UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

or

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

For the transition period from ___________ to ___________

Commission File Number 001-40979

Solo Brands, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	87-1360865
State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
1001 Mustang Dr. Grapevine, TX	76051
Address of Principal Executive Offices	Zip Code

(817) 900-2664

Registrant’s Telephone Number, Including Area Code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.001 par value per share	DTC	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 ☐	Smaller reporting company ☐
Accelerated filer ☐	Emerging growth company ☒
Non-accelerated filer ☒	

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 9, 2022, there were 63,400,772 shares of the registrant’s Class A common stock, $0.001 par value per share, outstanding and 31,317,705 shares of the registrant’s Class B common stock, $0.001 par value per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Quarterly Report") 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 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 include, but are not limited to statements regarding our future results of operations and financial position, industry and business trends, business strategy, plans, market growth and our objectives for future operations.

The forward-looking statements in this Quarterly Report 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 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, business interruptions resulting from geopolitical actions, natural disasters, or impacts of the COVID-19 pandemic, risks associated with our international operations, problems with, or loss of, our suppliers or an inability to obtain raw materials, the ability of our stockholders to influence corporate matters, and the important factors discussed in Part I, Item 1A. "Risk Factors" in the Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 Form 10-K") filed with Securities and Exchange Commission (the "SEC") on March 30, 2022. The forward-looking statements in this Quarterly Report are based upon information available to us as of the date of this Quarterly Report, 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 and the documents that we reference in this Quarterly Report and have filed as exhibits to this Quarterly Report 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. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Quarterly Report, whether as a result of any new information, future events or otherwise.

WHERE YOU CAN FIND MORE INFORMATION

We may use our website as a distribution channel of material information about the Company including through press releases, investor presentations, and notices of upcoming events. We intend to utilize the investor relations section of our website at https://investors.solobrands.com as a channel of distribution to reach public investors and as a means of disclosing material non-public information for complying with disclosure obligations under Regulation FD. We also intend to use certain social media channels, including, but not limited to, Twitter, Facebook and LinkedIn, as a means of communicating with the public, our customers and investors about our Company, our products, and other matters. While not all the information that the Company posts to its website and social media channels may be deemed to be of a material nature, some information may be and we therefore encourage investors, the media, and others interested in our Company to review the information we make public in these locations.

All periodic and current reports, registration statements and other filings that we have filed or furnished to the SEC, including our annual reports on Form 10-K, quarterly reports, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act, are available free of charge from the SEC's website (www.sec.gov) and on our website at https://investors.solobrands.com. Such documents are available as soon as reasonably practicable after electronic filing of the material with the SEC.

Any reference to our website or social media channels does not constitute incorporation by reference of the information contained on or available through our website, and you should not consider such information to be a part of the periodic and current reports, registration statements or other filings that we file or furnish with the SEC from time to time.

Basis of Presentation

This Quarterly Report covers a period prior to the completion of the initial public offering ("IPO") on October 28, 2021. In connection with the completion of the IPO, we effected certain reorganization transactions collectively referred to as the "Reorganization Transactions." Unless stated otherwise, this Quarterly Report contains information about Solo Stove Holdings, LLC, which we refer to as "Holdings," before the IPO.

We also made three acquisitions (collectively, the "Acquisitions") in 2021 in which we acquired Oru Kayak, Inc. ("Oru"), International Surf Ventures, Inc. ("ISLE"), and Chubbies, Inc. ("Chubbies"). See the Notes to the unaudited consolidated financial statements included elsewhere in this Quarterly Report for more information regarding the Acquisitions.

Accordingly, unless the context otherwise requires, references to:

- *"we," "us," "our," the "Company," "Solo Stove," "Solo Brands, Inc."* and similar references refer: (i) following the consummation of the Reorganization Transactions, including the IPO, to Solo Brands, Inc., and, unless otherwise stated, all of its subsidiaries, Holdings, and, unless otherwise stated, all of its subsidiaries, and (ii) on or prior to the completion of the Reorganization Transactions, including the IPO, to Holdings and, unless otherwise stated, all of its subsidiaries. In each case, such references include the companies acquired in the Acquisitions from the date of the applicable Acquisition. Unless otherwise indicated, (i) information presented for a period entirely preceding an Acquisition does not give effect to the consummation of such Acquisition and reflects only the subsidiaries and brands owned prior to such Acquisition and (ii) information presented for a period following an Acquisition or during which an Acquisition occurred includes the impact of the Acquisition from the date of such Acquisition.
- *"Continuing LLC Owners"* refers to Original LLC Owners who continue to own LLC Interests (as defined below) after the Reorganization Transactions and who may, following the completion of the IPO, exchange their LLC Interests for shares of our Class A Common Stock or a cash payment, in each case, together with a cancellation of the same number of its shares of Class B Common Stock.
- *"LLC Interests"* refer to a single class of common membership interests of Holdings.
- *"Original LLC Owners"* refer to the direct and certain indirect owners of Holdings, collectively, prior to the Reorganization Transactions.

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

SOLO BRANDS, INC.
Consolidated Balance Sheets
(*Unaudited*)

(In thousands)	March 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 15,863	$ 25,101
Accounts receivable, net of allowance for doubtful accounts of $0.5 million and $0.3 million	25,866	21,513
Inventory	126,518	102,335
Prepaid expenses and other current assets	12,179	9,889
Total current assets	180,426	158,838
Non-current assets		
Property and equipment, net	11,327	10,603
Intangible assets, net	252,334	257,234
Goodwill	410,559	410,559
Other non-current assets	27,577	506
Total non-current assets	701,797	678,902
Total assets	$ 882,223	$ 837,740
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable	$ 13,289	$ 11,774
Accrued expenses and other current liabilities	31,778	28,150
Deferred revenue	3,716	3,524
Current portion of long-term debt	3,750	3,125
Total current liabilities	52,533	46,573
Non-current liabilities		
Long-term debt, net	143,988	125,023
Deferred tax liability	91,244	91,244
Other non-current liabilities	23,351	729
Total non-current liabilities	258,583	216,996
Commitments and contingencies (Note 12)		
Shareholders' equity		
Class A common stock, par value $0.001 per share; 475,000,000 shares authorized; 63,400,772 and 63,397,635 shares issued and outstanding	63	63
Class B common stock, par value $0.001 per share; 50,000,000 shares authorized; 31,269,421 and 31,178,815 shares issued and outstanding	31	31
Additional paid-in capital	353,008	350,088
Accumulated other comprehensive income	22	6
Retained earnings	8,656	10,691
Shareholders' equity	361,780	360,879
Shareholders' equity attributable to non-controlling interests	209,327	213,292
Total shareholders' equity	571,107	574,171
Total liabilities and shareholders' equity	$ 882,223	$ 837,740

See Notes to Unaudited Consolidated Financial Statements

SOLO BRANDS, INC.
Consolidated Statements of Operations and Comprehensive Income
(*Unaudited*)

(In thousands, except per unit data)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Net sales	$ 82,203	$ 69,071
Cost of goods sold	33,350	22,607
Gross profit	48,853	46,464
Operating expenses		
Selling, general & administrative expenses	45,644	18,734
Depreciation and amortization expenses	5,935	3,593
Other operating expenses	500	122
Total operating expenses	52,079	22,449
Income (loss) from operations	(3,226)	24,015
Non-operating expenses		
Interest expense	796	1,730
Other non-operating expenses	91	7
Total non-operating expenses	887	1,737
Income (loss) before income taxes	(4,113)	22,278
Income tax expense (benefit)	(878)	44
Net income (loss)	(3,235)	22,234
Less: net income (loss) attributable to noncontrolling interests	(1,200)	—
Net income (loss) attributable to Solo Brands, Inc.	$ (2,035)	$ 22,234
Other comprehensive income (loss)		
Foreign currency translation, net of tax	$ 24	$ —
Comprehensive income (loss)	(3,211)	22,234
Less: comprehensive income (loss) attributable to noncontrolling interests	8	—
Comprehensive income (loss) attributable to Solo Brands, Inc.	$ (3,203)	$ 22,234
Net income (loss) per unit		
Basic	$ (0.03)	*
Diluted	$ (0.03)	*
Weighted-average units outstanding		
Basic	63,401	*
Diluted	63,401	*

* Refer to Note 15, Net Income (Loss) Per Share, for why the earnings per share information has not been presented for the period three months ended March 31, 2021.

