

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, 2023**  
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: **001-40477**  
**Better Choice Company Inc.**  
(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**83-4284557**

(I.R.S. Employer Identification No.)

**12400 Race Track Road**  
**Tampa, Florida 33626**  
**(212) 896-1254**

(Address of Principal Executive Offices) (Zip Code)

(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
Common Stock, \$0.001 par value share	BTTR	NYSE American

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by a 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date was: 30,541,148 shares of \$0.001 par value common stock outstanding as of May 12, 2023.

**Better Choice Company Inc.**  
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**FORWARD-LOOKING STATEMENTS**

This report contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this report are forward-looking statements. Forward-looking statements discuss our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “aim,” “anticipate,” “believe,” “can,” “could,” “estimate,” “expect,” “forecast,” “intend,” “likely,” “may,” “outlook,” “plan,” “potential,” “project,” “projection,” “seek,” “should,” “will,” “would,” the negatives thereof and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. They appear in a number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including, but not limited to, those summarized below:

- our ability to continue as a going concern;
- the impact of damage to or interruption of our information technology systems due to cyber-attacks or other circumstances beyond our control;
- the continued impact of the actual or perceived effects of the COVID-19 pandemic, including as a result of any additional variants of the virus or the efficacy and distribution of vaccines, on the global pet health and wellness industry, our employees, suppliers, customers and end consumers, which could adversely and materially impact our business, financial condition and results of operations;
- business interruptions resulting from geopolitical actions, including war and terrorism;
- our ability to successfully implement our growth strategy;
- failure to achieve growth or manage anticipated growth;
- our ability to achieve or maintain profitability;
- the loss of key members of our senior management team;
- our ability to generate sufficient cash flow or raise capital on acceptable terms to run our operations, service our debt and make necessary capital expenditures;
- our dependence on our subsidiaries for payments, advances and transfers of funds due to our holding company status;
- our ability to successfully develop additional products and services or successfully market and commercialize such products and services;
- competition in our market;
- our ability to attract new and retain existing customers, suppliers, distributors or retail partners;
- allegations that our products cause injury or illness or fail to comply with government regulations;

- our ability to manage our supply chain effectively;
- our or our co-manufacturers' and suppliers' ability to comply with legal and regulatory requirements;
- the effect of potential price increases and shortages on the inputs, commodities and ingredients that we require, whether as a result of the continued actual or perceived effects of the COVID-19 pandemic or broader geopolitical and macroeconomic conditions, including the military conflict between Russia and Ukraine;
- our ability to develop and maintain our brand and brand reputation;
- compliance with data privacy rules;
- our compliance with applicable regulations issued by the U.S. Food and Drug Administration ("FDA"), the U.S. Federal Trade Commission ("FTC"), the U.S. Department of Agriculture ("USDA"), and other federal, state and local regulatory authorities, including those regarding marketing pet food, products and supplements;
- risk of our products being recalled for a variety of reasons, including product defects, packaging safety and inadequate or inaccurate labeling disclosure;
- risk of shifting customer demand in relation to raw pet foods, premium kibble and canned pet food products, and failure to respond to such changes in customer taste quickly and effectively; and
- the other risks identified in this Quarterly Report including, without limitation, Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Part II, Item 1A "Risk Factors" as such factors may updated from time to time in our other public filings.
- Per section 9.3(H) of the WinTrust Credit Facility referenced in Note 8, Halo is restricted on its ability to pay dividends and make payments to the Company as defined in the loan and security agreement. This impacts the Company's ability to pay dividends to its shareholders, as the Company depends on its subsidiaries for transfers of funds to support professional fees and its holding company status. As referenced in Note 1, the Company is required to maintain a restricted cash balance of \$6.3 million as of March 31, 2023 and December 31, 2022, respectively, in connection with the Wintrust Credit Facility."

#### **NOTE REGARDING TRADEMARKS**

We own or have rights to use the trademarks and trade names that we use in conjunction with the operation of our business. Each trademark or trade name of any other company appearing in this Quarterly Report on Form 10-Q is, to our knowledge, owned by such other company. Solely for convenience, our trademarks and trade names referred to in this Quarterly Report on Form 10-Q may appear without the ® or ™ symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks and trade names.

PART I

ITEM 1. FINANCIAL STATEMENTS

**Better Choice Company Inc.**  
**Unaudited Condensed Consolidated Statements of Operations**  
*(Dollars in thousands, except share and per share amounts)*

	Three Months Ended March 31,	
	2023	2022
Net sales	\$ 9,237	\$ 17,014
Cost of goods sold	5,996	12,307
Gross profit	3,241	4,707
<b>Operating expenses:</b>		
Selling, general and administrative	5,635	7,577
Share-based compensation	861	1,091
Total operating expenses	6,496	8,668
Loss from operations	(3,255)	(3,961)
<b>Other expenses:</b>		
Interest expense, net	(229)	(76)
Total other expense, net	(229)	(76)
Net loss before income taxes	(3,484)	(4,037)
Income tax expense	—	3
Net loss available to common stockholders	\$ (3,484)	\$ (4,040)
Weighted average number of shares outstanding, basic	30,475,068	29,289,504
Weighted average number of shares outstanding, diluted	30,475,068	29,289,504
Net loss per share available to common stockholders, basic	\$ (0.11)	\$ (0.14)
Net loss per share available to common stockholders, diluted	\$ (0.11)	\$ (0.14)

See accompanying notes to the unaudited condensed consolidated financial statements.

**Better Choice Company Inc.**  
**Unaudited Condensed Consolidated Balance Sheets**  
*(Dollars in thousands, except share and per share amounts)*

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,649	\$ 3,173
Restricted cash	6,300	6,300
Accounts receivable, net	6,317	6,744
Inventories, net	8,883	10,257
Prepaid expenses and other current assets	1,044	1,051
<b>Total Current Assets</b>	<b>24,193</b>	<b>27,525</b>
Fixed assets, net	332	375
Right-of-use assets, operating leases	160	173
Intangible assets, net	9,678	10,059
Other assets	782	544
<b>Total Assets</b>	<b>\$ 35,145</b>	<b>\$ 38,676</b>
<b>Liabilities &amp; Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 3,128	\$ 2,932
Accrued and other liabilities	1,487	2,596
Operating lease liability	53	52
<b>Total Current Liabilities</b>	<b>4,668</b>	<b>5,580</b>
<b>Non-current Liabilities</b>		
Line of credit, net	11,462	11,444
Operating lease liability	110	124
<b>Total Non-current Liabilities</b>	<b>11,572</b>	<b>11,568</b>
<b>Total Liabilities</b>	<b>16,240</b>	<b>17,148</b>
<b>Stockholders' Equity</b>		
Common Stock, \$0.001 par value, 200,000,000 shares authorized, 30,497,148 & 29,430,267 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	30	29
Additional paid-in capital	320,931	320,071
Accumulated deficit	(302,056)	(298,572)
<b>Total Stockholders' Equity</b>	<b>18,905</b>	<b>21,528</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 35,145</b>	<b>\$ 38,676</b>

See accompanying notes to the unaudited condensed consolidated financial statements.

**Better Choice Company Inc.**  
**Unaudited Condensed Consolidated Statements of Stockholders' Equity (Deficit)**  
*(Dollars in thousands, except shares)*

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
<b>Balance as of December 31, 2022</b>	<b>29,430,267</b>	<b>\$ 29</b>	<b>\$ 320,071</b>	<b>\$ (298,572)</b>	<b>\$ 21,528</b>
Share-based compensation	1,066,881	—	861	—	861
Share issuance	—	1	(1)	—	—
Net loss available to common stockholders	—	—	—	(3,484)	(3,484)
<b>Balance as of March 31, 2023</b>	<b>30,497,148</b>	<b>30</b>	<b>320,931</b>	<b>(302,056)</b>	<b>18,905</b>

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
<b>Balance as of December 31, 2021</b>	<b>29,146,367</b>	<b>\$ 29</b>	<b>317,102</b>	<b>\$ (259,256)</b>	<b>\$ 57,875</b>
Share-based compensation	218,345	—	1,091	—	1,091
Net loss available to common stockholders	—	—	—	(4,040)	(4,040)
<b>Balance as of March 31, 2022</b>	<b>29,364,712</b>	<b>29</b>	<b>318,193</b>	<b>(263,296)</b>	<b>54,926</b>

See accompanying notes to the unaudited condensed consolidated financial statements.

**Better Choice Company Inc.**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
*(Dollars in thousands)*

	Three Months Ended	
	2023	2022
<b>Cash Flow from Operating Activities:</b>		
Net loss available to common stockholders	\$ (3,484)	\$ (4,040)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	424	409
Amortization of debt issuance costs and discounts	19	—
Share-based compensation	861	1,091
Inventory reserve	(682)	222
Loss on disposal of assets	11	—
Other	—	15
Changes in operating assets and liabilities:		
Accounts receivable	427	(2,925)
Inventories	2,056	(3,260)
Prepaid expenses and other assets	(230)	81
Accounts payable and accrued liabilities	(924)	728
Other	49	12
<b>Cash Used in Operating Activities</b>	<b>\$ (1,473)</b>	<b>\$ (7,667)</b>
<b>Cash Flow from Investing Activities:</b>		
Capital expenditures	\$ (10)	\$ (150)
<b>Cash Used in Investing Activities</b>	<b>\$ (10)</b>	<b>\$ (150)</b>
<b>Cash Flow from Financing Activities:</b>		
Payments on short-term financing arrangement	\$ (41)	\$ —
Proceeds from revolving lines of credit	—	2,500
Payments on term loans	—	(200)
Debt issuance costs	—	(7)
<b>Cash (Used in) Provided by Financing Activities</b>	<b>\$ (41)</b>	<b>\$ 2,293</b>
Net decrease in cash and cash equivalents and restricted cash	\$ (1,524)	\$ (5,524)
Total cash and cash equivalents and restricted cash, beginning of period	9,473	28,942
Total cash and cash equivalents and restricted cash, end of period	<u>7,949</u>	<u>23,418</u>
<b>Supplemental cash flow information</b>		
<b>Cash paid during the quarter for:</b>		
Interest	\$ 237	\$ 67

See accompanying notes to the unaudited condensed consolidated financial statements.

