

**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 **June 30, 2024**

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**

(Address of Principal Executive Offices) (Zip Code)

**(212) 896-1254**

(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: 1,655,329 shares of \$0.001 par value common stock outstanding as of August 13, 2024.



**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;
- 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;

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- 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 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

**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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net sales	\$ 8,542	\$ 10,536	\$ 16,445	\$ 19,773
Cost of goods sold	5,289	6,948	10,578	12,944
Gross profit	3,253	3,588	5,867	6,829
<b>Operating expenses:</b>				
Selling, general and administrative	3,977	6,173	9,057	12,669
Total operating expenses	3,977	6,173	9,057	12,669
Loss from operations	(724)	(2,585)	(3,190)	(5,840)
<b>Other income (expense):</b>				
Interest expense, net	(180)	(379)	(542)	(608)
Gain on extinguishment of debt	3,561	—	3,561	—
Total other income (expense), net	3,381	(379)	3,019	(608)
Income (loss) before income taxes	2,657	(2,964)	(171)	(6,448)
Income tax expense	3	—	5	—
Net income (loss)	\$ 2,654	\$ (2,964)	\$ (176)	\$ (6,448)
Weighted average number of shares outstanding, basic	890,756	694,356	838,062	693,561
Weighted average number of shares outstanding, diluted	890,756	694,356	838,062	693,561
Net income (loss) per share, basic	\$ 2.98	\$ (4.27)	\$ (0.21)	\$ (9.30)
Net income (loss) per share, diluted	\$ 2.98	\$ (4.27)	\$ (0.21)	\$ (9.30)

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)*

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,293	\$ 4,455
Accounts receivable, net	4,325	4,354
Inventories, net	3,825	6,611
Prepaid expenses and other current assets	771	812
Total Current Assets	12,214	16,232
Fixed assets, net	179	230
Right-of-use assets, operating leases	92	120
Goodwill	405	—
Other assets	195	155
Total Assets	<u>\$ 13,085</u>	<u>\$ 16,737</u>
<b>Liabilities &amp; Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 6,108	\$ 6,928
Accrued and other liabilities	1,361	2,085
Credit facility, net	1,582	1,741
Term loan, net	—	2,881
Operating lease liability	59	57
Total Current Liabilities	9,110	13,692
<b>Non-current Liabilities</b>		
Operating lease liability	37	67
Total Non-current Liabilities	37	67
Total Liabilities	9,147	13,759
<b>Stockholders' Equity</b>		
Common Stock, \$0.001 par value, 200,000,000 shares authorized, 916,329 & 729,026 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	1	1
Additional paid-in capital	325,455	324,319
Accumulated deficit	(321,518)	(321,342)
Total Stockholders' Equity	3,938	2,978
Total Liabilities and Stockholders' Equity	<u>\$ 13,085</u>	<u>\$ 16,737</u>

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, 2023</b>	<b>729,026</b>	<b>\$ 1</b>	<b>\$ 324,319</b>	<b>\$ (321,342)</b>	<b>\$ 2,978</b>
Share-based compensation	42,088	—	518	—	518
Share issuance	6,818	—	58	—	58
Equity issued in business combinations	45,629	—	400	—	400
Shares issued in lieu of fractional shares	89	—	—	—	—
Net loss	—	—	—	(2,830)	(2,830)
<b>Balance as of March 31, 2024</b>	<b>823,650</b>	<b>\$ 1</b>	<b>\$ 325,295</b>	<b>\$ (324,172)</b>	<b>\$ 1,124</b>
Share-based compensation	22,727	—	160	—	160
Share issuance	69,952	—	—	—	—
Net income	—	—	—	2,654	2,654
<b>Balance as of June 30, 2024</b>	<b>916,329</b>	<b>\$ 1</b>	<b>\$ 325,455</b>	<b>\$ (321,518)</b>	<b>\$ 3,938</b>

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
<b>Balance as of December 31, 2022</b>	<b>668,870</b>	<b>\$ 29</b>	<b>\$ 320,071</b>	<b>\$ (298,572)</b>	<b>\$ 21,528</b>
Share-based compensation	24,247	—	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>693,117</b>	<b>\$ 30</b>	<b>\$ 320,931</b>	<b>\$ (302,056)</b>	<b>\$ 18,905</b>
Share-based compensation	1,818	—	284	—	284
Net loss available to common stockholders	—	—	—	(2,964)	(2,964)
<b>Balance as of June 30, 2023</b>	<b>694,935</b>	<b>\$ 30</b>	<b>\$ 321,215</b>	<b>\$ (305,020)</b>	<b>\$ 16,225</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)*