See Notes to Unaudited Consolidated Financial Statements

SOLO BRANDS, INC.
Consolidated Statements of Cash Flows
(*Unaudited)*

		Three Months Ended	
(In thousands)		**March 31, 2022**	**March 31, 2021**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)		$ (3,235)	$ 22,234
Adjustments to reconcile net income (loss) to net cash and cash equivalents provided by (used in) operating activities			
Amortization of intangible assets		5,258	3,533
Equity-based compensation		4,437	229
Operating lease right-of-use assets expense		1,321	—
Depreciation		677	60
Amortization of debt issuance costs		215	90
Bad debt expense		35	21
Changes in assets and liabilities			
Accounts receivable		(4,422)	(2,957)
Inventory		(24,266)	(2,618)
Prepaid expenses and other current assets		(2,350)	(684)
Accounts payable		2,094	176
Accrued expenses and other current liabilities		110	(8,943)
Deferred revenue		192	(17,069)
Other non-current assets and liabilities		(5,577)	122
Net cash provided by (used in) operating activities		(25,511)	(5,806)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures		(1,696)	(684)
Acquisitions, net of cash acquired		(774)	—
Net cash provided by (used in) investing activities		(2,470)	(684)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term debt		20,000	—
Repayments of long-term debt		(625)	(113)
Distributions to non-controlling interests		(628)	—
Net cash provided by (used in) financing activities		18,747	(113)
Effect of exchange rate changes on cash		(4)	—
Net change in cash and cash equivalents		(9,238)	(6,603)
Cash and cash equivalents balance, beginning of period		25,101	32,753
Cash and cash equivalents balance, end of period		$ 15,863	$ 26,150
SUPPLEMENTAL DISCLOSURES:			
Cash interest paid		$ 1,233	$ 916
Cash income taxes paid		$ 3	$ —

See Notes to Unaudited Consolidated Financial Statements

SOLO BRANDS, INC.
Consolidated Statements of Shareholders' Equity
(*Unaudited*)

For the Three Months Ended March 31, 2022

(In thousands)	Class A Common Stock		Class B Common Stock						
SUCCESSOR	**Shares**	**Amount**	**Shares**	**Amount**	**Additional Paid-in Capital**	**Accumulated Other Comprehensive Income**	**Retained Earnings (Accumulated Deficit)**	**Non-controlling Interest**	**Total Shareholders' Equity**
Balance at December 31, 2021	**63,397**	**$ 63**	**31,179**	**$ 31**	**$ 350,088**	**$ 6**	**$ 10,691**	**$ 213,292**	**$ 574,171**
Net income	—	—	—	—	—	—	(2,035)	(1,200)	(3,235)
Equity-based compensation	—	—	—	—	3,300	—	—	1,137	4,437
Other comprehensive income	—	—	—	—	—	16	—	8	24
Tax distributions to non-controlling interests	—	—	—	—	—	—	—	(4,290)	(4,290)
Vested equity-based compensation and re-allocation of ownership percentage	4	—	90	—	(380)	—	—	380	—
Balance at March 31, 2022	**63,401**	**$ 63**	**31,269**	**$ 31**	**$ 353,008**	**$ 22**	**$ 8,656**	**$ 209,327**	**$ 571,107**

See Notes to Unaudited Consolidated Financial Statements

SOLO BRANDS, INC.
Consolidated Statements of Members' Equity
(*Unaudited*)

For the Three Months Ended March 31, 2021

(In thousands)	**Class A Units**		**Class B Units**				
SUCCESSOR	Units	Amount	Units	Amount	**Incentive Units**	**Retained Earnings (Accumulated Deficit)**	**Total Members' Equity**
Balance at December 31, 2020	**250,000**	**$ 237,309**	**175,000**	**$ 103,109**	**$ —**	**$ (8,318)**	**$ 332,100**
Net income prior to Reorganization Transactions	—	—	—	—	—	22,234	22,234
Equity-based compensation prior to Reorganization Transactions	—	—	—	—	229	—	229
Balance at March 31, 2021	**250,000**	**$ 237,309**	**175,000**	**$ 103,109**	**$ 229**	**$ 13,916**	**$ 354,563**

See Notes to Unaudited Consolidated Financial Statements

SOLO BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(*Unaudited*)

NOTE 1 – Significant Accounting Policies

Included below are selected significant accounting policies including those that were added or modified during the three months ended March 31, 2022 as a result of the adoption of new accounting policies. Refer to Note 2, Significant Accounting Policies, within the annual consolidated financial statements in our 2021 Form 10-K for the full list of our significant accounting policies.

Basis of Presentation

The unaudited consolidated financial statements contained herein have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) and the rules of the U.S. Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in the unaudited consolidated financial statements prepared in accordance with U.S. GAAP have been omitted pursuant to applicable rules and regulations of the SEC. The unaudited consolidated financial statements include those of our wholly-owned subsidiaries. Intercompany balances and transactions are eliminated in consolidation. These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2021.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses during the reporting period and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates and assumptions about future events and their effects cannot be made with certainty. Estimates may change as new events occur when additional information becomes available and if our operating environment changes. Actual results could differ from our estimates.

Leases

The Company accounts for leases in accordance with Accounting Standards Codification (“ASC”) No. 842, Leases. The Company determines if an arrangement is a lease at inception of a contract if the terms state the Company has the right to direct the use of, and obtain substantially all the economic benefits from, a specific asset identified in the contract. The right-of-use (“ROU”) assets represent the Company's right to use the underlying assets for the lease term, and the lease liabilities represent the obligation to make lease payments arising from the leases. The Company records its ROU assets in other non-current assets, its current lease liabilities in accrued expenses and other current liabilities and its non-current lease liabilities in other non-current liabilities. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments to be made over the lease term. Certain of the Company's lease agreements contain options to extend the lease. The Company evaluates these options on a lease-by-lease basis, and if the Company determines it is reasonably certain to be exercised, the lease term includes the extension. The Company uses its incremental borrowing rate at lease commencement to determine the present value of lease payments, and lease expense is recognized on a straight-line basis over the lease term. The incremental borrowing rate is the rate of interest the Company could borrow on a collateralized basis over a similar term with similar payments. The Company does not record leases with an initial term of twelve months or less (“short-term leases”).

Certain of the Company's lease agreements include payments for certain variable costs not determinable upon lease commencement, including common area maintenance, utilities, property taxes and inflation adjustments. These variable lease payments are recognized in selling, general and administrative expenses, but are not included in the ROU asset or lease liability balances. The Company's lease agreements do not contain any material residual value guarantees, restrictions or covenants.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842), and has modified the standard thereafter, which supersedes the lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Prior to this new standard, leases were classified as either capital or operating, with only capital leases recognized on the consolidated balance sheets. The Company did not have any capital leases prior to or upon adoption of ASU 2016-02. The Company adopted this standard on January 1, 2022 using the modified retrospective transition approach. Upon adoption of ASU 2016-02, the Company recorded the following amounts associated with operating leases in its consolidated balance sheet at January 1, 2022: $24.9 million of ROU assets in other non-current assets, $4.1 million of lease liabilities in accrued expenses and other current liabilities and $21.4 million of lease liabilities in other non-current liabilities. There was no impact to the opening balance of retained earnings as a result of implementing ASU 2016-02. The Company elected the package of three practical expedients available under the ASU, which allows entities to carryforward accounting conclusions under previous GAAP by not reassessing the following: (a) whether a contract is or contains a lease, (b) lease classification or (c) determination of initial direct costs. Additionally, the Company implemented appropriate changes to internal processes and controls to support recognition, subsequent measurement and disclosures.

Recently Issued Accounting Pronouncements - Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments. The ASU includes changes to the accounting and measurement of financial assets, including the Company’s accounts receivable and held-to-maturity debt securities, by requiring the Company to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice, where an allowance is not recognized until the losses are considered probable. The ASU also changes the way credit losses are recognized for available-for-sale debt securities. Credit losses are recognized through the recording of an allowance rather than as a write-down of the carrying value. In November 2019, the FASB issued ASU 2019-10, deferring the effective date of ASU 2016-13 to annual periods beginning after December 15, 2022. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the earliest period presented. A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. Although early adoption is permitted, the Company does not plan to early adopt. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting”, an update that provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The optional guidance is provided to ease the potential burden of accounting for reference rate reform. The guidance is effective as of March 12, 2020 and is available for contract modifications through December 31, 2022. The Company continues to evaluate the impact of this standard on its consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The ASU requires that an acquirer recognize and measure contract assets and liabilities acquired in a business combination in accordance with ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The guidance is effective for annual periods beginning after December 15, 2023, including interim periods therein, with early adoption permitted. The guidance will be applied prospectively to acquisitions occurring on or after the effective date. The Company will continue to evaluate the impact of this guidance, which will depend on the contract assets and liabilities acquired in future business combinations.

NOTE 2 – Revenue

The Company primarily engages in direct-to-consumer transactions, which is comprised of product sales directly from our website, and business-to-business transactions, or wholesale, which is comprised of product sales to retailers, including where possession of the Company's products is taken and sold by the retailer in-store or online.

The following table disaggregates our net sales by channel:

	Three Months Ended March 31,	
	2022	2021
Net sales by channel		
Direct-to-consumer	$ 60,230	$ 62,281
Wholesale	21,973	6,790
Total net sales	$ 82,203	$ 69,071

NOTE 3 – Acquisitions

The following transactions were accounted for under the acquisition method of accounting for business combinations.

Oru Kayak, Inc.

On May 3, 2021, Solo Brands, LLC acquired 60% of the voting equity interests in Oru Kayak, Inc. (“Oru”) for total cash consideration of $25.4 million. Additionally, the Company had the option to purchase the remaining 40% upon a liquidity event, which it did on September 8, 2021 in exchange for 9.3 million Class B units of Solo Stove Holdings, LLC. The exercise price of the option was equal to Oru’s last twelve months adjusted EBITDA times a predetermined multiple. The Company acquired Oru to increase its brand and market share in the overall outdoor activities industry, as Oru manufactures, markets, and sells kayak boats and kayak accessories.