**Notes to the Condensed Consolidated Financial Statements  
(Unaudited)**

**Note 1 – Nature of business and summary of significant accounting policies**

**Nature of the business**

Better Choice Company Inc. (the "Company") is a pet health and wellness company focused on providing pet products and services that help dogs and cats live healthier, happier and longer lives. The Company has a broad portfolio of pet health and wellness products for dogs and cats sold under its Halo brand across multiple forms, including foods, treats, toppers, dental products, chews and supplements. The products consist of kibble and canned dog and cat food, freeze-dried raw dog food and treats, vegan dog food and treats, oral care products and supplements.

**Basis of presentation**

The Company's condensed consolidated financial statements are prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for interim financial reports and accounting principles generally accepted in the U.S. ("GAAP"). Accordingly, the Condensed Consolidated Balance Sheet as of December 31, 2022 has been derived from the audited consolidated financial statements at that date but does not include all of the information required by GAAP for complete financial statements. Results of operations for interim periods may not be representative of results to be expected for the full year.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes in the Company's Annual Report for the year ended December 31, 2022, filed with the SEC.

**Consolidation**

The condensed financial statements are presented on a consolidated basis and include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

**Use of estimates**

The preparation of the condensed financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. The Company bases its estimates on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances. On an ongoing basis, the Company evaluates these assumptions, judgments and estimates. Actual results may differ from these estimates.

In the opinion of management, the condensed consolidated financial statements contain all adjustments necessary for a fair statement of the results of operations for the periods ended March 31, 2023 and 2022, the financial position as of March 31, 2023 and December 31, 2022 and the cash flows for the three months ended March 31, 2023 and 2022.

**Going concern considerations**

The Company is subject to risks common in the pet wellness consumer market including, but not limited to, dependence on key personnel, competitive forces, successful marketing and sale of its products, the successful protection of its proprietary technologies, ability to grow into new markets, and compliance with government regulations. The Company has continually incurred losses, has an accumulated deficit and is currently subject to certain financial covenants, which requires maintaining a minimum liquidity (as defined in the Wintrust Credit Facility below) of no less than \$8.5 million tested as of the last day of each fiscal quarter. Our continued operating losses along with this financial covenant create substantial doubt about the Company's ability to continue as a going concern for a period of twelve months from the date these condensed consolidated financial statements are issued. The Company does not currently expect it will be able to generate sufficient cash flow from operations to maintain sufficient liquidity to meet the required financial covenant in certain periods prior to maturity giving the lender the right to call the debt. The Company will need to either raise additional capital or obtain additional financing, and/or secure future waivers or amendments from its lenders, or accomplish some combination of these items to maintain sufficient liquidity. There can be no assurance that the Company will be successful in raising additional capital, securing future waivers and/or amendments from its lenders, renewing or refinancing its existing debt or securing new financing. If the Company is unsuccessful in doing so, it may need to reduce the scope of its operations, repay amounts owed to its lenders or sell certain assets.

The Company is continuing to implement plans to achieve operating profitability, as well as implementing other strategic objectives to address liquidity. The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and payments of liabilities in the



ordinary course of business. Accordingly, the consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of and classification of liabilities that may result should the Company be unable to continue as a going concern.

#### **Summary of significant accounting policies**

For additional information, please refer to the most recently filed Annual Report regarding the Company's summary of significant accounting policies.

#### **Cash and cash equivalents**

Cash and cash equivalents include demand deposits held with banks and highly liquid investments with original maturities of ninety days or less at acquisition date. Cash and cash equivalents are stated at cost, which approximates fair value because of the short-term nature of these instruments. The Company's cash equivalents are held in government money market funds and at times may exceed federally insured limits. For purposes of reporting cash flows, the Company considers all cash accounts that are not subject to withdrawal restrictions or penalties to be cash and cash equivalents. At March 31, 2023 and December 31, 2022, the Company had \$6.4 million and \$8.0 million, respectively, in money market funds all of which were held in cash.

#### **Restricted cash**

The Company was required to maintain a restricted cash balance of \$6.3 million as of March 31, 2023 and December 31, 2022, respectively, in connection with the Wintrust Credit Facility.

#### **Advertising**

The Company charges advertising costs to expense as incurred and such charges are included in SG&A expense. The Company's advertising expenses consist primarily of online advertising, search costs, email advertising and radio advertising. In addition, the Company reimburses its customers and third parties for in store activities and record these costs as advertising expenses. Advertising costs were \$1.4 million and \$2.3 million for the three months ended March 31, 2023 and 2022, respectively.

#### **New Accounting Standards**

##### **Recently adopted**

*ASU 2016-13 "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"*

In June 2016, the FASB issued ASU 2016-13, a new standard to replace the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standard is effective for the Company on January 1, 2023. The new standard did not have a material impact on the condensed consolidated financial statements for the three months ended March 31, 2023.

#### **Note 2 – Revenue**

The Company records revenue net of discounts, which primarily consist of trade promotions, certain customer allowances and early pay discounts.

The Company excludes sales taxes collected from revenues. Retail-partner based customers are not subject to sales tax.

The Company's direct-to-consumer ("DTC") loyalty program enables customers to accumulate points based on their spending. A portion of revenue is deferred at the time of sale when points are earned and recognized when the loyalty points are redeemed.

#### **Revenue channels**

The Company groups its revenue channels into four categories: E-commerce, which includes the sale of product to online retailers such as Amazon and Chewy; Brick & Mortar, which primarily includes the sale of product to Pet Specialty retailers such as Petco, Pet Supplies Plus and neighborhood pet stores, as well as to select grocery chains; DTC, which includes the sale of product through the Company's website; and International, which includes the sale of product to foreign distribution partners and to select international retailers (transacted in U.S. dollars).

Information about the Company's net sales by revenue channel is as follows (in thousands):

	Three Months Ended March 31,			
	2023		2022	
E-commerce <sup>(1)</sup>	\$ 3,895	42 %	\$ 3,824	22 %
Brick & Mortar <sup>(3)</sup>	1,709	19 %	4,334	26 %
DTC	1,322	14 %	1,933	11 %
International <sup>(2)</sup>	2,311	25 %	6,923	41 %
Net Sales	<u>\$ 9,237</u>	<u>100 %</u>	<u>\$ 17,014</u>	<u>100 %</u>

(1) The Company's E-commerce channel includes two customers and one customer that amounted to greater than 10% of the Company's total net sales for the three months ended March 31, 2023, and 2022, respectively. These customers had \$3.8 million of net sales for the three months ended March 31, 2023 and an aggregate of \$2 million of net sales for the three months ended March 31, 2022, respectively.

(2) One of the Company's International customers that distributes products in China amounted to greater than 10% of the Company's total net sales during the three months ended March 31, 2023 and March 31, 2022 and represented \$2.1 million and \$5.8 million of net sales, respectively.

(3) The Company's Brick & Mortar channel includes \$1.8 million of net sales from one customer that amounted to greater than 10% of the Company's total net sales for the three months ended March 31, 2022. None of the Company's Brick & Mortar customers represented greater than 10% of net sales during the three months ended March 31, 2023.

### Note 3 - Inventories

Inventories are summarized as follows (in thousands):

	March 31, 2023	December 31, 2022
Food, treats and supplements	\$ 8,578	\$ 10,212
Inventory packaging and supplies	1,277	1,699
Total Inventories	<u>9,855</u>	<u>11,911</u>
Inventory reserve	(972)	(1,654)
Inventories, net	<u>\$ 8,883</u>	<u>\$ 10,257</u>

### Note 4 – Prepaid expenses and other current assets

Prepaid expenses and other current assets are summarized as follows (in thousands):

	March 31, 2023	December 31, 2022
Total Prepaid expenses and other current assets	<u>\$ 1,044</u>	<u>\$ 1,051</u>

### Note 5 - Fixed assets

Fixed assets consist of the following (in thousands):

	Estimated Useful Life	March 31, 2023	December 31, 2022
Equipment	2 - 5 years	\$ 10	\$ 7
Furniture and fixtures	2 - 5 years	221	221
Computer software, including website development	2 - 3 years	187	187
Computer equipment	1 - 2 years	110	129
Total fixed assets		<u>528</u>	<u>544</u>
Accumulated depreciation		(196)	(169)
Fixed assets, net		<u>\$ 332</u>	<u>\$ 375</u>

Depreciation expense was \$0.04 million and \$0.03 million for the three months ended March 31, 2023 and March 31, 2022, respectively.