	Six Months Ended	
	June 30,	
	2024	2023
<b>Cash Flow from Operating Activities:</b>		
Net loss	\$ (176)	\$ (6,448)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	68	845
Amortization of debt issuance costs	34	150
Loss on disposal of fixed assets	—	11
Share-based compensation	678	1,145
Gain on extinguishment of debt	(3,561)	—
PIK interest expense on term loan	238	—
Accreted interest expense on term loan	153	—
Other	60	5
Bad debt expense	127	—
Income tax provision	5	—
Changes in operating assets and liabilities:		
Accounts receivable	(96)	958
Inventories	2,785	1,700
Prepaid expenses and other assets	—	(1,129)
Accounts payable	(828)	1,261
Accrued and other liabilities	(473)	265
<b>Cash Used in Operating Activities</b>	<b>\$ (986)</b>	<b>\$ (1,237)</b>
<b>Cash Flow from Investing Activities:</b>		
Capital expenditures	\$ (18)	\$ (10)
<b>Cash Used in Investing Activities</b>	<b>\$ (18)</b>	<b>\$ (10)</b>
<b>Cash Flow from Financing Activities:</b>		
Payments on short-term financing arrangement	—	(41)
Proceeds from revolving lines of credit	—	4,164
Payments on revolving lines of credit	—	(13,500)
Proceeds from term loan	—	2,792
Debt issuance costs	—	(242)
Proceeds from warrant liabilities	—	2,208
Proceeds from Wintrust Facility	5,461	—
Payments on Wintrust Facility	(5,619)	—
<b>Cash Used in Financing Activities</b>	<b>\$ (158)</b>	<b>\$ (4,619)</b>
Net decrease in cash and cash equivalents	\$ (1,162)	\$ (5,866)
Total cash and cash equivalents, beginning of period	4,455	9,473
Total cash and cash equivalents, end of period	\$ 3,293	\$ 3,607
<b>Supplemental schedule of cash flow information:</b>		
Cash paid for interest during the period	244	489
<b>Disclosure of non-cash financing activities:</b>		
Term loan forgiveness, refer to Note 7 - Debt	3,235	—
Forgiveness of PIK interest on term loan, refer to Note 7 - Debt	493	—
Write off of debt issuance costs	168	—

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.

**Reverse stock split**

On March 8, 2024, the Company’s Board of Directors approved a reverse stock split of the Company’s issued and outstanding shares of common stock at a ratio of 1-for-44, effective March 20, 2024 (the “Reverse Split”). In addition, the exercise prices of the Company’s underlying common stock purchase warrants and stock options were proportionately adjusted at the applicable reverse stock split ratio in accordance with the terms of such instruments. Proportionate voting rights and other rights of common stockholders were not affected by the Reverse Stock Split, other than as a result of the rounding up of fractional shares. In connection with the Reverse Stock Split, 70,041 shares of common stock were issued in lieu of fractional shares.

Accordingly, all share and per share amounts related to the Company’s common stock for all periods presented in the accompanying consolidated financial statements and notes thereto have been retroactively adjusted, where applicable, to reflect the Reverse Stock Split. The number of authorized shares and the par values of the common stock and convertible preferred stock were not adjusted as a result of the Reverse Stock Split.

**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, 2023 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, 2023, 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 consolidated 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 three and six months ended June 30, 2024 and 2023, the financial position as of June 30, 2024 and December 31, 2023 and the cash flows for the six months ended June 30, 2024 and 2023.

**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 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 the Company’s 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 pay our short-term obligations. The Company will need to either raise additional capital or obtain additional financing to maintain sufficient liquidity. There can be no assurance that the Company will be successful in raising additional capital, 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 or sell certain assets.

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The Company has implemented and continues to implement plans to achieve operating profitability, including various margin improvement initiatives, the consolidation of and introduction of new co-manufacturers, the optimization of pricing strategy and ingredient profiles, and new product innovation. 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.