The excess enterprise value of Oru over the estimated fair value of assets and liabilities assumed was recorded as goodwill. Goodwill was recorded to reflect the excess purchase consideration over net assets acquired, which represents the value that is expected from expanding the Company’s product offerings and other synergies. Factors that contributed to the recognition of goodwill included the expected future revenue growth of Oru. None of the goodwill recognized was expected to be deductible for tax purposes. A working capital settlement of $0.2 million was paid during the three months ended March 31, 2022, and purchase accounting has been finalized.

The following table summarizes the fair values of the assets acquired and liabilities assumed by the Company at the acquisition date:

Cash	$	6,307
Accounts receivable		357
Inventory		4,171
Property and equipment		436
Prepaid expenses and other assets		902
Intangible assets		21,115
Accounts payable and accrued liabilities		(4,119)
Deferred revenue		(746)
Deferred tax liability		(6,247)
Total identifiable net assets		22,176
Noncontrolling interest		(15,320)
Goodwill		18,781
Total		25,637
Less: cash acquired		(6,307)
Total, net of cash acquired	$	19,330

International Surf Ventures, LLC

On August 2, 2021, Solo Brands, LLC acquired 100% of the voting equity interests in International Surf Ventures, LLC ("ISLE") for total consideration of cash paid of $24.8 million and Class B units of $16.5 million. The Company acquired ISLE to increase its brand and market share in the overall outdoor activities industry, as ISLE manufactures, markets, and sells stand up paddle boards and paddle board accessories.

The excess enterprise value of ISLE over the estimated fair value of assets and liabilities assumed was recorded as goodwill. Goodwill was recorded to reflect the excess purchase consideration over net assets acquired, which represents the value that is expected from expanding the Company's product offerings and other synergies. Factors that contributed to the recognition of goodwill included the expected future revenue growth of ISLE. None of the goodwill recognized was expected to be deductible for tax purposes. Purchase accounting has been finalized.

The following table summarizes the fair values of the assets acquired and liabilities assumed by the Company at the acquisition date:

Cash	$	3,085
Accounts receivable		107
Inventory		8,986
Property and equipment		110
Prepaid expenses and other assets		60
Intangible assets		4,121
Accounts payable and accrued liabilities		(4,697)
Total identifiable net assets		11,772
Goodwill		29,564
Total		41,336
Less: fair value of class B units		(16,494)
Less: cash acquired		(3,085)
Total, net of cash acquired	$	21,757

Chubbies, Inc.

On September 1, 2021, Solo Brands, LLC acquired 100% of the voting equity interests in Chubbies, Inc. ("Chubbies") for total consideration of cash paid of $100.4 million and Class B units of $29.1 million. The Company acquired Chubbies to increase its brand and market share in the overall outdoor activities industry, as Chubbies sells casual wear, sportwear, swimwear, outerwear, loungewear, and other accessories.

The excess enterprise value of Chubbies over the estimated fair value of assets and liabilities assumed was recorded as goodwill. Goodwill was recorded to reflect the excess purchase consideration over net assets acquired, which represents the value that is expected from expanding the Company's product offerings and other synergies. Factors that contributed to the recognition of goodwill included the expected future revenue growth of Chubbies. None of the goodwill recognized was expected to be deductible for tax purposes. A working capital settlement of $0.6 million was paid during the three months ended March 31, 2022, and purchase accounting has been finalized.

The following table summarizes the fair values of the assets acquired and liabilities assumed by the Company at the acquisition date:

Cash	$	7,990
Accounts receivable		1,962
Inventory		25,360
Property and equipment		401
Prepaid expenses and other assets		893
Intangible assets		47,846
Accounts payable and accrued liabilities		(15,011)
Deferred revenue		(392)
Deferred tax liability		(12,095)
Other non-current liabilities		(12)
Total identifiable net assets		56,942
Goodwill		73,118
Total		130,060
Less: cash acquired		(7,990)
Less: fair value of class B units		(29,075)
Total, net of cash acquired	$	92,995

NOTE 4 – Inventory

Inventory consisted of the following:

	March 31, 2022		December 31, 2021	
Purchased inventory on hand	$	93,893	$	64,310
Inventory in transit		26,761		28,064
Raw materials		4,156		2,148
Fair value write-up		1,708		7,813
Inventory	$	126,518	$	102,335

NOTE 5 – Property and Equipment, net

Property and equipment, net consisted of the following:

	March 31, 2022		December 31, 2021	
Leasehold improvements	$	6,581	$	6,121
Computer, software, and other equipment		3,852		3,032
Machinery		1,083		1,288
Furniture and fixtures		1,138		746
Construction in progress		84		166
Property and equipment, gross		12,738		11,353
Accumulated depreciation		(1,411)		(750)
Property and equipment, net	$	11,327	$	10,603

Depreciation expense was $0.7 million for the three months ended March 31, 2022, compared to $0.1 million for the three months ended March 31, 2021. Depreciation expense is recorded to depreciation and amortization expense on the consolidated statements of operations.

NOTE 6 – Intangible Assets, net

Intangible assets consisted of the following:

	March 31, 2022	December 31, 2021
Gross carrying value		
Brand	$ 196,114	$ 196,114
Trademark	33,552	33,457
Customer relationships	28,605	28,605
Developed technology	17,871	17,871
Patents	2,151	1,888
Intangible assets, gross	278,293	277,935
Accumulated amortization		
Brand	(19,343)	(16,036)
Trademark	(1,490)	(901)
Customer relationships	(2,572)	(1,915)
Developed technology	(2,340)	(1,702)
Patents	(214)	(147)
Accumulated amortization, gross	(25,959)	(20,701)
Intangible assets, net	$ 252,334	$ 257,234

Amortization expense was $5.3 million for the three months ended March 31, 2022, compared to $3.5 million for the three months ended March 31, 2021. Amortization expense is recorded to depreciation and amortization expense on the consolidated statements of operations.

Estimated amortization expense for the next five years was as follows:

Years Ending December 31,	Amount
2022 (remaining nine months)	$ 15,668
2023	20,898
2024	20,898
2025	20,898
2026	20,639
Thereafter	153,333
Total future amortization expense	$ 252,334

NOTE 7 – Accrued Expenses and Other Current Liabilities

Significant accrued expenses and other current liabilities were as follows:

	March 31, 2022	December 31, 2021
Inventory purchases	8,013	3,852
Leases	4,839	—
Income taxes	4,309	5,072
Accrued distributions	4,106	445
Non-income taxes	2,529	4,631
Shipping costs	1,993	1,936
Payroll	1,529	6,972
Allowance for sales returns	1,044	1,462
Other	3,416	3,780
Accrued expenses and other current liabilities	$ 31,778	$ 28,150

NOTE 8 – Long-Term Debt

Long-term debt consisted of the following:

	March 31, 2022	December 31, 2021
Term loan	$ 98,750	$ 99,375
Revolving credit facility	52,500	32,500
Unamortized debt issuance costs	(3,512)	(3,727)
Total debt, net of debt issuance costs	147,738	128,148
Less current portion of long-term debt	3,750	3,125
Long-term debt, net	$ 143,988	$ 125,023

Interest expense related to long-term debt was $0.8 million for the three months ended March 31, 2022, compared to $1.7 million for the three months ended March 31, 2021.

Revolving Credit Facility and Term Loan

On May 12, 2021, the Company entered into a credit agreement with a bank (the "Revolving Credit Facility"). Under the terms of this agreement, the Company may borrow up to $200 million under a revolving credit facility. On June 2, 2021, and on September 1, 2021, the Company entered into amendments to the Revolving Credit Facility, which resulted in an increase the maximum amount available under the Revolving Credit Facility to $350.0 million. Under the terms of the Revolving Credit Facility, the Company has access to certain swing line loans and letters of credit. The Revolving Credit Facility matures on May 12, 2026 and bears interest at a rate equal to the base rate as defined in the agreement plus an applicable margin, which as of March 31, 2022, was based on LIBOR. All outstanding principal and interest due on the Revolving Credit Facility are due at maturity.

During the three months ended March 31, 2022, the Company had total draws of $20.0 million, with a weighted average interest rate of 1.5%, and no repayments on its Revolving Credit Facility.

In addition to the above, the amendments included a provision for the Company to borrow up to $100.0 million under a term loan (the "Term Loan"). The proceeds from the Term Loan were used to fund the Chubbies acquisition (see Note 3). The term loan matures on September 1, 2026 and bears interest at a rate equal to a base rate defined in the agreement plus an applicable margin, which as of March 31, 2022 was based on LIBOR. The Company is required to make quarterly principal payments on the Term Loan. During the three months ended March 31, 2022, the Company repaid $0.6 million on its Term Loan. All outstanding principal and interest due on the Term Loan are due at maturity.

Deferred debt issuance costs were amortized over the term of the related debt and are presented net of long-term debt on the consolidated balance sheets.