**Note 6 – Accrued and other liabilities**

Accrued and other liabilities consist of the following (in thousands):

	March 31, 2023	December 31, 2022
Accrued taxes	100	110
Accrued payroll and benefits	646	688
Accrued trade promotions and advertising	175	567
Accrued interest	88	84
Accrued commissions	—	385
Deferred revenue	388	336
Short-term financing	41	165
Other	49	261
<b>Total accrued and other liabilities</b>	<b>\$ 1,487</b>	<b>\$ 2,596</b>

**Note 7 – Intangible assets**

**Intangible assets**

The Company's intangible assets (in thousands) and related useful lives (in years) are as follows:

	Estimated useful life	Gross carrying amount	March 31, 2023		December 31, 2022	
			Accumulated amortization	Net carrying amount	Accumulated amortization	Net carrying amount
Customer relationships	7	\$ 7,190	\$ (3,371)	\$ 3,819	\$ (3,115)	\$ 4,075
Trade name	15	7,500	(1,641)	5,859	(1,516)	5,984
<b>Total intangible assets</b>		<b>\$ 14,690</b>	<b>\$ (5,012)</b>	<b>\$ 9,678</b>	<b>\$ (4,631)</b>	<b>\$ 10,059</b>

Amortization expense was \$0.4 million for the for the three months ended March 31, 2023 and March 31, 2022, respectively.

The estimated future amortization of intangible assets over the remaining weighted average useful life of 8.6 years is as follows (in thousands):

Remainder of 2023	\$ 1,145
2024	1,527
2025	1,527
2026	1,494
2027	500
Thereafter	3,485
	<b>\$ 9,678</b>

The Company assesses intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be fully recoverable. If impairment indicators are present, the Company performs a recoverability test by comparing the sum of the estimated undiscounted future cash flows attributable to these long-lived assets to their carrying value. There were no indicators of impairment of the intangible assets as of March 31, 2023.

**Note 8 – Debt**

The components of the Company's debt consist of the following (in thousands):

	March 31, 2023			December 31, 2022		
	Amount	Rate	Maturity date	Amount	Rate	Maturity date
Line of credit, net	\$ 11,462	(1)	10/31/2024	\$ 11,444	(1)	10/31/2024
Less current portion	—			—		
<b>Total long-term debt</b>	<b>\$ 11,462</b>			<b>\$ 11,444</b>		

(1) Interest at a variable rate of the daily U.S. Federal Funds Rate plus 75 basis points with an interest rate floor of 0.75% per annum.

## Term loan and lines of credit

On January 6, 2021, Halo entered into a credit facility with Old Plank Trail Community Bank, N.A., an affiliate of Wintrust Bank, N.A. ("Wintrust") consisting of a \$6.0 million term loan and a \$6.0 million revolving line of credit, each scheduled to mature on January 6, 2024 and each bore interest at a variable rate of LIBOR plus 250 basis points, with an interest rate floor of 2.50% per annum (the "Wintrust Credit Facility"). The Second Wintrust Amendment described below updated the rate at which the Wintrust Credit Facility bore interest to the greater of the daily U.S. Federal Funds Rate plus 285 basis points, or the interest rate floor, which remained unchanged. The Third Wintrust Amendment described below updated the interest rate on the Wintrust Credit Facility to the U.S. Federal Funds Rate plus 375 basis points, with an interest rate floor of 3.75% and extends the maturity date of the Wintrust Credit Facility from January 6, 2024 to October 31, 2024. Accrued interest on the Wintrust Credit Facility is payable monthly which commenced on February 1, 2021. Principal payments were required to be made monthly on the term loan commencing February 2021 with a balloon payment upon the original maturity date. The proceeds from the Wintrust Credit Facility were used (i) to repay outstanding principal, interest and fees under the previous revolving line of credit with Citizens Business Bank (the "ABL Facility") and (ii) for general corporate purposes. The Company applied extinguishment accounting to the outstanding balances of the previous term loan and ABL Facility and recorded a loss on extinguishment of debt of \$0.4 million during 2021. Debt issuance costs of \$0.1 million were incurred related to the Wintrust Credit Facility.

The Wintrust Credit Facility subjected the Company to certain financial covenants, including the maintenance of a fixed charge coverage ratio of no less than 1.25 to 1.00, tested as of the last day of each fiscal quarter. The numerator in the fixed charge coverage ratio was the operating cash flow of Halo, defined as Halo EBITDA less cash paid for unfinanced Halo capital expenditures, income taxes and dividends. The denominator was fixed charges such as interest expense and principal payments paid or payable on other indebtedness attributable to Halo. As of December 31, 2021, the Company failed to satisfy the fixed charge coverage ratio and entered into a default waiver agreement with Wintrust in which Wintrust waived the existing default through the next testing date, March 31, 2022. As part of the Second Wintrust Amendment described below, the financial covenants were amended to subject the Company to a minimum liquidity covenant test in lieu of a fixed charge coverage ratio which required the Company to maintain liquidity, tested on the last day of each fiscal quarter beginning March 31, 2022, of no less than (i) \$13.0 million as of the last day of each fiscal quarter ending March 31, 2022, through and including the last day of the fiscal quarter ending December 31, 2022 and (ii) \$12.0 million as of the last day of the fiscal quarter ending March 31, 2023, and as of the last day of each fiscal quarter thereafter. Furthermore, as part of the Third Wintrust Amendment described below, the financial covenants were further amended to require the Company to maintain a minimum liquidity of \$8.5 million tested on the last day of each fiscal quarter beginning September 30, 2022 and thereafter.

The Wintrust Credit Facility is secured by a general guaranty and security interest on the assets, including the intellectual property, of the Company and its subsidiaries. The Company has also pledged all of the capital stock of Halo held by the Company as additional collateral. Furthermore, the Wintrust Credit Facility was supported by a collateral pledge by a member of the Company's board of directors; as a result of the First Wintrust Amendment described below, this collateral pledge was terminated and released.

On August 13, 2021, Halo entered into the first amendment to the Wintrust Credit Facility (the "First Wintrust Amendment") to increase the revolving line of credit from \$6.0 million to \$7.5 million. The First Wintrust Amendment also required Halo to secure the credit facility with a pledge of a deposit account in the amount of \$7.2 million, which was decreased to \$6.9 million on January 1, 2022 and was to further decrease to \$6.0 million on January 1, 2023. Additionally, on March 25, 2022, the Company entered into the second amendment to the Wintrust Credit Facility (the "Second Wintrust Amendment") which provided for the release of the Company's Bona Vida subsidiary as a guarantor, an update to the financial covenants as described above and an update to the rate at which the Wintrust Credit Facility bore interest, which is also described above. Furthermore, on October 24, 2022, the Company entered into the third amendment to the Wintrust Credit Facility (the "third Wintrust Amendment") which provided for an increase to the revolving line of credit from \$7.5 million to \$13.5 million, set the amount of Halo's obligation to pledge a deposit account with Wintrust to a fixed amount of \$6.3 million throughout the remainder of the term and provided updates to the interest rate, maturity date and financial covenants as described above.

As part of the Third Wintrust Amendment described above, Halo used a portion of the increased revolving credit facility to repay and retire the outstanding term loan portion of the Wintrust Credit Facility. As of March 31, 2023, the line of credit outstanding under the Wintrust Credit Facility was \$1.5 million, net of debt issuance costs of less than \$0.2 million. As of December 31, 2022, the line of credit outstanding was \$11.4 million, net of debt issuance costs of less than \$0.2 million. Debt issuance costs are amortized using the effective interest method. The carrying amount for the Company's term loan and line of credit approximate fair value as the instruments have variable interest rates that approximate market rates.

As of March 31, 2023, the Company was in compliance with all debt covenant requirements and there were no events of default.

**Future Debt Maturities**

Future debt maturities as of March 31, 2023 and for succeeding years are as follows (in thousands):

**Year ending December 31:**

2024	\$	11,462
Thereafter	\$	—
<b>Total</b>	<b>\$</b>	<b>11,462</b>

**Note 9 – Commitments and contingencies**

The Company had no material purchase obligations as of March 31, 2023 or December 31, 2022.

The Company may be involved in legal proceedings, claims, and regulatory, tax, or government inquiries and investigations that arise in the ordinary course of business resulting in loss contingencies. The Company accrues for loss contingencies when losses become probable and are reasonably estimable. If the reasonable estimate of the loss is a range and no amount within the range is a better estimate, the minimum amount of the range is recorded as a liability. Legal costs such as outside counsel fees and expenses are charged to expense in the period incurred and are recorded in SG&A expenses. The Company does not accrue for contingent losses that are considered to be reasonably possible, but not probable; however, the Company discloses the range of such reasonably possible losses. Loss contingencies considered remote are generally not disclosed.

Litigation is subject to numerous uncertainties and the outcome of individual claims and contingencies is not predictable. It is possible that some legal matters for which reserves have or have not been established could result in an unfavorable outcome for the Company and any such unfavorable outcome could be of a material nature or have a material adverse effect on the Company's consolidated financial condition, results of operations and cash flows. Management is not aware of any claims or lawsuits that may have a material adverse effect on the consolidated financial position or results of operations of the Company.

**Note 10 – Warrants**

The following summarizes the Company's outstanding warrants to purchase shares of the Company's common stock as of and for the years ended March 31, 2023 and December 31, 2022:

	Warrants	Weighted Average Exercise Price
Warrants outstanding as of December 31, 2022	9,433,584	\$ 5.92
Issued	—	\$ —
Exercised	—	\$ —
Terminated/Expired	—	\$ —
<b>Warrants outstanding as of March 31, 2023</b>	<b>9,433,584</b>	<b>\$ 5.92</b>

There was no intrinsic value associated with the outstanding warrants as of March 31, 2023 and December 31, 2022, respectively.

**Note 11 – Share-based compensation**

During the three months ended March 31, 2023 and March 31, 2022, the Company recognized \$0.9 million and \$1.1 million, respectively, of share-based compensation expense.

