

SOLO BRANDS, INC.
Non-GAAP Financial Measures

We report our financial results in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”); however, management believes that certain non-GAAP financial measures provide users of our financial information with useful supplemental information that enables a better comparison of our performance across periods. We use adjusted gross profit, adjusted gross profit margin, free cash flow, adjusted net income, adjusted net income (loss) per Class A common stock, adjusted EBITDA and adjusted EBITDA margin non-GAAP financial measures, because we believe they are useful indicators of our operating performance. Our management uses these non-GAAP measures principally as measures of our operating performance and believes that these non-GAAP measures are useful to our investors because they are frequently used by securities analysts, investors and other interested parties in their evaluation of the operating performance of companies in industries similar to ours. Our management also uses these non-GAAP measures for planning purposes, including the preparation of our annual operating budget and financial projections.

None of these non-GAAP measures is a measurement of financial performance under U.S. GAAP. These non-GAAP measures should not be considered in isolation or as a substitute for a measure of our liquidity or operating performance prepared in accordance with U.S. GAAP and are not indicative of net income (loss) as determined under U.S. GAAP. In addition, the exclusion of certain gains or losses in the calculation of non-GAAP financial measures should not be construed as an inference that these items are unusual or infrequent as they may recur in the future, nor should it be construed that our future results will be unaffected by unusual or non-recurring items. These non-GAAP financial measures have limitations that should be considered before using these measures to evaluate our liquidity or financial performance. Some of these limitations are as follows.

These non-GAAP measures exclude certain tax payments that may require a reduction in cash available to us; do not reflect our cash expenditures, or future requirements, for capital expenditures (including capitalized software developmental costs) or contractual commitments; do not reflect changes in, or cash requirements for, our working capital needs; do not reflect the cash requirements necessary to service interest or principal payments on our debt; exclude certain purchase accounting adjustments related to acquisitions; and exclude equity-based compensation expense, which has recently been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy.

In addition, other companies may define and calculate similarly-titled non-GAAP financial measures differently than us, thereby limiting the usefulness of these non-GAAP financial measures as a comparative tool. Because of these and other limitations, you should consider our non-GAAP measures only as supplemental to other U.S. GAAP-based financial performance measures.

Free Cash Flow

We calculate free cash flow as net cash provided by (used in) operating activities, reduced by capital expenditures (consisting of purchases of property and equipment, purchases of intangible assets and capitalization of internal use software). We believe free cash flow is an important liquidity measure of the cash that is available for operational expenses, investments in our business, strategic acquisitions, and for certain other activities such as repaying debt obligations and stock repurchases.

Adjusted Free Cash Flow

Adjusted free cash flow is defined as free cash flow eliminating the cash impact of the following costs that are believed by management to be non-operating in nature and not representative of the Company’s core operating performance, as listed below under “Non-GAAP Adjustments”: business optimization and expansion expense, management transition costs, transaction costs, sales tax audit expense, tax refunds, prepaid marketing charges (in the period in which cash outflows occurred) and payments of contingent consideration included in net cash provided by (used in) operating activities. We believe that adjusted free cash flow enhances investors’ understanding of the liquidity of our ongoing operations. Our definition of adjusted free cash flow may differ from those used by other companies.

Adjusted Net Income (Loss)

We calculate adjusted net income as net income (loss) excluding impairment charges and the costs that are believed by management to be non-operating in nature and not representative of the Company’s core operating performance, as listed below under “Non-GAAP Adjustments”. Adjusted net income (loss) attributable to noncontrolling interests is calculated as income (loss) before income taxes, adjusted in the same manner as adjusted net income, adjusted for the allocable attribution to the noncontrolling interest.

Adjusted Net Income (Loss) per Class A Common Stock

We calculate adjusted net income (loss) per Class A common stock as adjusted net income, as defined above, less the allocable portion of net income to the noncontrolling interest, divided by weighted average diluted shares or weighted average shares of Class A common stock, respectively, as calculated under U.S. GAAP.

Beginning with the reporting of our results for the three and twelve month periods ended December 31, 2023, adjusted net income (loss) per Class A Common Stock removes the portion of adjusted net income (loss) attributable to noncontrolling interests as management believes this presentation provides investors with a more concise view of the Company’s results. The Company intends to present adjusted net income (loss) per Class A Common Stock on this basis going forward and will present prior periods on the same basis for comparability purposes.