As of March 31, 2022, the future maturities of principal amounts of the Company's total debt obligations, excluding lease obligations (see Note 9 for future maturities of lease obligations), for the next five years and in total, consists of the following:

Years Ending December 31,	Amount
2022 (remaining nine months)	$ 2,500
2023	5,000
2024	6,250
2025	10,625
2026	126,875
Total	$ 151,250

NOTE 9 – Leases

The following table presents the components of the total leased assets and lease liabilities and their classification in the Company's consolidated balance sheets:

	Classification in Consolidated Balance Sheets	March 31, 2022
Assets:		
Operating assets	Other non-current assets	$ 26,768
Total leased assets		$ 26,768
Liabilities:		
Operating lease liabilities:		
Current	Accrued expenses and other current liabilities	4,839
Long-term	Other non-current liabilities	23,222
Total operating lease liabilities		28,061
Total lease liabilities		$ 28,061

The components of lease expense were as follows:

	Three Months Ended March 31, 2022
Operating lease expense	$ 1,321
Variable and short-term lease expense	481
Total lease expense	$ 1,802

The weighted average remaining lease term and discount rate for operating and finance leases are presented in the following table:

	March 31, 2022
Weighted average remaining lease term (years)	
Operating leases	5.60
Weighted average discount rate	
Operating leases	2.58 %

Cash flow and other information related to leases is included in the following table:

	Three Months Ended March 31, 2022
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows from operating leases	$ 573
Right of use assets obtained in exchange for lease obligations:	
Operating leases	2,994

Future maturities of lease liabilities at March 31, 2022 are presented in the following table:

Years Ending December 31,	Operating Leases
2022 (remaining nine months)	$ 4,121
2023	5,595
2024	5,517
2025	5,234
2026	3,916
Thereafter	5,943
Total lease payments	30,326
Less: imputed interest	2,265
Present value of lease liabilities	$ 28,061

NOTE 10 – Equity-Based Compensation

Fair Value Considerations

Determining the fair value of awards requires judgment. The Monte Carlo simulation model and Black-Scholes model is used to estimate the fair value of awards that have service, performance and/or market vesting conditions. The assumptions used in these models require the input of subjective assumptions as follows:

Fair value—The fair value of the common stock underlying the incentive units was determined by the Company's board of directors (the "Board"). Because there is no public market for the incentive units, the Company's Board determined the common stock fair value at the incentive unit grant date by considering several objective and subjective factors, including the price paid for its common and preferred stock, actual and forecasted operating and financial performance, market conditions and performance of comparable publicly traded companies, developments and milestones within the Company, the rights, preferences, and privileges of its common and preferred stock, and the likelihood of achieving a liquidity event. The fair value of the underlying common stock is determined by the closing stock price on the New York Stock Exchange.

Expected volatility—Expected volatility is based on historical volatilities of a publicly-traded peer group based on weekly price observations over a period equivalent to the expected term of the award.

Expected term—For awards with only service vesting conditions, the expected term is determined using the simplified method, which estimates the expected term using the contractual life of the award and the vesting period. For awards with performance or market conditions, the term is estimated in consideration of the time period expected to achieve the performance or market condition, the contractual term of the award, and estimates of future exercise behavior.

Risk-free interest rate—The risk-free interest rate is based on the U.S. Treasury yield of treasury bonds with a maturity that approximates the expected term of the award.

Expected dividend yield—The dividend yield is based on the Company's current expectations of dividend payouts. The Company has never declared or paid any cash dividends on its common stock, and the Company does not anticipate paying any cash dividends in the foreseeable future.

DLOM estimate—The discounts for lack of marketability are used to help calculate the value of closely held and restricted shares. A valuation discount exists between a share that is publicly traded, and thus has a market, and the market for privately held stock, which often has little, if any, marketplace.

Forfeiture rate—The Company will recognize forfeitures as they occur instead of estimating forfeitures based on historical activity.

Incentive Units

Certain employees of the Company purchased incentive units in Solo Stove Holdings, LLC for $0.000001 per unit. The majority of the incentive units were issued in December 2020 with additional issuances in March and June 2021. The Company used the Monte Carlo simulation model to determine the fair value of the incentive units. Each incentive award consists of service-based units (representing one-third (1/3) of the number of incentive units) and performance-based units (representing two-thirds (2/3) of the number of incentive units).

The incentive units with a service condition vest over four years with 25% vesting on the one-year anniversary of the grant date and the remaining 75% of such service-based units vesting in substantially equal monthly installments over the following three years, subject to the employee's continued employment through each applicable vesting date. Additionally, the vesting of the service-based units will accelerate upon the occurrence of a sale transaction prior to the employee's termination of employment. The IPO did not meet the definition of a sale transaction per the incentive unit agreement. Therefore, the vesting of the service-based units did not accelerate upon the IPO.

There were 27.6 million incentive units outstanding immediately before the Reorganization Transactions. After the Reorganization Transactions, the 27.6 million incentive units converted into 3.4 million common units in Solo Stove Holdings, LLC. The 3.4 million common units consist of service-based units representing one-third (1/3) of the common units and performance-based units representing two-thirds (2/3) of the common units.

Upon the IPO, 0.9 million of the 2.3 million performance-based common units vested with the remaining 1.4 million unvested performance-based common units being canceled. Associated with these units the Company recognized $3.3 million of stock compensation expense during the fourth quarter of fiscal 2021.

At IPO, the Company replaced the incentive units that did not vest under the above market conditions with service-based common units in Solo Stove Holdings, LLC that vest over two years, with 50% of units vesting after one year and 50% vesting in four quarterly installments in the following year, subject to the employee's continued employment with the Company through the applicable vesting date. If Summit Partners sells all of its equity interests in the Company or if the investment return to Summit equals or exceeds 4.0x on a per-share basis for four consecutive quarters, and in each case the employee remains employed with the Company on such date, then all unvested service-based common units that were previously performance-based incentive units will vest. For accounting purposes, these awards were considered new awards with an estimated fair value of $25.8 million.

During the three months ended March 31, 2022, the Company recognized $3.4 million of equity-based compensation expense related to service-based units. During the three months ended March 31, 2021, the Company recognized $0.2 million of equity-based compensation expense related to service-based units.

The grant date fair value of each incentive unit was calculated using a Monte Carlo simulation model, which incorporates a range of assumptions for inputs as follows:

		2020
Expected term (years)		4.0
Expected stock price volatility		36.0 %
Risk-free interest rate		0.3 %
Expected dividend yield		—
DLOM estimate		16.0 %
Weighted average fair value at grant date	$	0.25

A summary of the common units is as follows for the periods indicated (in thousands, except per share data):

	Outstanding Common Units		Weighted Average Grant Date Fair Value Per Unit	Weighted Average Remaining Contractual Term (Years)		Aggregate Intrinsic Value
Unvested, December 31, 2021	2,238	$	13.91	2.11	$	31,124
Granted	—		—			—
Forfeited/canceled	—		—			—
Vested	(91)		4.47			(405)
Unvested, March 31, 2022	2,147		14.31	1.86		30,719
Exercisable, March 31, 2022[(1)]	—	$	—		$	—

[(1)] Note there were performance and service-based units that vested by March 31, 2022. However, none of them are exercisable due to the lock-up agreement. The lock-up restricts the sale of common stock for 180 days after the date of the IPO.

Incentive Award Plan

In October 2021, the Board approved the 2021 Incentive Award Plan (“Incentive Award Plan”), which became effective on October 28, 2021. Upon the Incentive Award Plan becoming effective, there were 10,789,561 shares of Class A common stock authorized under the Incentive Award Plan. The shares authorized under the Incentive Award Plan will increase annually, beginning on January 1, 2023 and continuing through 2031, by the lesser of (i) 5% of the then outstanding common stock, or (ii) a smaller amount as agreed by the Board.

Stock Options

Upon IPO, the Company granted stock options under the Incentive Award Plan. Stock options provide for the purchase of shares of the Company’s Class A common stock in the future at an exercise price set on the grant date. Unless otherwise determined by the plan administrator and except for certain substitute options granted in connection with a corporate transaction, the stock option's exercise price will not be less than 100% of the fair market value of the underlying share on the date of grant. The options vest over four years, with 25% vesting on the first anniversary of the grant date and the remainder vesting in substantially equal quarterly installments over the following three years, subject to the employee’s continued employment with the Company through the applicable vesting date.

During the three months ended March 31, 2022, the Company recorded equity-based compensation expense related to the options of $0.2 million.

The following summary sets forth the stock option activity under the Incentive Award Plan (in thousands, except per share data):

	Options Outstanding			
	Number of Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value [1]
Outstanding, December 31, 2021	340	$ 17.00	9.8	$ —
Granted	—	—		
Exercised	—	—		
Forfeited/canceled	(9)	17.00		—
Outstanding, March 31, 2022[2]	331	17.00	9.6	—
Exercisable, March 31, 2022	—	$ —	—	$ —

[1] The aggregate intrinsic values of options outstanding and vested and exercisable were calculated as the difference between the exercise price of the options and the fair value of the Company's common stock as of March 31, 2022. The fair value of the common stock is the closing price of the Company's Class A common stock as reported on the New York Stock Exchange.
[2] The aggregate intrinsic value is zero because the closing Class A common stock price at the end of the period is less than the weighted-average exercise price of the options.