On November 11, 2019, the Company received shareholder approval for the Amended and Restated 2019 Incentive Award Plan (the "Amended 2019 Plan"). The Amended 2019 Plan provides for the grant of stock options, stock appreciation rights, restricted stock awards, restricted stock units, other stock or cash-based awards or a dividend equivalent award. The Amended 2019 Plan authorized the issuance of 1,083,334 shares of common stock which was increased to 1,500,000 after the Halo acquisition; the Amended 2019 Plan also provides for an annual increase on the first day of each calendar year beginning on January 1, 2020 and ending on and including January 1, 2029, equal to the lesser of (A) 10% of the shares of common stock outstanding (on an as-converted basis) on the last day of the immediately preceding fiscal year and (B) such smaller number of shares of common stock as determined by the Board; provided, however, not more than 9,000,000 shares of common stock shall be authorized for issuance. The authorized shares for issuance was increased to 2,700,000 on January 1, 2021, increased to 5,614,637 on January 1, 2022 and again increased to 8,557,663 on January 1, 2023.

**Stock options**

The following table provides detail of the options granted and outstanding (dollars in thousands):

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Options outstanding as of December 31, 2022	3,071,187	\$ 5.39	7.2	\$ —
Granted	—	—		
Forfeited/Expired	(178,656)	4.05		
Options outstanding as of March 31, 2023	2,892,531	\$ 5.47	6.3	\$ —
Options exercisable as of March 31, 2023	2,355,436	\$ 5.67	5.8	\$ —

Options granted under the Amended 2019 Plan vest over a period of two to three years. All vested options are exercisable and may be exercised through the ten-year anniversary of the grant date (or such earlier date described in the applicable award agreement).

**Restricted Stock Awards**

In February 2022, the Company granted 218,345 shares of restricted common stock to members of its board of directors under the Amended 2019 Plan as compensation for annual board service. These restricted stock awards were immediately vested and, as such, the Company recorded share-based compensation expense of \$0.5 million upon issuance.

During the fourth quarter of 2022, the Company granted 65,555 shares of restricted common stock to a member of its board of directors for service as interim CEO. These restricted stock awards were immediately vested and, as such, the Company recorded share-based compensation expense of less than \$0.1 million upon issuance.

In January 2023, the Company granted 892,860 shares of restricted common stock to members of its board of directors under the Amended 2019 Plan as compensation for annual board service. These restricted stock awards were immediately vested and, as such, the Company recorded share-based compensation expense of \$0.5 million upon issuance.

In January 2023, the Company granted 200,000 shares of restricted common stock to certain executives and employees under the Amended 2019 Plan as performance bonus compensation totaling \$0.1 million. These restricted stock awards were issued on the grant date with a one year cliff vesting condition and the Company will recognize the expense over the vesting period.

During the first quarter of 2023, the Company granted 18,021 shares of restricted common stock to a member of its board of directors for service as interim CEO. These restricted stock awards were immediately vested and, as such, the Company recorded share-based compensation expense of less than \$0.1 million upon issuance.

**Note 12 – Employee benefit plans**

The Company has a qualified defined contribution 401(k) plan, which covers substantially all of its employees. Participants are entitled to make pre-tax and/or Roth post-tax contributions up to the annual maximums established by the IRS. The Company matches participant contributions pursuant to the terms of the plan, which contributions are limited to a percentage of the participant's eligible compensation. The Company made contributions related to the plan and recognized expense of less than \$0.1 million during the three months ended March 31, 2023 and 2022, respectively.

**Note 13 – Related party transactions**

**Director Fees**

The Company pays quarterly board of director fees. As of March 31, 2023 and December 31, 2022, \$0.1 million of these director fees were in accounts payable on the Condensed Consolidated Balance Sheets, respectively.

**Marketing Support Services**

On March 7, 2023, the Company entered into an agreement with Believeco to provide marketing support services for an interim period. A member of the Company's board of directors is a partner at Believeco. As of March 31, 2023 marketing expense related to Believeco totaled \$0.01 million.

**Note 14 – Income taxes**

For the three months ended March 31, 2023 and March 31, 2022, the Company recorded income tax provision of less than \$0.1 million. For the three months ended March 31, 2023 and 2022, the Company's effective tax rate was less than 1%, respectively. The Company's effective tax rate differs from the U.S. federal statutory rate of 21% primarily because the Company's losses have been fully offset by a valuation allowance due to uncertainty of realizing the tax benefit of net operating losses ("NOLs") for the three months ended March 31, 2023 and March 31, 2022.

**Note 15 – Concentrations**

**Major suppliers**

The Company sourced approximately 81% of its inventory purchases from three vendors for the three months ended March 31, 2023. The Company sourced approximately 72% of its inventory purchases from three vendors for the three months ended March 31, 2022.

**Major customers**

Accounts receivable from three customers represented 95% of accounts receivable as of March 31, 2023. Accounts receivable from three customers represented 88% of accounts receivable as of December 31, 2022. Four customers represented 70% of gross sales for the three months ended March 31, 2023. Four customers represented 67% of gross sales for the three months ended March 31, 2022.

**Credit risk**

As of March 31, 2023 and December 31, 2022, the Company's cash and cash equivalents were deposited in accounts at several financial institutions and may maintain some balances in excess of federally insured limits. The Company maintains its cash and cash equivalents with high-quality, accredited financial institutions and, accordingly, such funds are subject to minimal credit risk. The Company has not experienced any losses historically in these accounts and believes it is not exposed to significant credit risk in its cash and cash equivalents.

**Note 16 – Loss per share**

The Company presents loss per share on a basic and diluted basis. Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding ("WASO") during the period. For the three months ended March 31, 2023 and 2022, the Company's basic and diluted net loss per share attributable to common stockholders are the same as the Company generated a net loss and common stock equivalents are excluded from diluted net loss per share as they have an anti-dilutive impact.

For the three months ended March 31, 2023, potentially dilutive securities not included in the calculation of diluted net loss per share, because to do so would be anti-dilutive, are as follows: 9,433,583 of stock equivalent warrants, 2,892,531 of stock equivalent employee stock options and 6,412 of stock equivalent other options. For the three months ended March 31, 2022, potentially dilutive securities not included in the calculation of diluted net loss per share, because to do so would be anti-dilutive, are as follows: 9,433,583 of stock equivalent warrants, 3,200,271 of stock equivalent employee stock options and 6,412 of stock equivalent other options.

The following table sets forth basic and diluted net (loss) earnings per share attributable to common stockholders for the three months ended March 31, 2023 and 2022 (in thousands, except share and per share amounts):

	Three months ended March 31,	
	2023	2022
Numerator:		
Net loss	\$ (3,484)	\$ (4,040)
Less: Adjustment due to warrant modifications	—	—
Adjusted net loss available to common stockholders	<u>\$ (3,484)</u>	<u>\$ (4,040)</u>
Denominator:		
Basic WASO	30,475,068	29,289,504
Dilutive common stock equivalents	—	—
Diluted WASO	<u>30,475,068</u>	<u>29,289,504</u>
Net loss per share attributable to common stockholders, basic	<u>\$ (0.11)</u>	<u>\$ (0.14)</u>
Net loss per share attributable to common stockholders, diluted	<u>\$ (0.11)</u>	<u>\$ (0.14)</u>

**Note 17 – Subsequent events**

Subsequent to March 31, 2023, on May 1, 2023, the Company borrowed an additional \$ 1.9 million from the WinTrust Credit Facility.



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

*The following discussion includes forward-looking statements about our business, financial condition and results of operations, including discussions about management's expectations for our business. The financial condition, results of operations and cash flows discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations are those of Better Choice Company Inc. and its consolidated subsidiaries, collectively, the "Company," "Better Choice Company," "we," "our," or "us". These statements represent projections, beliefs and expectations based on current circumstances and conditions and in light of recent events and trends, and you should not construe these statements either as assurances of performance or as promises of a given course of action. Instead, various known and unknown factors are likely to cause our actual performance and management's actions to vary, and the results of these variances may be both material and adverse. A description of material factors known to us that may cause our results to vary or may cause management to deviate from its current plans and expectations, is set forth under "Risk Factors." See "Cautionary Note Regarding Forward-Looking Statements." The following discussion should also be read in conjunction with our audited consolidated financial statements including the notes thereto appearing elsewhere in this filing. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. We undertake no obligation to publicly release the results of any revision to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.*

### **Overview and Outlook**

Better Choice is a pet health and wellness company committed to leading the industry shift toward pet products and services that help dogs and cats live healthier, happier and longer lives. Our mission is to become the most innovative premium pet food company in the world, and we are motivated by our commitment to making products with integrity and treating pets and their parents with respect. We believe that our broad portfolio of pet health and wellness products are well positioned to benefit from the trends of growing pet humanization and an increased consumer focus on health and wellness, and have adopted a laser focused, channel specific approach to growth that is driven by new product innovation. Our executive team has a proven history of success in both pet and consumer-packaged goods, and has over 50 years of combined experience in the pet industry and over 100 years of combined experience in the consumer-packaged goods industry.

We sell our premium and super-premium products (which we believe generally includes products with a retail price greater than \$0.20 per ounce) under the Halo brand umbrella, which includes Halo Holistic™, Halo Elevate® and the former TruDog brand, which has been rebranded and successfully integrated under the Halo brand umbrella during the third quarter of 2022. Our core products sold under the Halo brand are made with high-quality, thoughtfully sourced ingredients for natural, science based nutrition. Each innovative recipe is formulated with leading veterinary and nutrition experts to deliver optimal health. Our diverse and established customer base has enabled us to penetrate multiple channels of trade, which we believe enables us to deliver on core consumer needs and serve pet parents wherever they shop. We group these channels of trade into four distinct categories: E-commerce, which includes the sale of product to online retailers such as Amazon and Chewy; Brick & Mortar, which primarily includes the sale of product to Pet Specialty retailers such as Petco, Pet Supplies Plus and neighborhood pet stores, as well as to select grocery chains; Direct to Consumer ("DTC") which includes the sale of product through our website halopets.com; and International, which includes the sale of product to foreign distribution partners and to select international retailers.