***Share repurchases***

In April 2024, the Company's board of directors authorized and approved a stock repurchase plan (the "Repurchase Plan") for up to \$5.0 million of the currently outstanding shares of the Company's common stock through December 31, 2024. Repurchased shares are immediately retired and returned to unissued status. During the six months ended June 30, 2024, no shares were repurchased.

***Advertising***

The Company charges advertising costs to expense as incurred and such charges are included in selling, general and administrative ("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 \$1.2 million and \$2.3 million for the three months ended June 30, 2024 and 2023, respectively. Advertising costs were \$2.3 million and \$3.7 million for the six months ended June 30, 2024 and 2023, respectively.

***Reclassification***

Certain prior period amounts within the condensed consolidated statements of operations related to share-based compensation, previously presented as a separate line item, have been reclassified into selling, general and administrative expense to conform with current period presentation. All share-based compensation in the current and prior periods is a selling, general and administrative expense.

**New Accounting Standards**

***Recently adopted***

There were no new standards that would have an impact on the condensed consolidated financial statements for the six months ended June 30, 2024.

**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. The Company closed its DTC channel effective June 1, 2024 and expired the loyalty program as of June 30, 2024.

## Revenue channels

The Company groups its revenue channels into three categories: Digital, which includes the sale of product to online retailers such as Amazon and Chewy, as well as DTC sales, which included the sale of product through the Company's website through June 1, 2024; Brick & Mortar, which primarily includes the sale of product to Pet Specialty retailers, independent pet stores, and regional distributors; 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 June 30,				Six Months Ended June 30,			
	2024		2023		2024		2023	
Digital <sup>(1)</sup>	\$ 4,406	51%	\$ 5,436	51%	\$ 8,880	54%	\$ 11,207	57%
International <sup>(2)</sup>	3,649	43%	3,875	37%	6,523	40%	6,185	31%
Brick & Mortar <sup>(3)</sup>	487	6%	1,225	12%	1,042	6%	2,381	12%
Net Sales	<u>\$ 8,542</u>	<u>100%</u>	<u>\$ 10,536</u>	<u>100%</u>	<u>\$ 16,445</u>	<u>100%</u>	<u>\$ 19,773</u>	<u>100%</u>

(1) The Company's Digital channel includes two wholesale customers that amounted to greater than 10% of the Company's total net sales for the three and six months ended June 30, 2024 and 2023, and represented \$3.5 million and \$6.6 million of net sales for the three and six months ended June 30, 2024, and \$3.1 million and \$6.9 million of net sales during the three and six months ended June 30, 2023, respectively. Additionally, DTC sales within the Digital channel amounted to greater than 10% of the Company's total net sales for the three months ended June 30, 2023, and six months ended June 30, 2024, and 2023, respectively. DTC sales within the Digital channel were approximately \$0.8 million and \$2.0 million for the three and six months ended June 30, 2024, and \$1.7 million and \$3.0 million for the three and six months ended June 30, 2023, respectively. As of June 1, 2024, the Company has exited its DTC channel in an effort to improve profitability. The Company historically reported the sales in this channel as E-commerce and DTC separately and has been consolidated into one revenue stream as of June 30, 2024.

(2) One of the Company's International customers amounted to greater than 10% of the Company's total net sales during the three months and six months ended June 30, 2024 and 2023, and represented \$3.0 million and \$5.2 million of net sales for the three and six months ended June 30, 2024, and \$2.9 million and \$5.0 million of net sales for the three and six months ended June 30, 2023, respectively.

(3) None of the Company's Brick & Mortar customers represented greater than 10% of net sales for the three and six months ended June 30, 2024 or June 30, 2023. For the three and six months ended June 30, 2023, Petco was included within the Brick & Mortar channel. Beginning in Q1 2024, Petco is presented within Digital as a result of the strategic exit out of Petco stores, while remaining on Petco.com.