Unvested option activity is as follows (in thousands, except per share data):

	Options	Weighted-Average Grant Date Fair Value
Unvested, December 31, 2021	340	$ 8.71
Granted	—	—
Vested	—	—
Forfeited or expired	(9)	8.71
Unvested, March 31, 2022	331	$ 8.71

The fair value of each option was estimated at the grant date using the Black-Scholes method with the following assumptions:

	Fiscal Year Ended December 31, 2021
Risk-free interest rate	1.6 %
Expiration (in years)	10
Expected volatility	37.0 %
Expected dividend yield	—

Restricted Stock Units

Upon and after the IPO, the Company granted restricted stock units ("RSUs") under the Incentive Award Plan. The RSUs are unfunded, unsecured rights to receive, on the applicable settlement date, shares of our Class A common stock or an amount in cash or other consideration determined by the plan administrator to be of equal value as of such settlement date. The RSUs will vest over four years, with 25% vesting on the first anniversary of the grant date and the remainder vesting in substantially equal quarterly installments over the following three years, subject to the employee's continued employment with the Company through the applicable vesting date.

During the three months ended March 31, 2022, the Company recorded equity-based compensation expense related to the RSUs of $0.8 million.

The following table summarizes the activity related to the Company's restricted stock units:

	Restricted Stock Units Outstanding	
	Number of Awards	Weighted-Average Grant Date Fair Value
Outstanding, December 31, 2021	661	$ 19.05
Granted	53	10.11
Vested and converted to shares	—	—
Forfeited/canceled	(26)	19.06
Outstanding, March 31, 2022	688	$ 18.36

Employee Stock Purchase Plan

In October 2021, the Board adopted, and the stockholders of the Company approved, the 2021 Employee Stock Purchase Plan (the "ESPP"). The maximum number of shares of common stock which will be authorized for sale under the ESPP is equal to the sum of (a) 1,618,434 shares of common stock and (b) an annual increase on the first day of each fiscal year beginning in 2023 and ending in 2031, equal to the lesser of (i) 0.5% of the shares of the Company's common stock outstanding on the last day of the immediately preceding fiscal year and (ii) such number of shares of common stock as determined by the Board; provided, however, no more than 6,473,736 shares of common stock may be issued under the ESPP. As of March 31, 2022, no awards have been issued under the plan.

NOTE 11 – Income Taxes

The Company is the sole managing member of Solo Stove Holdings, LLC ("Holdings"), and as a result, consolidates its financial results. Holdings is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, Holdings is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by Holdings is passed through to and included in the taxable income or loss of its members, including the Company, on a pro rata basis. The Company is subject to U.S. federal income taxes, in addition to state and local income taxes with respect to its allocable share of any taxable income or loss of Holdings, as well as any stand-alone income or loss generated by Solo Brands, Inc.

Provision for Income Taxes

The effective income tax rates for the three months ended March 31, 2022 and 2021 were 21.3% and 0.2%, respectively. The increase was primarily due to the Reorganization Transactions that occurred in 2021. Prior to the Reorganization Transactions in 2021, the Company was only subject to certain LLC state entity-level taxes; whereas, in 2022 and 2021, the Company was also subject to U.S. federal, state and local income taxes on the Company's allocable share of any taxable income or loss generated by Holdings subsequent to the Reorganization Transactions.

The weighted-average ownership interest in Holdings was 67.0% for the three months ended March 31, 2022.

Deferred Tax Assets and Liabilities

As of March 31, 2022, the total deferred tax liability related to the basis difference in the Company's investment in Holdings was $49.8 million. However, a portion of the total basis difference will only reverse upon the eventual sale of its interest in Holdings, which the Company expects would result in a capital loss. As of March 31, 2022, the total valuation allowance established against the deferred tax asset to which this portion relates was $26.2 million.

During the three months ended March 31, 2022, the Company did not recognize any deferred tax assets related to additional tax basis increases generated from expected future payments under the Tax Receivable Agreement and related deductions for imputed interest on such payments. Refer to "Tax Receivable Agreement" herein for additional information.

The Company evaluates the realizability of its deferred tax assets on a quarterly basis and establishes valuation allowances when it is more likely than not that all or a portion of a deferred tax asset may not be realized. As of March 31, 2022, the Company concluded, based on the weight of all available positive and negative evidence, that all of its deferred tax assets (except for those deferred tax assets described above relating to basis differences that are expected to result in a capital loss upon eventual sale of its interest in Holdings) are more likely than not to be realized. As such, no additional valuation allowance was recognized.

Tax Receivable Agreement

Pursuant to the Company's election under Section 754 of the Internal Revenue Code (the "Code"), the Company expects to obtain an increase in its share of the tax basis related to the net assets of Holdings when LLC Interests are redeemed or exchanged by the non-controlling interest holders and other qualifying transactions. The Company plans to make an election under Section 754 of Code for each taxable year in which a redemption or exchange of LLC Interest occurs, treating any redemptions and exchanges of LLC Interests by the non-controlling interest holders as direct purchases of LLC Interests for U.S. federal income tax purposes. These increases in tax basis may reduce the amounts that would otherwise be paid in the future to various tax authorities. They may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

On October 27, 2021, the Company entered into a tax receivable agreement with the then-existing non-controlling interest holders (the "Tax Receivable Agreement") that provides payments to be made to non-controlling interest holders of 85% of the amount of any tax benefits that the Company actually realize, or in some cases are deemed to realize, as a result of (i) increases in the Company's share of the tax basis in the net assets of Holdings resulting from any redemptions or exchanges of LLC Interests, (ii) tax basis increases attributable to payments made under the Tax Receivable Agreement, and (iii) deductions attributable to imputed interest pursuant to the Tax Receivable Agreement (the "TRA Payments"). The Company expects to benefit from the remaining 15% of any tax benefits that it may actually realize. The TRA Payments are not conditioned upon any continued ownership interest in Holdings or on the Company. The rights of each non-controlling interest holder under the Tax Receivable Agreement are assignable to transferees of its LLC Interests.

During the three months ended March 31, 2022, there were no redemptions of LLC Interests that would have resulted in an increase in the tax basis of the Company's investment in Holdings subject to the provisions of the Tax Receivable Agreement. During the three months ended March

31, 2022, inclusive of interest, no payments were made to the members of Holdings pursuant to the Tax Receivable Agreement. As of March 31, 2022, there were no TRA Payments due under the Tax Receivable Agreement.

NOTE 12 – Commitments and Contingencies

Contingencies

From time to time, the Company is involved in various legal proceedings that arise in the normal course of business. While the Company intends to prosecute and defend any lawsuit vigorously, the Company presently believes that the ultimate outcome of any currently pending legal proceeding will not have any material adverse effect on its financial position, cash flows, or results of operations. However, litigation is subject to inherent uncertainties and unfavorable rulings could occur. An unfavorable ruling could include monetary damages, which could impact the Company's business and the results of operations for the period in which the ruling occurs or future periods. Based on the information available, the Company evaluates the likelihood of potential outcomes. The Company records the appropriate liability when the amount is deemed probable and reasonably estimable. In addition, the Company does not accrue for estimated legal fees and other directly related costs as they are expensed as incurred. The Company is not currently a party to any pending litigation that it considers material. Therefore, the consolidated balance sheets do not include a liability for any potential obligations as of March 31, 2022 and December 31, 2021.

Purchase Commitments

The Company has entered into non-cancelable purchase contracts for operating expenditures, primarily inventory purchases, for $13.4 million as of March 31, 2022 and $14.8 million as of December 31, 2021.

NOTE 13 – Fair Value Measurements

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis:

		Fair Value Measurements		
March 31, 2022	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities:				
Long-term debt, net	$ 147,738	$ —	$ 147,738	$ —

		Fair Value Measurements		
December 31, 2021	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities:				
Long-term debt, net	$ 128,148	$ —	$ 128,148	$ —

There were no nonrecurring fair value measurements during the periods ended March 31, 2022 and December 31, 2021.

NOTE 14 – Shareholders' and Members' Equity

Class A Common Stock

The Company has 475,000,000 shares of Class A common stock, par value $0.001 per share, authorized. Holders of Class A common stock are entitled to one vote per share on all matters presented to the stockholders generally. In the event of liquidation, dissolution or winding up, each holder of Class A common stock will be entitled to a pro rata distribution of any assets available for distribution to common stockholders.

Class B Common Stock

The Company has 50,000,000 shares of Class B common stock, par value $0.001 per share, authorized. Shares of Class B common stock will only be issued in the future to the extent necessary to maintain a one-to-one ratio between the number of LLC Interests held by the Continuing LLC Owners and the number of shares of Class B common stock issued to the Continuing LLC Owners. Shares of Class B common stock are transferable only together with an equal number of LLC Interests. Shares of Class B common stock will be cancelled on a one-for-one basis if the Company, at the election of the Continuing LLC Owners, redeem or exchange their LLC Interests pursuant to the terms of the Holdings LLC Agreement. Holders of Class B common stock are entitled to one vote per share on all matters presented to the stockholders generally. In the event of liquidation, dissolution or winding up, holders of Class B common stock shall be entitled to receive $0.001 per share and will not be entitled to receive any distribution of the Company's assets.