### **The Global Pet Food and Treat Market**

The U.S. represents the largest and most developed market for pet food globally, with food and treats accounting for approximately \$39 billion of consumer sales in 2019, or 36% of the total U.S. pet care market, according to AlphaWise and Morgan Stanley Research. According to the American Pet Product Association, between 66% and 70% of all households in the U.S. own a pet, equating to a total pet population of more than 130 million companion animals and an average of 1.7 pets per household. Pet spending represents a significant portion of household spend on consumer products, as this translates to an average annual spend on pet care of more than \$1,500 per pet owning household, with \$460 of this spend attributed to pet food and treats.

Historically, consumer spending on pets grew at an approximately 3% CAGR in the decade leading up to the COVID-19 pandemic, driven by steady annual increases in household pet ownership of approximately 1%, the continued premiumization of the category and the humanization of pets. These industry tailwinds have been magnified in the post-COVID landscape, as stay-at-home orders have driven a more than tripling of annual pet ownership growth alongside fundamental changes in consumer purchasing behavior. This surge in pet acquisition has led to a dramatic increase in the forecasted growth of the pet care industry over the next ten years.

Beyond the estimated \$3.9 billion permanent increase to annual spend on pet food and treats, this “Pet Boom” was driven by the acceleration of pet ownership by millennial and Gen-Z households. From a demographic perspective, younger pet owners are more likely to spend a higher percentage of their income on pets, treat their pet as an important member of the family and to purchase products from pet specialty and online retailers rather than from grocery stores. Along these lines, women are 3.2 times more interested in purchasing pet food than men, and are 2.4 times more likely to engage with search ads than men. Taken holistically, these traits suggest a preference to purchase more premium and super-premium pet food and treats from brands like Halo, with a tendency to purchase products in the channels where we compete.

Globally, Asia is the second largest market for pet products, with China representing the largest market opportunity for growth. Like the U.S., growth in the Asian pet care industry has been driven by dramatic increases in household pet ownership. We believe that growth in Asia is fueled by increasing levels of economic financial status and demand for premium, western manufactured products as a result of product quality concerns. This demand has been supported by a rapidly growing middle class in China, where a recent McKinsey report estimated that in 2018 roughly 730 million people in urban areas fell into the income categories of “aspirants” and “affluents,” with the Brookings group estimating that approximately 60 million people are added to these income categories each year. We believe that this growth drove the increase in the number of dog-owning Chinese households as measured by Euromonitor, which increased from 12% in 2015 to 20% in 2020, according to Euromonitor. According to Euromonitor, the Chinese market for premium dry dog and cat food is anticipated to grow at a 20% CAGR and 28% CAGR, respectively, from 2015 through 2025, suggesting that the Chinese pet market has significant room for growth in the foreseeable future. We are focused on targeting Chinese pet owners with the highest willingness to pay, which tend to be urban dwelling millennial and Gen-Z women. In 2021, 80% of our products were purchased online, and approximately 50% of our end-consumers were born after 1990.

#### **Our Growth Strategy**

- *Strong Innovation Pipeline.* We have a robust and growing pipeline of new products, and believe our size is an advantage as we are nimble enough to quickly bring new products to market, but large enough to benefit from strong existing customer relationships and established economies of scale with our co-manufacturers.
- *Ability to Leverage Differentiated Omni-Channel Strategy for Growth.* We believe that we can leverage our differentiated omni-channel strategy to design and sell products purpose-built for success in specific channels while maintaining our ability to leverage marketing and sales resources cross-channel. We believe that this strategy will allow us to deliver on core consumer needs, maximize gross margin and respond to changing channel dynamics that have accelerated in recent years.
- *Capitalize on Continuing Trends of Humanization of Pets.* We believe our combination of innovative products designed specifically for certain channels can assist our growth to become a leader in the premium and super-premium categories across dog and cat food.
- *Well Positioned to Capitalize on a Once-in-a-Generation Demographic Shift in Asia.* We believe that Asia represents the largest macro-growth opportunity in the global pet food industry. In China, the number of households that own a pet has doubled in the last five years, with younger pet owners leading growth.

#### **Recent Corporate Developments**

On September 13, 2022, we announced that Scott Lerner was stepping down from his role as Chief Executive Officer (“CEO”), effective September 14, 2022. Also on September 13, 2022, we announced that Lionel F. Conacher was appointed as Interim CEO, effective September 14, 2022.

On March 2, 2023, we announced that Robert Saueremann was resigning from his role as Chief Operating Officer (“COO”), effective March 17, 2023. On March 21, 2023, we announced that Sharla Cook was resigning from her role as Chief Financial Officer, effective April 3, 2023. Also on March 21, 2023, we announced that Carolina Martinez was appointed as Interim CFO, effective April 3, 2023.

**Results of Operations for the Years Ended March 31, 2023 and 2022**

The following table sets forth our consolidated results for the periods presented (in thousands):

	Three Months Ended March 31,		Change	
	2023	2022	\$	%
Net sales	\$ 9,237	\$ 17,014	\$ (7,777)	(46)%
Cost of goods sold	5,996	12,307	(6,311)	(51)%
Gross profit	3,241	4,707	(1,466)	(31)%
<b>Operating expenses:</b>				
Selling, general and administrative	5,635	7,577	(1,942)	(26)%
Share-based compensation	861	1,091	(230)	(21)%
Total operating expenses	6,496	8,668	(2,172)	(25)%
Loss from operations	(3,255)	(3,961)	706	18%
<b>Other expenses:</b>				
Interest expense, net	(229)	(76)	(153)	(201)%
Total other expense, net	(229)	(76)	(153)	(201)%
Net loss before income taxes	(3,484)	(4,037)	553	(14)%
Income tax expense	—	3	(3)	(100)%
Net loss available to common stockholders	\$ (3,484)	\$ (4,040)	\$ 556	(14)%

**Net sales**

We sell our products through online retailers, pet specialty retailers, our online portal directly to our consumers and internationally to foreign distribution partners (transacted in U.S. dollars). Generally, our sales transactions are single performance obligations that are recorded at the time the product is shipped from our distribution centers and when control transfers. We offer a variety of trade promotions, discounts and incentives to our customers, which impacts the transaction price of our products and our net sales accordingly. DTC net sales include revenue derived from shipping fees and are net of loyalty points earned (a portion of revenue is deferred at the time of the sale as points are earned and not recognized until the redemption of the points, estimated based on historical experience). We record a revenue reserve based on historical return rates to account for customer returns.

Information about our revenue channels is as follows (in thousands):

	Three Months Ended March 31,			
	2023		2022	
E-commerce <sup>(1)</sup>	\$ 3,895	42%	\$ 3,824	22%
Brick & Mortar <sup>(3)</sup>	1,709	19%	4,334	26%
DTC	1,322	14%	1,933	11%
International <sup>(2)</sup>	2,311	25%	6,923	41%
Net Sales	\$ 9,237	100%	\$ 17,014	100%

(1) The Company's E-commerce channel includes two customers and one customer that amounted to greater than 10% of the Company's total net sales for the three months ended March 31, 2023, and 2022, respectively. These customers had \$3.8 million of net sales for the three months ended March 31, 2023 and an aggregate of \$2.2 million of net sales for the three months ended March 31, 2022, respectively.

(2) One of the Company's International customers that distributes products in China amounted to greater than 10% of the Company's total net sales during the three months ended March 31, 2023 and March 31, 2022 and represented \$2.1 million and \$5.8 million of net sales, respectively.

(3) The Company's Brick & Mortar channel includes \$1.8 million of net sales from one customer that amounted to greater than 10% of the Company's total net sales for the three months ended March 31, 2022. None of the Company's Brick & Mortar customers represented greater than 10% of net sales during the three months ended March 31, 2023.

Net sales decreased \$(7.8) million, or (46)%, to \$9.2 million for the three months ended March 31, 2023 compared to \$17.0 million for the three months ended March 31, 2022. The decrease is attributable to the launch of Halo Elevate® in the first quarter of 2022 which resulted in a strong quarter for the Brick & Mortar channel last year. The decrease in the E-commerce and DTC channels is driven by the intentional reduction in new customer acquisition and retention marketing spend in 2022 in connection with our strategic rebranding of TruDog under the Halo umbrella and the Halo Holistic™ relaunch. Our revenue growth has been negatively impacted in the first quarter of 2023 by the supply chain issues being felt globally as we navigate through short-term shortages in raw materials, as well as production delays stemming from labor constraints.

Key factors that we expect to affect our future sales growth include new product innovation and launches, our expansion strategy in each of the sales channels and our key supplier relationships.

#### **Gross profit**

Cost of goods sold consists primarily of the cost of product obtained from co-manufacturers, packaging materials, freight costs for shipping inventory to the warehouse, as well as third-party warehouse and order fulfillment costs. We review inventory on hand periodically to identify damages, slow moving inventory, and/or aged inventory. Based on this analysis, we record inventories at the lower of cost or net realizable value, with any reduction in value expensed as cost of goods sold.

Our products are manufactured to our specifications by our co-manufacturers using raw materials. We work with our co-manufacturers to secure a supply of raw materials that meet our specifications. In addition to procuring raw materials that meet our formulation requirements, our co-manufacturers manufacture, test and package our products. We design our packaging for our co-manufacturers and the packaging is shipped directly to them.