EBITDA

We calculate EBITDA as net income (loss) before interest expense, income taxes, and depreciation and amortization expenses.

Adjusted EBITDA

We calculate adjusted EBITDA as net income (loss) before interest expense, income taxes, depreciation and amortization expenses, impairment charges, equity-based compensation expense, and the costs that are believed by management to be non-operating in nature and not representative of the Company's core operating performance, as listed below under "Non-GAAP Adjustments".

Adjusted EBITDA Margin

We calculate adjusted EBITDA margin as adjusted EBITDA, divided by net sales.

Adjusted Gross Profit

We calculate adjusted gross profit as gross profit, less inventory charges associated with restructuring and consolidation activities, inventory fair value write-ups and tooling depreciation.

Adjusted Gross Profit Margin

We calculate adjusted gross profit margin as adjusted gross profit, divided by net sales.

Non-GAAP Adjustments

In addition to the costs specifically noted under the non-GAAP metrics above, the Company believes that evaluation of its financial performance can be enhanced by a supplemental presentation of results that exclude costs believed by management to be non-operating in nature and not representative of the Company's core operating performance. These costs are excluded in order to enhance consistency and comparability with results in prior periods that do not include such items and to provide a basis for evaluating operating results in future periods.

- Restructuring, contract termination, impairment and related charges - Represents contract termination, impairment and restructuring charges related to the termination of underperforming marketing contracts, reorganization of the Oru and ISLE reporting units of the Company under a revised management structure, and charges related to the IcyBreeze reporting unit and the related inventory charges associated with the restructuring and consolidation activities, as well as the goodwill impairment charges related to the Solo Stove reporting unit driven by the sustained decline in share price.
- Amortization expense - Represents the non-cash amortization of intangible assets related to the reorganization transactions in 2020 and the 2021 and 2023 acquisitions.
- Business optimization and expansion expenses - Represents select consulting and software implementation fees.
- Equity-based compensation expense - Represents the non-cash expense related to the incentive units, restricted stock units, options, performance stock units, executive performance stock units and employee stock purchases, with vestings occurring over time and settled with the Company's common stock.
- Changes in fair value of contingent earn-out liability - Represents the charge to mark the contingent earn-out consideration to fair value in connection with the 2023 acquisitions.
- Management transition costs - Represents costs primarily related to executive transition costs for executive search fees and related costs for the transition of certain members of management, such as severance costs.
- Transaction costs - Represents transaction costs primarily related to professional service fees incurred in connection with the secondary offering, S-3 registration statement filed in 2023 and acquisition activities, including financial diligence and legal fees.
- Prepaid marketing charges - Represents the write-off of marketing campaigns that were determined to be inconsistent with current marketing strategies.
- Inventory fair value write-ups - Represents the recognition of fair market value write-ups of inventory accounted for under ASC 805 related to the 2023 acquisitions.
- Sales tax audit expense - Represents a sales tax assessment related to prior periods.
- Tax refunds - Represents a one-time tax refund related to COVID-19 era benefits.
- Tooling depreciation - Represents the depreciation applicable to the tooling used in the manufacturing process that is recognized within cost of goods sold.
- Tax impact of adjusting items - Represents the tax impact of the respective adjustments for each non-GAAP financial measure calculated at an expected statutory rate of 21.0%, adjusted to reflect the allocation to the controlling interest.
- Removal of valuation allowance - Represents the removal of the valuation allowance recorded within the period, as determined through revision of the current period tax provision to reflect the Non-GAAP Adjustments to income (loss) before income taxes.

Adjusted Net Sales

We calculate adjusted net sales as net sales, less the impact of significant nonrecurring transactions with marketing barter partners.

SOLO BRANDS, INC.
Reconciliation of Non-GAAP Financial Information to GAAP
(Unaudited) (In thousands except per share amounts)

The following table reconciles net sales to adjusted net sales for the periods presented:

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales	\$ 94,139	\$ 110,324	\$ 311,013	\$ 329,458
DTC net sales	64,480	76,337	214,293	230,737
Retail net sales	29,659	33,987	96,720	98,721
Significant non-recurring transactions with marketing barter partners	—	(7,160)	—	(7,160)
Adjusted Retail net sales	29,659	26,827	96,720	91,561
Adjusted net sales	\$ 94,139	\$ 103,164	\$ 311,013	\$ 322,298

The following table reconciles gross profit to adjusted gross profit for the periods presented:

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Gross profit	\$ 39,319	\$ 68,259	\$ 172,500	\$ 205,733
Inventory charges associated with restructuring and consolidation activities	18,742	—	18,742	—
Inventory fair value write-up	—	—	805	—
Tooling depreciation	241	687	186	546
Adjusted gross profit	\$ 58,302	\$ 68,445	\$ 192,734	\$ 206,279
Gross profit margin (Gross profit as a % of net sales)	41.8 %	61.9 %	55.5 %	62.4 %
Adjusted gross profit margin (Adjusted gross profit as a % of net sales)	61.9 %	62.0 %	62.0 %	62.6 %

The following table reconciles net cash (used in) provided by operating activities to free cash flow and adjusted free cash flow for the periods presented:

<i>(dollars in thousands)</i>	Nine Months Ended September 30,	
	2024	2023
Net cash (used in) provided by operating activities (as reported)	\$ (2,470)	\$ 39,164
Capital expenditures	(11,512)	(6,943)
Free cash flow	\$ (13,982)	\$ 32,221
Business optimization and expansion expense	6,256	456
Management transition costs	3,090	915
Transaction costs	988	2,855
Sales tax audit expense	485	—
Tax refunds	—	(5,121)
Prepaid marketing charges	510	1,361
Payments of contingent consideration	3,000	—
Adjusted free cash flow	\$ 347	\$ 32,687

The following tables reconcile the non-GAAP financial measures to their most comparable GAAP measure for the periods presented:

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ (111,453)	\$ 3,083	\$ (121,974)	\$ 15,530
Restructuring, contract termination, impairment and related charges	102,360	4,317	102,360	4,317
Amortization expense	5,067	5,744	15,163	16,263
Business optimization and expansion expense	2,776	210	6,256	456
Equity-based compensation expense	1,859	4,964	4,740	14,766
Changes in fair value of contingent earn-out liability	4,559	(2,242)	4,721	(2,242)
Management transition costs	250	263	3,090	915
Transaction costs	672	728	988	2,855
Prepaid marketing charges	1,871	—	1,871	—
Inventory fair value write-ups	—	—	805	—
Sales tax audit expense	4	—	485	—
Tax refunds	—	—	—	(5,121)
Tax impact of adjusting items	(16,024)	(1,858)	(18,851)	(4,313)
Reversal of valuation allowance	9,508	—	9,508	—
Adjusted net income (loss)	\$ 1,449	\$ 15,209	\$ 9,162	\$ 43,426
Less: adjusted net income (loss) attributable to noncontrolling interests	386	3,942	4,010	16,117
Adjusted net income (loss) attributable to Solo Brands, Inc.	\$ 1,063	\$ 11,267	\$ 5,152	\$ 27,309
Adjusted net income (loss) per Class A common stock	\$ 0.02	\$ 0.19	\$ 0.09	\$ 0.44
Weighted-average Class A common stock outstanding - basic	58,545	57,883	58,303	61,370
Weighted-average Class A common stock outstanding - diluted	58,545	58,368	58,303	61,581
Net income (loss)	\$ (111,453)	\$ 3,083	\$ (121,974)	\$ 15,530
Interest expense	3,683	2,766	10,352	7,542
Income tax (benefit) expense	(6,897)	(6,191)	(7,398)	(3,272)
Depreciation and amortization expense	6,815	7,052	19,942	19,579
EBITDA	\$ (107,852)	\$ 6,710	\$ (99,078)	\$ 39,379
Restructuring, contract termination, impairment and related charges	102,360	4,317	102,360	4,317
Business optimization and expansion expense	2,776	210	6,256	456
Equity-based compensation expense	1,859	4,964	4,740	14,766
Changes in fair value of contingent earn-out liability	4,559	(2,242)	4,721	(2,242)
Management transition costs	250	263	3,090	915
Transaction costs	672	728	988	2,855
Prepaid marketing charges	1,871	—	1,871	—
Inventory fair value write-ups	—	—	805	—
Sales tax audit expense	4	—	485	—
Tax refunds	—	—	—	(5,121)
Adjusted EBITDA	\$ 6,499	\$ 14,950	\$ 26,238	\$ 55,325
Net income (loss) margin (Net income (loss) as a % of net sales)	(118.4)%	2.8 %	(39.2)%	4.7 %
Adjusted EBITDA margin (Adjusted EBITDA as a % of net sales)	6.9 %	13.6 %	8.4 %	16.8 %