Class A Units

Pursuant to the 2020 Agreement, as defined in the 2021 Form 10-K, Solo Stove Holdings, LLC authorized 250,000,000 Class A units for issuance at a price of $1 per unit. For so long as any of the Class A units remain outstanding, the Class A units will rank senior to the Class B units discussed below. Holders of Class A units are entitled to one vote per share on all matters to be voted upon by the members. When and if distributions are declared by the Company's Board, holders of Class A units are entitled to ratably receive distributions until the aggregate unreturned capital with respect to each holder's Class A units has been reduced to zero. Upon dissolution, liquidation, distribution of assets, or other winding up, the holders of Class A units are entitled to receive ratably the assets available for distribution after payment of liabilities and before the holders of Class B units and incentive units (see Note 10).

Class B Units

Pursuant to the 2020 Agreement, Solo Stove Holdings, LLC has authorized 175,000,000 Class B units for issuance at a price of $1 per unit. Holders of Class B units are entitled to one vote per share on all matters to be voted upon by the members. Holders of Class A units and Class B units generally vote together as a single class on all matters presented to the Company's members for their vote or approval. When and if distributions are declared by the Company's Board, holders of Class B units are entitled to ratably receive distributions until the aggregate unreturned capital with respect to each holder's Class B units has been reduced to zero. Upon dissolution, liquidation, distribution of assets, or other winding up, the holders of Class B units are entitled to receive ratably the assets available for distribution after payment of liabilities and Class A unitholders and before the holders of incentive units.

Pursuant to the 2020 Agreement, the Company's Board may authorize Solo Stove Holdings, LLC to create and/or issue additional equity securities, provided that the number of additional authorized incentive units do not exceed 10% of the outstanding Class A and Class B units without the prior written consent of the majority investors. Upon issuance of additional equity securities, all unitholders shall be diluted with respect to such issuance, subject to differences in rights and preferences of different classes, groups, and series of equity securities, and the Company's Board shall have the power to amend the schedule of unitholders to reflect such additional issuances and dilution.

As part of the 2020 Agreement, certain members of management, in lieu of a cash transaction bonus, elected to receive Class B units which had a fair value of $4.7 million.

NOTE 15 – Net Income (Loss) Per Share

The Company analyzed the calculation of earnings per unit for the periods prior to the Reorganization Transactions and determined that it resulted in values that would not be meaningful to the users of these consolidated financial statements. Therefore, earnings per unit information has not been presented for the three months ended March 31, 2021.

Basic net income (loss) per share of Class A common stock is computed by dividing net income (loss) attributable to Solo Brands, Inc. by the weighted average number of shares of Class A common stock outstanding during the period. Diluted income (loss) per share of Class A common stock is computed by dividing net income (loss) attributable to Solo Brands, Inc. by the weighted average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive securities.

The following table sets forth the calculation of the basic and diluted earnings per share for the Company's Class A common stock:

		Three Months Ended March 31, 2022
Net income (loss)	$	(3,235)
Net income (loss) attributable to non-controlling interests		(1,200)
Net income (loss) attributable to Solo Brands, Inc.	$	(2,035)
Numerator:		
Net income (loss) attributable to Class A common shareholders - basic and diluted	$	(2,035)
Denominator:		
Weighted average shares of Class A common stock outstanding - basic and diluted		63,401
Loss per share of Class A common stock outstanding - basic and diluted	$	(0.03)

NOTE 16 – Subsequent Events

Equity-Based Compensation

After March 31, 2022 and through the filing date of this Quarterly Report, the Company granted 154,559 stock options and 154,559 restricted stock units to a certain executive. The options and RSUs granted to the executive are expected to vest over four years, with twenty-five percent (25%) vesting on the first anniversary of the grant date and the remainder of each award vesting quarterly thereafter. The executive officer will also be eligible for annual equity grants to be determined by the Board (or a committee thereof).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Risk Factors" and our unaudited consolidated financial statements and the related notes to those statements included elsewhere in this Quarterly Report, as well as our audited consolidated financial statements included in our 2021 Form 10-K. In addition to historical consolidated financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Some of the numbers included herein have been rounded for the convenience of presentation. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under Item II, Part 1A, "Risk Factors" and elsewhere in this Quarterly Report. See "Special Note Regarding Forward-Looking Statements."

Overview

We own and operate premium authentic lifestyle brands with ingenious products we market and deliver through our direct-to-consumer ("DTC") platform. We aim to help our customers enjoy good moments that create lasting memories. We consistently deliver innovative, high-quality products that are loved by our customers and revolutionize the outdoor experience, build community and help everyday people reconnect with what matters most.

Our net sales increased from $69.1 million in the three months ended March 31, 2021 to $82.2 million in the three months ended March 31, 2022, representing an increase of 19.0%, including the effect of acquisitions. Our net income decreased from $22.2 million in the three months ended March 31, 2021 to a net loss of $3.2 million in the three months ended March 31, 2022. In addition to financial outputs, we take deliberate care to monitor and respond to our customer health as measured by our customer referral rate of 40.4%, our repeat purchase rate of 50.5%, and our net promoter score of 78 in the three months ended March 31, 2022. Together, these health checks ensure we continue to keep the customer at the center of what we do and drive solid customer lifetime value.

Outlook

Although we are not immune to the recent macroeconomic headwinds, including inflation, that could impact discretionary spending in 2022, increased freight and raw material costs, and continued supply chain issues that may impact demand for our products and ability to hold margins, we remain optimistic about the future growth opportunities for all our brands. Our first quarter is typically our lowest quarter for sales, but we saw healthy customer interaction and solid demand despite the seasonality component to our business and macroeconomic issues.

Key Factors Affecting Our Results of Operations

We believe that our performance and future success depend on a number of factors that present significant opportunities for us but also pose risks and challenges, including those discussed below and in Part I, Item 1A. "Risk Factors" included in our 2021 Form 10-K.

Economic Conditions

Demand for our products is impacted by a number of economic factors impacting our customers, such as consumer confidence, demographic trends, employment levels, and other macroeconomic factors. These factors may influence the extent to which consumers invest in outdoor lifestyle products such as fire pits, stoves, grills, consumables, and associated accessories.

Supply Chain

In 2022, some of our factories in China have closed periodically due to COVID-19 outbreaks. This has had adverse impacts on our business, primarily with the delivery of Solo Stove Pi. Our other products have been minimally impacted due to our strong inventory position.

Inflation

We expect to continue the volatility we experienced in the first quarter of 2022 into the second quarter. We believe consumers continue to feel the pressures of higher inflation, impacting their spending. We secured our contracted freight rates for the current year, and we expect freight rates to be higher in 2022 than last year, which will put pressure on gross margin in 2022. However, we have seen spot rates decrease from the highs in 2021, and we will opportunistically use the spot rates if they are lower than our contracted rates.

Success of Our Innovation Pipeline

Our future growth depends in part on our ability to introduce new and enhanced products. The success of our new and enhanced products depends on many factors, including anticipating consumer trends, finding innovative solutions to consumer needs, differentiating our products from those of our competitors, obtaining protection for our intellectual property and the ability to expand our brand beyond the categories of products we currently sell.

Seasonality/Weather

Sales have historically experienced seasonality, with our highest level of sales typically being generated in the second and fourth fiscal quarters and the first fiscal quarter typically generating the lowest sales. This historical sales trend is supported by the demand for our products at the beginning of the summer and holiday shopping seasons. Unfavorable weather can impact demand, including wet or exceptionally hot or dry weather conditions. Widespread wild fires also have potential to adversely impact our business.

COVID-19 Impacts

As we continue to monitor and navigate the COVID-19 pandemic and its effects, we may take additional actions based on the requirements and recommendations of local health guidelines, and intend to focus on investments for future, long-term growth. In certain circumstances, there may be developments outside our control requiring us to adjust our operating plan. As such, given the dynamic nature of this situation, we cannot reasonably estimate the impacts of the COVID-19 pandemic on our financial condition, results of operations or cash flows in the future. In addition, see Part I, Item 1A. "Risk Factors" included elsewhere in our 2021 Form 10-K.

Ability to Scale Our Operating Model

We depend on third-party manufacturers for the sourcing of our products and generally do not have long-term supply agreements with our manufacturers. Our future performance may be impacted by the inability or unwillingness of our third-party manufacturers to meet our product demand and the availability of land-based and air freight carriers. Our ability to support our growth will also be dependent on attracting, motivating, and retaining personnel.

Business Acquisitions

Our ability to find suitable acquisition targets and integrate them on to the Solo Brands platform can impact our future business performance.

Components of Our Results of Operations

Net Sales

Net sales are comprised of DTC and wholesale channel sales to retail partners. Net sales in both channels reflect the impact of partial shipments, product returns, and discounts for certain sales programs or promotions.

Our net sales have historically included a seasonal component. In the DTC channel, our historical net sales tend to be highest in our second and fourth quarters, while our wholesale channel has generated higher sales in the first and third quarters. Additionally, we expect volatility in the results of operations throughout the year relative to the timing of new product launches.

Gross Profit

Gross profit reflects net sales less cost of goods sold, which primarily includes the purchase cost of our products from our third-party manufacturers, inbound freight and duties, product quality testing and inspection costs, and depreciation on molds and equipment that we own.