Our gross profit has been and will continue to be affected by a variety of factors, primarily product sales mix, volumes sold, discounts offered to newly acquired and recurring customers, the cost of our manufactured products, and the cost of freight from the manufacturer to the warehouse.

During the three months ended March 31, 2023, gross profit decreased \$1.5 million, or 31%, to \$3.2 million compared to \$4.7 million during the three months ended March 31, 2022. Gross margin increased 7% to 35% for the three months ended March 31, 2023 compared to 28% for the three months ended March 31, 2022. The decrease in gross profit was attributable to our product sales mix, and a decrease in total sales volume of 2.5 million pounds in the first quarter of 2023 when compared to the first quarter of 2022 due to our Halo Elevate® launch in the prior year. The increase in gross margin was driven by an average 6% decrease in direct cost per pound sold in the first quarter of 2023. Additionally, we implemented a 12.5% sales price increase on our Halo Elevate® products in the first quarter of 2023. We continue to benefit in both omnichannel sales price increases, as well as cost savings from having transitioned from some of our primary suppliers and co-manufacturers during 2022.

We continue to actively work with our co-manufacturing and freight partners to generate future cost savings and realize improved gross margins in future periods. We could see continued margin variability due to the current economic environment and pricing pressures due to inflationary costs for both transportation and raw materials. We will continue to refine and optimize our overall pricing strategy as we evaluate the future impact of inflation and align ourselves with the market.

#### **Operating expenses**

Our Selling, general and administrative ("SG&A") expenses consist of the following:

- *Sales and marketing costs*, for specific customer promotional programs, paid media, content creation expenses and our DTC selling platform. Marketing costs are geared towards customer acquisition and retention and building brand awareness. During the three months ended March 31, 2023, sales and marketing costs decreased approximately \$(1.1) million or (37)%, to \$1.8 million from \$2.9 million during the three months ended March 31, 2022. The decrease was driven primarily by lower marketing and advertising agency fees related to building and launching our new sales strategy as well as increased marketing spend in our International sales channel during 2022.
- *Employee compensation and benefits* decreased approximately \$0.4 million or 20% during the three months ended March 31, 2023 to \$1.6 million from \$2.0 million during the three months ended March 31, 2022. The decrease was primarily related to a reduction in employee headcount, partially offset by higher severance costs during the first quarter of 2022.
- *Freight*, which is primarily related to the shipping of DTC orders to customers, decreased \$(0.1) million or 22% during the three months ended March 31, 2023 to \$0.3 million from \$0.4 million during the three months ended March 31, 2022. Freight costs are generally decreasing due to lower DTC sales as described above.
- *Non-cash charges* including depreciation, amortization, disposal or sale of assets and bad debt expense increased slightly by less than \$0.2 million or 4% to \$0.4 million during the three months ended March 31, 2023 from \$0.4 million

during the three months ended March 31, 2022. The increase was driven by disposals of certain assets during 2023, offset by additional capital expenditures throughout 2022.

- *Other general and administrative costs* for various general corporate expenses, including professional services, information technology, insurance, travel, costs related to merchant credit card fees, product development costs, rent, and certain tax costs. During the three months ended March 31, 2023, other general and administrative costs decreased \$0.4 million, or 21% to \$1.4 million compared to \$1.8 million during the three months ended March 31, 2022. The decrease was driven by lower international consulting fees, lower travel fees and lower product development costs during the three months ended March 31, 2023, compared to the three months ended March 31, 2022.

Share-based compensation includes expenses related to equity awards issued to employees and non-employee directors. During the three months ended March 31, 2023, Share-based compensation decreased \$(0.2) million, or 21%, to \$0.9 million, as compared to share-based compensation of \$1.1 million during the three months ended March 31, 2022. The decrease is driven by reduction of senior management headcount resulting in cancellations of options during 2023, partially offset by common stock issued for board service and accelerated vesting of a certain stock option grant during 2022, interim CEO service compensation and additional option grants.

***Interest expense, net***

During the three months ended March 31, 2023, interest expense increased less than \$0.2 million, or 201% to \$0.2 million from \$0.1 million for the three months ended March 31, 2022. Interest expense for the three months ended March 31, 2023 is comprised of interest on our Wintrust Credit Facility and the amortization of debt issuance costs which was refinanced during 2022.

***Income taxes***

Our income tax provision consists of an estimate of federal and state income taxes based on enacted federal and state tax rates, as adjusted for any allowable credits, deductions and uncertain tax positions as they arise. During the three months ended March 31, 2023 and March 31, 2022, we recorded income tax benefit of less than \$0.1 million, which relates to indefinite-lived assets. The effective tax rate for the three months ended March 31, 2023 and 2022 was less than 1%, respectively, which differs from the U.S. Federal statutory rate of 21% primarily because our losses have been fully offset by a valuation allowance due to uncertainty of realizing the tax benefit of NOLs.

### Liquidity and capital resources

Historically, we have financed our operations primarily through the sales of shares of our common stock, warrants, preferred stock, and loans. In connection with our IPO, we issued and sold 8,000,000 shares of common stock at a price of \$5.00 per share. On July 1, 2021 we received total net proceeds of approximately \$36.1 million from the IPO, after deducting underwriting discounts and commissions of \$2.8 million, and offering costs of approximately \$1.1 million. On March 31, 2023 and December 31, 2022, we had cash and cash equivalents and restricted cash of \$7.9 million and \$9.5 million, respectively.

We are subject to risks common in the pet wellness consumer market including, but not limited to, dependence on key personnel, competitive forces, successful marketing and sale of our products, the successful protection of our proprietary technologies, ability to grow into new markets, and compliance with government regulations. As of March 31, 2023, we have not experienced a significant adverse impact to our business, financial condition or cash flows resulting from the COVID-19 pandemic, geopolitical actions or threat of cyber-attacks. However, we have seen adverse impacts to our gross margin from time to time due to inflationary pressures in the current economic environment. Uncertainties regarding the continued economic impact of inflationary pressures, the COVID-19 pandemic, geopolitical actions and threat of cyber-attacks are likely to result in sustained market turmoil, which could negatively impact our business, financial condition, and cash flows in the future.

We are required to maintain a minimum liquidity (as defined in the Wintrust Credit Facility) of no less than \$8.5 million tested on the last day of each fiscal quarter beginning December 31, 2022 and thereafter to comply with our financial covenants. We have historically incurred losses and expect to continue to generate operating losses and consume cash resources in the near term. These conditions raise substantial doubt about our ability to continue as a going concern for a period of twelve months from the date these interim condensed consolidated financial statements are issued, meaning that we may be unable to generate sufficient operating cash flows to maintain compliance with our financial covenant giving the lender the right to call the debt. We have implemented and continue to implement plans to achieve operating profitability, including various margin improvement initiatives, the consolidation of and introduction of new co-manufacturers, the optimization of our pricing strategy and ingredient profiles, and new product innovation. As of March 31, 2023, we were in compliance with all debt covenant requirements and there were no events of default.

Our ability to raise additional capital may be adversely impacted by the potential worsening of global economic conditions, including inflationary pressures, and the recent disruptions to, and volatility in, the credit and financial markets in the United States and worldwide resulting from the COVID-19 pandemic and geopolitical tensions. If we seek additional financing to fund our business activities in the future and there remains doubt about our ability to continue as a going concern, investors or other financing sources may be unwilling to provide additional funding on commercially reasonable terms or at all. If we are unable to raise the necessary funds when needed or achieve planned cost savings, or other strategic objectives are not achieved, we may not be able to continue our operations, or we could be required to modify our operations that could slow future growth.

A summary of our cash flows is as follows (in thousands):

	Three Months Ended March 31,	
	2023	2022
Cash flows (used in) provided by:		
Operating activities	\$ (1,473)	\$ (7,667)
Investing activities	(10)	(150)
Financing activities	(41)	2,293
Net decrease in cash and cash equivalents	<u>\$ (1,524)</u>	<u>\$ (5,524)</u>

#### Cash flows from operating activities

Cash used in operating activities decreased \$6.2 million, or 81%, during the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The decrease in cash used in operating activities was primarily driven by significant fluctuations in our working capital, including a comparative decrease in our inventory balance of \$5.3 million as we built inventory during 2022 to support the Halo Elevate® launch and the rebranding of TruDog and Halo Holistic™. Additionally, net (loss) income from operations adjusted for non-cash expenses was \$(2.9) million for the three months ended March 31, 2023 compared to \$(2.3) million for the comparable prior three month period.

#### Cash flows from investing activities

Cash used in investing activities was less than \$0.1 million during the three months ended March 31, 2023 and \$0.2 million during the three months ended March 31, 2022. The cash used in investing activities is related to capital expenditures.

### ***Cash flows from financing activities***

Cash used in financing activities was less than (0.1) million, during the three months ended March 31, 2023 and cash provided by financing activities was \$2.3 million during the three months ended March 31, 2022. The cash used in financing activities for the three months ended March 31, 2023 was related to payments on short-term financing agreements. The cash provided by financing activities for the three months ended March 31, 2022 was related to net proceeds from the revolving line of credit of \$2.5 million, partially offset by payments on the term loan of \$0.2 million.

### **Wintrust Credit Facility**

On January 6, 2021, Halo entered into a credit facility with Old Plank Trail Community Bank, N.A., an affiliate of Wintrust, consisting of a \$6.0 million term loan and a \$6.0 million revolving line of credit, each scheduled to mature on January 6, 2024. The Wintrust Credit Facility is secured by a general guaranty and security interest on the assets, including the intellectual property of us and our subsidiaries. We have also pledged all of the capital stock of Halo held by us as additional collateral.

