 83(b).

1. The name, address and taxpayer identification number of the undersigned and the undersigned's spouse or registered domestic partner, and the taxable year in which this election is being made, are as follows:

NAME OF TAXPAYER: Jeremy Andrus

NAME OF SPOUSE: _____

ADDRESS: _____

SOCIAL SECURITY NO.: _____

SOCIAL SECURITY NO. OF SPOUSE: _____

TAXABLE YEAR: 2023

2. The property with respect to which the election is made consists of **1,037,728** shares of common stock (the "Shares") of Traeger, Inc. (the "Company").

3. The date on which the above property was transferred to the undersigned is: _____, 2023.

4. The above property is subject to the following restrictions:

The Shares may not be transferred and are subject to forfeiture under the terms of an agreement between the taxpayer and the Company. These restrictions lapse upon the satisfaction of certain conditions contained in such agreement.

5. The fair market value of the above property at the time of transfer, determined without regard to any restriction other than a restriction which by its terms will never lapse, was \$ _____ per share (\$ _____ aggregate).

6. The amount (if any) paid for the above property was \$0.00.

The undersigned taxpayer will file this election with the Internal Revenue Service office with which taxpayer files his or her annual income tax return not later than 30 days after the date of transfer of the property. The undersigned has submitted a copy of this statement to the person for whom the services were performed in connection with the undersigned's receipt of the above-described property. The transferee of such property is the person performing the services in connection with the transfer of said property.

Dated: _____, 2023 _____
Name of Taxpayer: Jeremy Andrus

The undersigned spouse or registered domestic partner of taxpayer joins in this election.

Dated: _____, 2023

Name of Spouse:

CERTIFICATION

I, Jeremy Andrus, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Traeger, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.
-

Date: May 10, 2023

By:

/s/ Jeremy Andrus

Jeremy Andrus
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Dominic Blossil, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Traeger, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.
-

Date: May 10, 2023

By: _____ /s/ Dominic Blosil

Dominic Blosil
Chief Financial Officer
*(Principal Financial Officer and
Principal Accounting Officer)*

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Traeger, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jeremy Andrus, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2023

By: _____ /s/ Jeremy Andrus
Jeremy Andrus
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Traeger, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dominic Blosil, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2023

By: _____ /s/ Dominic Blosil

Dominic Blosil
Chief Financial Officer
*(Principal Financial Officer and
Principal Accounting Officer)*