Selling, General, & Administrative Expenses

Selling, general, and administrative, or SG&A, expenses consist primarily of marketing costs, equity-based compensation expense and benefits costs, costs of our warehousing and logistics operations, costs of operating on third-party DTC marketplaces, professional fees and services, cost of product shipment to our customers, and general corporate infrastructure expenses.

Results of Operations

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

Net Sales

(dollars in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Change $	Change %
Net sales	$ 82,203	$ 69,071	13,132	19.0%

Net sales increased $13.1 million, or 19.0%, to $82.2 million in the three months ended March 31, 2022, compared to $69.1 million in the three months ended March 31, 2021. This increase was primarily driven by a 34.6% increase in total orders period over period and a 13.3% increase in average order size, both of which were due to acquisition activity. Partially offsetting these increases, a $14.2 million decrease resulted from the normalization of demand in the three months ended March 31, 2022 compared to the three months ended March 31, 2021, which reflected an increase in revenue recognized related to an inflated deferred revenue balance at the end of 2020 due to backordered products.

Cost of Goods Sold and Gross Profit

(dollars in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Change $	Change %
Cost of goods sold	$ 33,350	$ 22,607	10,743	47.5%
Gross profit	$ 48,853	$ 46,464	2,389	5.1%
Gross margin (Gross profit as a % of net sales)	59.4 %	67.3 %		(7.9)%

Cost of goods sold increased $10.7 million, or 47.5%, to $33.4 million in the three months ended March 31, 2022, compared to $22.6 million in the three months ended March 31, 2021. $16.3 million of this increase was due to acquisition activity. Partially offsetting these increases, a $5.5 million decrease was primarily driven by slower sales of our products. Gross profit also increased $2.4 million, or 5.1%, to $48.9 million in the three months ended March 31, 2022, compared to $46.5 million in the three months ended March 31, 2021, primarily due to acquisition activity.

Gross margin decreased 7.9% to 59.4% in the three months ended March 31, 2022, from 67.3% in the three months ended March 31, 2021. The decrease in gross margin was primarily due to inventory turns driving recognition of fair value inventory write-ups from acquisition activity and higher freight costs in the three months ended March 31, 2022.

Selling, General, and Administrative Expenses

(dollars in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Change $	Change %
Selling, general, and administrative expenses	$ 45,644	$ 18,734	26,910	143.6%
SG&A as a % of net sales	55.5 %	27.1 %		28.4%

SG&A increased $26.9 million, or 143.6%, to $45.6 million in the three months ended March 31, 2022, compared to $18.7 million in the three months ended March 31, 2021. As a percentage of net sales, SG&A increased to 55.5% in the three months ended March 31, 2022, from 27.1% in the three months ended March 31, 2021. $12.4 million of the increase was due to acquisition activity. The remaining increase in SG&A was primarily driven by the following: a $6.7 million increase in employee costs as a result of equity-based compensation and increased headcount, a $3.4 million increase in advertising and marketing spend, a $1.1 million increase in professional services primarily as a result of the audit of the 2021 Form 10-K, a $1.0 million increase in rent as a result of a new global headquarters facility, a $0.9 million increase in insurance as a result of becoming a public company, and a $0.7 million increase in seller fees.

Depreciation and Amortization Expenses

(dollars in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Change $	Change %
Depreciation and amortization expenses	$ 5,935	$ 3,593	2,342	65.2%
Depreciation and amortization expenses as a % of net sales	7.2 %	5.2 %		2.0%

Depreciation and amortization expenses increased $2.3 million, or 65.2%, to $5.9 million in the three months ended March 31, 2022, compared to $3.6 million in the three months ended March 31, 2021. As a percentage of net sales, depreciation and amortization increased to 7.2% in the three months ended March 31, 2022, from 5.2% in the three months ended March 31, 2021. The increase in depreciation and amortization expenses was primarily driven by a $1.6 million increase in amortization related to increases in definite-lived intangible assets as a result of acquisition activity.

Interest Expense

Interest expense was $0.8 million in the three months ended March 31, 2022, compared to $1.7 million in the three months ended March 31, 2021. The decrease in interest expense was primarily due to lower interest rates.

Income Taxes

We are the sole managing member of Holdings, and as a result, consolidate the financial results of Holdings. Holdings is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, Holdings is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by Holdings is passed through to and included in the taxable income or loss of its members, including us, on a pro rata basis. We are subject to U.S. federal income taxes, in addition to state and local income taxes with respect to our allocable share of any taxable income or loss of Holdings, as well as any stand-alone income or loss generated by Solo Brands, Inc.

Income taxes was a benefit of $0.9 million in the three months ended March 31, 2022, and a nominal expense in the three months ended March 31, 2021. Income taxes represents federal, state, and local income taxes on our allocable share of taxable income of Holdings, as well as Oru's and Chubbies' federal and state tax expense and Solo Brands Europe BV foreign tax expense.

Liquidity and Capital Resources

Historically, our cash requirements have principally been for working capital purposes. We expect these needs to continue as we develop and grow our business. We fund our working capital, primarily inventory, and accounts receivable, from cash flows from operating activities, cash on hand, and borrowings under our Revolving Credit Facility.

Current Liquidity

As of March 31, 2022, we had a cash balance of $15.9 million, working capital (excluding cash) of $112.0 million, and $297.5 million of borrowings available under the Revolving Credit Facility.

Revolving Credit Facility and Term Loan

On May 12, 2021, we entered into a credit agreement with JPMorgan Chase Bank, N.A., the Lenders and L/C Issuers party thereto (each as defined therein) and the other parties thereto (as subsequently amended on June 2, 2021, and September 1, 2021, the "Revolving Credit Facility"). As so amended, the Revolving Credit Facility allows us to borrow up to $350.0 million of revolving loans, including the ability to issue up to $20.0 million in letters of credit. While our issuance of letters of credit does not increase our borrowings outstanding under the Revolving Credit Facility, it does reduce the amounts available under the Revolving Credit Facility. The Revolving Credit Facility matures on May 12, 2026 and bears interest at a rate equal to the base rate as defined in the agreement plus an applicable margin, which as of March 31, 2022, was based on LIBOR. Interest is due on the last business day of each March, June, September and December. On March 31, 2022, we had $52.5 million in outstanding borrowings and $297.5 million available for future borrowings on the Revolving Credit Facility. All outstanding principal and interest due under the Revolving Credit Facility are due at maturity.

In addition to the above, the amendment on September 1, 2021 included a provision to borrow up to $100.0 million under a term loan (the "Term Loan"). The proceeds from the Term Loan were used to fund the Chubbies acquisition. The Term Loan matures on September 1, 2026, and the weighted average interest rate on the Term Loan during the three months ended March 31, 2022 was 1.35%. We were required to make quarterly principal payments on the Term Loan beginning on December 31, 2021. On March 31, 2022, we had $98.8 million outstanding on the Term Loan. All outstanding principal and interest due on the Term Loan are due at maturity.

The recent changes in our working capital requirements generally reflect the growth in our business. Although we cannot predict with certainty all of our particular short-term cash uses or the timing or amount of cash requirements, we believe that our available cash on hand, along with amounts available under our Revolving Credit Facility will be sufficient to satisfy our liquidity requirements for at least the next twelve months. However, the continued growth of our business, including our expansion into international markets, may significantly increase our expenses (including our capital expenditures) and cash requirements. Furthermore, we will continue to seek possible brand and mission consistent acquisition opportunities that would require additional capital. In addition, the amount of our future product sales is difficult to predict, and actual sales may not be in line with our forecasts. As a result, we may be required to seek additional funds in the future from issuances of equity or debt, obtaining additional credit facilities, or loans from other sources.

Other Terms of the Revolving Credit Facility

We may request incremental term loans, incremental equivalent debt, or revolving commitment increases (we refer to each as an Incremental Increase) in amounts such that, after giving pro forma effect to such Incremental Increase, our total secured net leverage ratio (as defined in the Revolving Credit Facility) would not exceed the then-applicable cap under the Revolving Credit Facility. In the event that any lenders fund any of the Incremental Increases, the terms and provisions of each Incremental Increase, including the interest rate, shall be determined by us and the lenders, but in no event shall the terms and provisions, when taken as a whole and subject to certain exceptions, of the applicable Incremental Increase, be more favorable to any lender providing any portion of such Incremental Increase than the terms and provisions of the loans provided under the Revolving Credit Facility unless such terms and conditions reflect market terms and conditions at the time of incurrence or issuance thereof as determined by us in good faith.

The Revolving Credit Facility is (a) jointly and severally guaranteed by the Guarantors and any future subsidiaries that execute a joinder to the guaranty and related collateral agreements and (b) secured by a first priority lien on substantially all of our and the Guarantors' assets, subject to certain customary exceptions.

The Revolving Credit Facility requires us to comply with certain financial ratios, including:

- at the end of each fiscal quarter, a total net leverage ratio (as defined in the Revolving Credit Facility) for the four quarters then ended of not more than: 4.00 to 1.00, for each quarter ending in 2021, 2022, and on June 30, 2023; 3.75 to 1.00, for each quarter ending June 30, 2023 through March 31, 2024; and 3.50 to 1.00, for each quarter ending June 30, 2024 or thereafter;
- at the end of each fiscal quarter commencing with the quarter ending September 30, 2021, an interest coverage ratio (as defined in the Revolving Credit Facility) for the four quarters then ended of not less than 3.00 to 1.00.