The Wintrust Credit Facility subjects us to certain financial covenants, including the maintenance of a fixed charge coverage ratio of no less than 1.25 to 1.00, tested as of the last day of each fiscal quarter. For the test as of December 31, 2021, we failed to satisfy the fixed charge coverage ratio and entered into a default waiver agreement with Wintrust in which Wintrust waived the existing default through the next testing date, March 31, 2022. Additionally, on March 25, 2022, we entered into the second amendment to the Wintrust Credit Facility, which removed the financial covenant to maintain a fixed charge coverage ratio and included a new financial covenant to maintain a minimum liquidity, as well updated the rate at which the Wintrust Credit Facility bore interest.

Furthermore, on October 24, 2022, we entered into the third amendment to the Wintrust Credit Facility which provided for an increase to the revolving line of credit, set the amount of Halo's obligation to pledge a deposit account with Wintrust to a fixed amount throughout the remainder of the term and provided updates to the interest rate, maturity date and minimum liquidity amount associated with the financial covenant. As of March 31, 2023, our indebtedness consisted of a revolving credit facility. For detail about the terms, covenants and restrictions contained in the Wintrust Credit Facility, see "Note 8 - Debt" to our interim condensed consolidated financial statements included in this Quarterly Report.

### **Contractual Commitments and Obligations**

We are contractually obligated to make future cash payments for various items, including debt arrangements, certain purchase obligations, as well as the lease arrangement for our office. See "Note 8 - Debt" to our interim condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for more information about our debt obligations. Our purchase obligations include certain ongoing marketing projects, software subscriptions as well as in-transit or in-production purchase orders with our suppliers, for which amounts vary depending on the purchasing cycle. The majority of our software subscriptions are not under long-term contracts, and we do not have long-term contracts or commitments with any of our suppliers beyond active purchase orders. These purchase obligations were not material as of the date of this Quarterly Report on Form 10-Q.

### **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 GAAP. The preparation of our unaudited condensed consolidated financial statements and related disclosures requires us to make estimates, assumptions and judgements that affect the reported amounts of assets, liabilities, net sales, costs and expenses and related disclosures. We believe that the estimates, assumptions and judgments involved in the accounting policies described in our Annual Report for the year ended December 31, 2022 have the greatest potential impact on our financial statements and, therefore, we consider these to be our critical accounting estimates. Accordingly, we evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions and conditions. There have been no material changes to our critical accounting estimates compared to the descriptions in our Annual Report for the year ended December 31, 2022.

### **Share-Based Compensation**

Share-based compensation expense is measured based on the estimated fair value of awards granted to employees, directors, officers and consultants on the grant date. Forfeitures are accounted for as they occur, therefore there are no forfeiture related estimates required.

The fair value of an option award is estimated on the date of grant using the Black-Scholes option valuation model, which requires the development of input assumptions, as described in "Note 11 - Share-based compensation". Determining the appropriate fair value model and calculating the fair value of share-based payment awards requires the input of the subjective assumptions described in "Note 11 - Share-based compensation". The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates, which involve inherent uncertainties and the application of management's judgment.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information under this Item.

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our interim chief executive officer (our principal executive officer) and our interim chief financial officer (our principal financial officer) evaluated the effectiveness of our disclosure controls and procedures as of the quarter ended March 31, 2023. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of March 31, 2023, our disclosure controls and procedures were effective.

**Changes in Internal Control Over Financial Reporting**

There has not been any change in our internal controls over financial reporting identified in connection with the Evaluation that occurred during the quarter ended March 31, 2023 that has materially affected, or is reasonably likely to materially affect, those controls.

**PART II**

**ITEM 1. LEGAL PROCEEDINGS**

From time to time, we are subject to litigation and other proceedings that arise in the ordinary course of our business. Subject to the inherent uncertainties of litigation and although no assurances are possible, we believe that there are no pending lawsuits or claims that, individually or in the aggregate, will have a material adverse effect on our business, financial condition or our yearly results of operations.

**ITEM 1A. RISK FACTORS**

There have been no material changes from the risk factors described under the heading “Risk Factors” in our Annual Report filed on March 28, 2023. While we believe there have been no material changes from the risk factors previously disclosed, you should carefully consider, in addition to the other information set forth in this report, the risk factors discussed in our Annual Report that could materially affect our business, financial condition or future results. The risks described in our Annual Report are not the only risks facing our Company. In addition to risks and uncertainties inherent in forward-looking statements contained in this Quarterly Report, 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/or operating results.

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

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

The following exhibits are filed herewith.

**EXHIBIT INDEX**

Exhibit	Exhibit Description	Form	File No.	Exhibit	Filing date
<a href="#">2.1</a>	<a href="#">Agreement and Plan of Merger, dated February 28, 2019, by and among the Company, BBC Merger Sub, Inc. and Bona Vida, Inc.</a>	8-K	333-161943	<a href="#">2.1</a>	05/10/2019
<a href="#">2.2</a>	<a href="#">First Amendment to Agreement and Plan of Merger, dated February 28, 2019, by and among the Company, BBC Merger Sub, Inc., and Bona Vida, Inc., dated May 3, 2019</a>	8-K	333-161943	<a href="#">2.2</a>	05/10/2019



Exhibit	Exhibit Description	Form	File No.	Exhibit	Filing date
<a href="#">2.3</a>	<a href="#">Securities Exchange Agreement, dated February 2, 2019, by and among the Company, TruPet LLC and the members of TruPet LLC</a>	8-K	333-161943	<a href="#">2.3</a>	05/10/2019
<a href="#">2.4</a>	<a href="#">First Amendment to Securities Exchange Agreement, dated February 2, 2019, by and among the Company, TruPet LLC and the members of TruPet LLC, dated May 6, 2019</a>	8-K	333-161943	<a href="#">2.4</a>	05/10/2019
<a href="#">2.5</a>	<a href="#">Amended and Restated Stock Purchase Agreement, dated December 18, 2019, by and among the Company, Halo, Purely For Pets, Inc., Thriving Paws, LLC and HH-Halo LP</a>	8-K	333-161943	<a href="#">2.1</a>	12/26/2019
<a href="#">2.6</a>	<a href="#">Agreement and Plan of Merger, dated July 28, 2022, by and among TruPet LLC and Halo, Purely for Pets, Inc.</a>	10-Q	001-40477	<a href="#">2.6</a>	08/11/2022
<a href="#">3.1</a>	<a href="#">Certificate of Incorporation, dated January 1, 2019</a>	10-Q	333-161943	<a href="#">3.1</a>	04/15/2019
<a href="#">3.2</a>	<a href="#">Certificate of Amendment to Certificate of Incorporation, dated February 1, 2019</a>	10-Q	333-161943	<a href="#">3.2</a>	04/15/2019
<a href="#">3.3</a>	<a href="#">Certificate of Amendment to Certificate of Incorporation, dated March 13, 2019</a>	8-K	333-161943	<a href="#">3.1</a>	03/20/2019
<a href="#">3.4</a>	<a href="#">Certificate of Amendment to Certificate of Incorporation, dated April 18, 2019</a>	10-KT	333-161943	<a href="#">3.5</a>	07/25/2019
<a href="#">3.5</a>	<a href="#">Certificate of Amendment to Certificate of Incorporation, dated July 30, 2020</a>	8-K	333-161943	<a href="#">99.1</a>	07/30/2020
<a href="#">3.6</a>	<a href="#">Certificate of Merger of Sport Endurance, Inc. with and into the Company</a>	10-Q	333-161943	<a href="#">3.4</a>	04/15/2019
<a href="#">3.7</a>	<a href="#">Bylaws</a>	10-Q	333-161943	<a href="#">3.5</a>	04/15/2019
<a href="#">3.8</a>	<a href="#">Certificate of Designation for Series F Convertible Preferred Stock</a>	8-K	333-161943	<a href="#">3.1</a>	10/02/2020
<a href="#">3.9</a>	<a href="#">Certificate of Cancellation of Series F Preferred Stock of Better Choice</a>	8-K	001-40477	<a href="#">3.10</a>	08/11/2022
<a href="#">3.10</a>	<a href="#">Certificate of Merger of TruPet LLC with and into Halo, Purely for Pets, Inc.</a>	10-Q	001-40477	<a href="#">3.10</a>	08/11/2022
<a href="#">4.1</a>	<a href="#">Form of Warrant in connection with the November 2019 private placement</a>	8-K	333-161943	<a href="#">4.2</a>	11/15/2019
<a href="#">4.2</a>	<a href="#">Form of Subscription Agreement, dated December 19, 2019, by and among the Company and the Halo Sellers</a>	10-Q	333-161943	<a href="#">10.6</a>	01/31/2020
<a href="#">4.3</a>	<a href="#">Form of Warrant, dated December 19, 2019, by and among the Company and the Halo Sellers</a>	10-Q	333-161943	<a href="#">4.8</a>	01/31/2020
<a href="#">4.4</a>	<a href="#">Form of Warrant, dated December 19, 2019, by and among the Company and the Shareholder Personal Guarantors</a>	10-Q	333-161943	<a href="#">4.10</a>	01/31/2020
<a href="#">4.5</a>	<a href="#">Form of Subscription Agreement dated April 25, 2019 in connection with the May 2019 private placement</a>	8-K	333-161943	<a href="#">10.1</a>	04/30/2019
<a href="#">4.6</a>	<a href="#">Form of Subscription Agreement in connection with the November 2019 private placement</a>	8-K	333-161943	<a href="#">10.1</a>	11/15/2019
<a href="#">4.7†</a>	<a href="#">Better Choice Company Inc. Amended and Restated 2019 Incentive Award Plan</a>	10-K	333-161943	<a href="#">10.19</a>	05/04/2020
<a href="#">4.8†</a>	<a href="#">Form of 2019 Incentive Award Plan Stock Option Agreement</a>	S-1	333-234349	<a href="#">10.7</a>	10/28/2019
<a href="#">4.9</a>	<a href="#">Form of Common Stock Purchase Warrant in connection with the June 2020 private placement.</a>	10-Q	333-161943	<a href="#">4.11</a>	06/25/2020
<a href="#">4.10</a>	<a href="#">Form of Subscription Agreement in connection with the June 2020 private placement.</a>	10-Q	333-161943	<a href="#">4.13</a>	06/25/2020
<a href="#">4.11</a>	<a href="#">Form of July 2020 Warrants</a>	8-K	333-161943	<a href="#">10.5</a>	07/21/2020
<a href="#">4.12</a>	<a href="#">Form of Warrant in connection with the October 2020 Series F Private Placement</a>	8-K	333-161943	<a href="#">4.1</a>	10/02/2020
<a href="#">4.13</a>	<a href="#">Form of Securities Purchase Agreement in connection with the October 2020 Series F Private Placement</a>	8-K	333-161943	<a href="#">10.1</a>	10/02/2020
<a href="#">4.14</a>	<a href="#">Form of warrant in connection with the January 2021 Private Placement</a>	S-1/A	333-251241	<a href="#">4.22</a>	02/16/2021
<a href="#">4.15</a>	<a href="#">Form of Securities Purchase Agreement in connection with the January 2021 Private Placement</a>	S-1/A	333-251241	<a href="#">4.23</a>	02/16/2021