## Note 3 - Inventories

Inventories are summarized as follows (in thousands):

	June 30, 2024	December 31, 2023
Food, treats and supplements	\$ 3,616	\$ 6,296
Inventory packaging and supplies	1,064	1,166
Total Inventories	4,680	7,462
Inventory reserve	(855)	(851)
Inventories, net	<u>\$ 3,825</u>	<u>\$ 6,611</u>

## Note 4 - Prepaid expenses and other current assets

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

	June 30, 2024	December 31, 2023
Prepaid marketing expenses	\$ 647	\$ 451
Other prepaid expenses and other current assets	124	361
Total Prepaid expenses and other current assets	<u>\$ 771</u>	<u>\$ 812</u>

**Note 5 - Fixed assets**

Fixed assets consist of the following (in thousands):

	Estimated Useful Life	June 30, 2024	December 31, 2023
Equipment	2 - 5 years	\$ 26	\$ 18
Furniture and fixtures	2 - 5 years	221	221
Computer software, including website development	2 - 3 years	191	187
Computer equipment	1 - 2 years	114	108
Total fixed assets		552	534
Accumulated depreciation		(373)	(304)
Fixed assets, net		\$ 179	\$ 230

Depreciation expense was \$0.02 million and \$0.04 million for the three and six months ended June 30, 2024, respectively. Depreciation expense was \$0.04 million and \$0.08 million for the three and six months ended June 30, 2023, respectively.

**Note 6 – Accrued and other liabilities**

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

	June 30, 2024	December 31, 2023
Accrued taxes	\$ 103	\$ 105
Accrued payroll and benefits	518	487
Accrued trade promotions and advertising	197	90
Accrued interest	—	254
Accrued commissions	434	686
Deferred revenue	—	7
Short-term financing	—	162
Other	109	294
Total accrued and other liabilities	\$ 1,361	\$ 2,085

**Note 7 – Debt**

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

	June 30, 2024			December 31, 2023		
	Amount	Rate	Maturity date	Amount	Rate	Maturity date
Term loan, net	\$ —	(1)	N/A	\$ 2,881	(1)	N/A
Line of credit, net	\$ 1,582	(2)	6/21/2025	\$ 1,741	(2)	6/21/2025
Less current portion	1,582			4,622		
Total long-term debt	\$ —			\$ —		

(1) Interest at a fixed rate of 10.00% per annum.

(2) Interest at a variable rate of the daily U.S. Prime Rate plus 250 basis points with an interest rate floor of 5.50% per annum.

**Wintrust Receivables Credit Facility**

On June 21, 2023, the Company entered into an account purchase agreement with Wintrust Receivables Finance (the "AP Agreement"), a division of Wintrust Bank N.A. ("Wintrust") pursuant to which Wintrust will purchase, at its discretion, eligible customer invoices and advance up to 75% of the face amount of all purchased invoices, the maximum outstanding balance can be \$4.8 million. Each advance under the AP Agreement will bear a variable interest rate at the prime rate plus 2.5% percentage per annum. The interest rate at June 30, 2024 was 11.0% per annum. The AP Agreement has an initial term of two years and will automatically renew annually unless terminated by the Company on at least 60 days' notice. The Wintrust Receivables Credit Facility is guaranteed and secured by a general security interest in the assets of the Company. The Company continues to service the receivables, the transfers are at full recourse and the eligible customer invoices are not legally isolated from the Company. As such, the Wintrust Receivables Credit Facility was accounted for as a secured borrowing under ASC 860.

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The Wintrust Receivables Credit Facility limits or restrict the ability of the Company to incur additional indebtedness; incur additional liens; make dividends and other restricted payments; make investments; sell, assign, transfer or dispose of certain assets; make optional prepayments of other indebtedness; engage in transactions with affiliates; and enter into restrictive agreements. The Wintrust Receivables Credit Facility does not include any financial covenants and if an event of default occurs, Wintrust is entitled to accelerate the advances made thereunder and exercise rights against the collateral. As of June 30, 2024, the Company was in compliance with its restrictive financial covenants.

Borrowing under the Wintrust Receivables Credit Facility are classified as current debt as a result of a required lockbox arrangement and a subjective acceleration clause. During the three and six months ended June 30, 2024, the Company sold receivables having an aggregate face value of \$3.3 million and \$7.3 million, respectively, in exchange for cash proceeds of \$2.5 million and \$5.5 million, respectively. As of June 30, 2024, the balance outstanding on the Wintrust Receivables Credit Facility amounted to \$1.6 million.