In addition, the Revolving Credit Facility contains customary financial and non-financial covenants limiting, among other things, mergers and acquisitions; investments, loans, and advances; affiliate transactions; changes to capital structure and the business; additional indebtedness; additional liens; the payment of dividends; and the sale of assets, in each case, subject to certain customary exceptions. The Revolving Credit Facility contains customary events of default, including payment defaults, breaches of representations and warranties, covenant defaults, defaults under other material debt, events of bankruptcy and insolvency, failure of any guaranty or security document supporting the Revolving Credit Facility to be in full force and effect, and a change of control of our business. We were in compliance with all covenants under the Revolving Credit Facility as of March 31, 2022.

Cash Flows

(dollars in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Cash flows provided by (used in):		
Operating activities	$ (25,511)	$ (5,806)
Investing activities	(2,470)	(684)
Financing activities	$ 18,747	$ (113)

Operating activities

Net cash used in operating activities was $25.5 million in the three months ended March 31, 2022, compared to net cash used in operating activities of $5.8 million in the three months ended March 31, 2021. The $19.7 million increase in cash used in operating activities was primarily due to the following:

- net income (loss) decreased $25.5 million, partially offset by increases in non-cash adjustments to net income of $8.0 million, which resulted in a cash usage of $17.5 million; and
- changes in inventory decreased operating cash flow by $21.6 million, primarily driven by purchases of additional inventory to meet the increased demand of our products.

Partially offsetting these increases in cash used in operating activities were the following:

- changes in deferred revenue increased operating cash flow by $17.3 million, primarily driven by shipments of previously backordered products; and
- changes in accrued expenses and other current liabilities increased operating cash flow by $9.1 million, primarily driven by the establishment of accruals for federal and state income taxes as a result of becoming a taxable corporation and the timing of tax distributions to noncontrolling interests.

Investing activities

Cash used in investing activities was $2.5 million in the three months ended March 31, 2022, compared to cash used in investing activities of $0.7 million in the three months ended March 31, 2021. The increase in cash used in investing activities was due to a $1.0 million increase in capital expenditures and $0.8 million of working capital settlements paid for prior year acquisitions.

Financing activities

Cash provided by financing activities was $18.7 million in the three months ended March 31, 2022, compared to cash used in financing activities of $0.1 million in the three months ended March 31, 2021. The $18.9 million increase in cash provided by financing activities was primarily due to $20.0 million of borrowings on the Revolving Credit Facility during the three months ended March 31, 2022.

Contractual Obligations

For information regarding our contractual obligations, see Note 8, Long-Term Debt, Note 9, Leases, and Note 12, Commitments and Contingencies, in this Quarterly Report and Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2021 Form 10-K.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. In preparing the consolidated financial statements, we make estimates and judgments that affect the reported amounts of assets, liabilities, sales, expenses, and related disclosure of contingent assets and liabilities. We re-evaluate our estimates on an on-going basis. Our estimates are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Because of the uncertainty inherent in these matters, actual results may differ from these estimates and could differ based upon other assumptions or conditions.

See Note 2, Significant Accounting Policies, to the audited consolidated financial statements included in our 2021 Form 10-K for more information about our significant accounting policies, including our critical accounting policies. The critical accounting estimates that reflect our more significant judgments and estimates used in the preparation of our consolidated financial statements are described in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, included in our 2021 Form 10-K. During the three months ended March 31, 2022, there were no material changes to our critical accounting policies and estimates from those discussed in our 2021 Form 10-K. Within the context of these critical accounting estimates, we are not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

Recent Accounting Pronouncements

For a description of recent accounting pronouncements, see “Recently Adopted Accounting Pronouncements” and “Recently Issued Accounting Pronouncements—Not Yet Adopted” in Note 1 to the unaudited consolidated financial statements included elsewhere in this Quarterly Report.

JOBS Act

We currently qualify as an “emerging growth company” under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Accordingly, we are provided the option to adopt new or revised accounting guidance either (i) within the same periods as those otherwise applicable to non-emerging growth companies or (ii) within the same time periods as private companies. We have elected to adopt new or revised accounting guidance within the same time period as private companies, unless management determines it is preferable to take advantage of early adoption provisions offered within the applicable guidance. Our utilization of these transition periods may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the transition periods afforded under the JOBS Act.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates.

Interest Rate Risk

In order to maintain liquidity and fund business operations, we have a long-term credit facility and separate term loan that bear variable interest rates based on prime, federal funds, or LIBOR plus an applicable margin based on our total net leverage ratio. As of March 31, 2022, we had indebtedness of $52.5 million and $98.8 million under our Revolving Credit Facility and Term Loan, respectively. The nature and amount of our long-term debt can be expected to vary as a result of future business requirements, market conditions, and other factors. We may elect to enter into interest rate swap contracts to reduce the impact associated with interest rate fluctuations, but as of March 31, 2022, we have not entered into any such contracts. A 100 bps increase in LIBOR would increase our interest expense by approximately $1.5 million in any given year.

Inflation Risk

Inflationary factors such as increases in the cost of our product and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and SG&A expenses as a percentage of net sales, if the selling prices of our products do not increase with these increased costs.

Commodity Price Risk

The primary raw materials and components used by our contract manufacturing partners include stainless steel and aluminum. We believe these materials are readily available from multiple vendors. We have, and may continue to, negotiate prices with suppliers of these products on behalf of our third-party contract manufacturers in order to leverage the cumulative impact of our volume. We do not, however, source significant amounts of these products directly. Certain of these products use petroleum or natural gas as inputs. However, we do not believe there is a significant direct correlation between petroleum or natural gas prices and the costs of our products.

Foreign Currency Risk

Our international sales are primarily denominated in U.S. dollars. During the three months ended March 31, 2022, net sales in international markets accounted for 6.3% of our consolidated revenues. During the three months ended March 31, 2021, net sales in international markets accounted for 3.6% of our consolidated net sales. Therefore, we do not believe exposure to foreign currency fluctuations had a material impact on our net sales. A portion of our operating expenses are incurred outside the Unites States and are denominated in foreign currencies, which are also subject to fluctuations due to changes in foreign currency exchange rates. In addition, our suppliers may incur many costs, including labor costs, in other currencies. To the extent that exchange rates move unfavorably for our suppliers, they may seek to pass these additional costs on to us, which could have a material impact on our gross margin. In addition, a strengthening of the U.S. dollar may increase the cost of our products to our customers outside of the United States. Our operating results and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. However, we believe that the exposure to foreign currency fluctuations from operating expenses is not material at this time.

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, 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 principal executive officer and principal financial officer concluded that, as of March 31, 2022, our disclosure controls and procedures were effective at the reasonable assurance level.

Material Weakness in Internal Control over Financial Reporting

As previously reported, in connection with the preparation of our financial statements for 2020, we identified a material weakness in our internal control over financial reporting that was remediated as of December 31, 2021. Refer to Part II, Item 9A. Controls and Procedures in our 2021 Form 10-K for further information.

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, 2022 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

Information on the Company's legal proceedings is set forth under Part I, "Item 3. Legal Proceedings" in our 2021 Form 10-K. There have been no material changes to the legal proceedings as described in the 2021 Form 10-K.

Item 1A. Risk Factors

You should carefully consider the risk factors set forth under Part I, Item 1A. Risk Factors in our 2021 Form 10-K, which could materially affect our business, financial condition, and future results. The risks described in the 2021 Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and operating results.

There have been no material changes to the risk factors identified in Part I, "Item 1A. Risk Factors" in our 2021 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sale of Equity Securities

There were no sales of unregistered securities during the three months ended March 31, 2022.

Purchase of Equity Securities

We did not repurchase shares of our Class A common stock during the three months ended March 31, 2022.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed / Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of Solo Brands, Inc.	S-8	333-260826	4.1	11/5/2021	
3.2	Amended and Restated Bylaws of Solo Brands, Inc.	S-8	333-260826	4.2	11/5/2021	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).					*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).					*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.					**
32.2	Certification 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.

	Solo Brands, Inc.
Date: May 12, 2022	By: /s/ John Merris John Merris President and Chief Executive Officer (Principal Executive Officer)
Date: May 12, 2022	By: /s/ Samuel Simmons Samuel Simmons Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John Merris, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Solo Brands, 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 officers 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)) 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) [Omitted];

   (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 officers 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 12, 2022

By: /s/ John Merris
John Merris
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Samuel Simmons, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Solo Brands, 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 officers 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)) 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) [Omitted];

   (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 officers 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 12, 2022

By: /s/ Samuel Simmons
Samuel Simmons
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**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 on Form 10-Q of Solo Brands, Inc. (the "Company") for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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 12, 2022

By: /s/ John Merris
John Merris
Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

**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 on Form 10-Q of Solo Brands, Inc. (the "Company") for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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 12, 2022	By:	/s/ Samuel Simmons
		Samuel Simmons
		Chief Financial Officer (Principal Financial Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.