<b>Exhibit</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File No.</b>	<b>Exhibit</b>	<b>Filing date</b>
<a href="#">10.1<sup>†</sup></a>	<a href="#">Form of Indemnification Agreement by and among the Company and its officers and directors</a>	S-1	333-234349	<a href="#">10.8</a>	10/28/2019
<a href="#">10.2<sup>†</sup></a>	<a href="#">Employment Agreement, Dated December 28, 2020 by and between Scott Lerner and the Company</a>	8-K/A	333-161943	<a href="#">10.2</a>	01/05/2021
<a href="#">10.3<sup>†</sup></a>	<a href="#">Employment Agreement, dated October 8, 2020, by and between Sharla Cook and the Company</a>	10-K	333-161943	<a href="#">10.12</a>	03/30/2021
<a href="#">10.4<sup>†</sup></a>	<a href="#">Employment Agreement, dated September 27, 2020, by and between Robert Sauermann and the Company</a>	10-K	333-161943	<a href="#">10.13</a>	03/30/2021
<a href="#">10.5<sup>†</sup></a>	<a href="#">Employment Agreement, dated January 1, 2021, by and between Donald Young and the Company</a>	10-K	333-161943	<a href="#">10.14</a>	03/30/2021
<a href="#">10.6</a>	<a href="#">Loan and Security Agreement, dated as of January 6, 2021, by and between Old Plank Trail Community Bank, N.A. ("Lender") and Halo, Purely for Pets, Inc., a Delaware corporation ("Halo")</a>	8-K	333-161943	<a href="#">10.1</a>	01/11/2021
<a href="#">10.7</a>	<a href="#">Term Note A, dated as of January 6, 2021, issued by Halo in favor of Lender</a>	8-K	333-161943	<a href="#">10.3</a>	01/11/2021
<a href="#">10.8</a>	<a href="#">Guaranty and Security Agreement, dated as of January 6, 2021, made by Better Choice Company Inc., TruPet LLC, and Bona Vida, Inc., a Delaware corporation</a>	8-K	333-161943	<a href="#">10.4</a>	01/11/2021
<a href="#">10.9</a>	<a href="#">Intellectual Property Security Agreement, dated as of January 6, 2021, executed and delivered by the Company, TruPet and Bona Vida</a>	8-K	333-161943	<a href="#">10.5</a>	01/11/2021
<a href="#">10.10</a>	<a href="#">Stock Pledge Agreement, dated as of January 6, 2021, executed and delivered by the Company in favor of Lender</a>	8-K	333-161943	<a href="#">10.6</a>	01/11/2021
<a href="#">10.11</a>	<a href="#">First Amendment to Loan and Security Agreement, dated as of August 13, 2021, by and between Old Plank Trail Community Bank, N.A. ("Lender") and Halo, Purely for Pets, Inc.</a>	8-K	001-40477	<a href="#">10.1</a>	08/17/2021
<a href="#">10.12</a>	<a href="#">Revolving Promissory Note, dated as of August 13, 2021, issued by Halo Purely for Pets, Inc.</a>	8-K	001-40477	<a href="#">10.2</a>	08/17/2021
<a href="#">10.13</a>	<a href="#">Deposit Account Pledge Agreement, dated as of August 13, 2021, executed and delivered by Halo Purely for Pets Inc.</a>	8-K	001-40477	<a href="#">10.3</a>	08/17/2021
<a href="#">10.14</a>	<a href="#">Second Amendment to Loan and Security Agreement, dated March 25, 2022, by and between Old Plank Trail Community Bank, N.A. and Halo, Purely for Pets, Inc.</a>	10-K	001-40477	<a href="#">10.14</a>	03/29/2022
<a href="#">10.15</a>	<a href="#">Third Amendment to Loan and Security Agreement, dated October 24, 2022, by and between Old Plank Trail Community Bank, N.A. and Halo, Purely for Pets, Inc.</a>	8-K	001-40477	<a href="#">10.1</a>	10/25/2022
<a href="#">10.16</a>	<a href="#">Revolving Promissory Note, dated as of October 24, 2022, issued by Halo in favor of Lender</a>	8-K	001-40477	<a href="#">10.2</a>	10/25/2022
<a href="#">10.17</a>	<a href="#">First Amendment to Deposit Account Pledge Agreement, dated as of October 24, 2022, executed and delivered by Halo in favor of Lender.</a>	8-K	001-40477	<a href="#">10.3</a>	10/25/2022
<a href="#">10.18<sup>†#</sup></a>	<a href="#">Separation Agreement, dated as of September 14, 2022, by and between the Company and Scott Lerner</a>	10-Q	001-40477	<a href="#">10.18</a>	11/10/2022
<a href="#">10.19<sup>†#</sup></a>	<a href="#">Advisory Consulting Agreement, dated as of November 2, 2022, by and between the Company and Lionel F. Conacher</a>	10-Q	001-40477	<a href="#">10.19</a>	11/10/2022
<a href="#">10.20<sup>†</sup></a>	<a href="#">Engagement Agreement, dated as of March 13, 2023, by and between ONE10 Advisors, LLC and Better Choice Company Inc.</a>	8-K	001-40477	<a href="#">10.1</a>	03/21/2023
<a href="#">10.21<sup>†</sup></a>	<a href="#">Interim Officer Agreement, dated as of March 20, 2023, by and between Carolina Martinez and Better Choice Company, Inc.</a>	8-K	001-40477	<a href="#">10.1</a>	03/21/2023
<a href="#">21.1</a>	<a href="#">Subsidiaries of the Company</a>	10-K	001-40477	<a href="#">21.1</a>	03/28/2023
<a href="#">31.1 *</a>	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				

Exhibit	Exhibit Description	Form	File No.	Exhibit	Filing date
<a href="#">31.2</a> *	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				
<a href="#">32.1</a> *	<a href="#">Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>				
101 *	The following materials from the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 formatted in Inline Extensible Business Reporting Language ("iXBRL"): (i) the Condensed Consolidated Statements of Operations, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Stockholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows and (v) related notes, tagged as blocks of text and including detailed tags.				
104 *	Cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, formatted in iXBRL (included as Exhibit 101).				

† Indicates a management contract or any compensatory plan, contract or arrangement.

\* Filed or furnished herewith.

# Certain schedules and similar attachments to this agreement have been omitted in accordance with Item 601(b)(5) of Regulation S-K. The Company will furnish copies of any schedules or similar attachments to the SEC upon request.

\*\*\* Certain information in this document has been excluded pursuant to Regulation S-K, Item 601(b)(10). Such excluded information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BETTER CHOICE COMPANY INC.

Date: May 12, 2023

By: /S/ LIONEL F. CONACHER  
Lionel F. Conacher  
*Interim Chief Executive Officer*  
*(Principal Executive Officer)*

Date: May 12, 2023

By: /S/ CAROLINA MARTINEZ  
Carolina Martinez  
*Interim Chief Financial Officer*  
*(Principal Financial and Accounting Officer)*

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) /  
RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Lionel F. Conacher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2023 of Better Choice Company Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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, 2023

/s/ LIONEL F. CONACHER

Lionel F. Conacher  
*Interim Chief Executive Officer*  
*(Principal Executive Officer)*

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) /  
RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Carolina Martinez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2023 of Better Choice Company Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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.

Dated: May 12, 2023

/s/ CAROLINA MARTINEZ

Carolina Martinez  
*Interim Chief Financial Officer*  
*(Principal Financial and Accounting Officer)*

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

In connection with the Quarterly Report of Better Choice Company Inc. (the "Company") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers 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; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 12, 2023

/s/ LIONEL F. CONACHER

Lionel F. Conacher  
*Interim Chief Executive Officer*  
*(Principal Executive Officer)*

/s/ CAROLINA MARTINEZ

Carolina Martinez  
*Interim Chief Financial Officer*  
*(Principal Financial Officer)*