### **Alpha Term Loan Facility**

On June 21, 2023, the Company entered into a term loan credit agreement (the “Term Loan Agreement”) with Alpha Inc. (“Alpha”), a custom manufacturer of super-premium pet food in the U.S. Pursuant to the Term Loan Agreement, Alpha made a term loan to the Company in the original principal amount of \$5.0 million (the “Term Loan”). In conjunction with the Term Loan Agreement, the Company issued warrants to Alpha (see Note 11 – Warrants for further discussion). The proceeds of the Term Loan, together with a portion of the Company’s cash on hand, were used to retire all of the outstanding obligations of Halo, Purely for Pets, Inc. (“Halo”), a wholly-owned subsidiary of the Company, under Halo’s long-term credit facility with Old Plank Trail Community Bank, N.A., an affiliate of Wintrust Bank, N.A described above.

On March 25, 2024, the Company initiated a legal action to enforce a right of first refusal option exercised by Alpha pursuant to the terms of a written agreement between Alpha and the Company whereby Alpha was to acquire the assets of Halo. On June 20, 2024, the Company agreed to settlement terms of the lawsuit. The agreement dismisses the Company’s ongoing litigation with Alpha and provides for the forgiveness of the Company’s term loan, including \$5.0 million in principal and \$0.5 million of payable-in-kind (“PIK”) accrued interest, the termination of 335,640 warrants with a strike price of \$11.44 per share that were set to expire in 2028, and the forgiveness of up to \$2.7 million in accounts payable due to Alpha, provided the remaining outstanding accounts payable balance is paid within 90 days of the settlement date. The terms of the settlement on accounts payable are still outstanding as of June 30, 2024. As a result, there is no impact to accounts payable as of June 30, 2024. The book value of the Alpha term loan and the unamortized debt issuance costs were \$3.2 million and \$0.2 million, respectively, on the date of forgiveness.

As a result of the settlement terms described above, the Company is not indebted to Alpha as it relates to the Term Loan Facility as of June 30, 2024.

### **Note 8 - Business Combinations**

On February 9, 2024, the Company completed the acquisition of Aimia Pet Healthco, Inc. (“Aimia”) to develop treats and toppers that safely combat pet obesity.

The Company completed a business combination for a purchase price of \$0.4 million during the six months ended June 30, 2024 with common shares issued as consideration, which have been adjusted herein to reflect the Reverse Stock Split effective March 20, 2024. In accordance with ASC Topic 805, Business Combinations (“Topic 805”), total consideration was first allocated to the fair value of assets acquired, including liabilities assumed, with the excess being recorded as goodwill. For financial statement purposes, goodwill is not amortized but rather is evaluated for impairment at least annually or more frequently if an event or change in circumstances occurs that indicates goodwill may be impaired. Goodwill is deductible for tax purposes and will be amortized over a period of 15 years.

The recorded purchase price for the business combination includes an estimation of the fair value of equity interests, which is calculated based on the value of the Company’s common stock on the closing date.

Under ASC 805, a business combination involves the acquisition of a business, defined as an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return to investors. The Company assessed whether the acquired entity constituted a business by evaluating its assets, processes, and outputs and determined the acquired set to be a business based on the inputs and substantive processes that together significantly contribute to the ability to create outputs.

Aimia is a pre-revenue business and there were no operating results related to this business combination to include in the condensed consolidated statements of operations for the six months ended June 30, 2024 since the acquisition date.

Acquisition-related costs incurred in connection with business combinations are recorded in selling, general and administrative expenses in the condensed consolidated statements of operations. The Company incurred acquisition-related costs from this business combination of less than \$0.1 million for the six months ended June 30, 2024.

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In November 2023, Aimia entered into a memorandum of understanding (“MOU”) which establishes a research and development (“R&D”) partnership with doctors and a lab which would facilitate the development a GLP-1 supplement for pets. In connection with the MOU, the Company issued 6,818 shares to the R&D partners and the Company incurred \$0.1 million of mergers and acquisitions expenses, which are recorded in selling, general, and administrative expenses in the consolidated statement of operations for the six months ended June 30, 2024.

Due to the timing of the completion of the acquisition, the purchase price and related allocation are preliminary and could be revised as a result of adjustments made to the purchase price, additional information obtained regarding assets acquired and liabilities assumed, and revisions of provisional estimates of fair values, including, but not limited to appraisals and valuations. The purchase price allocation will be finalized within the measurement period of up to one year from the acquisition date.

The table below provides a summary of the total consideration and the estimated purchase price allocation made for the business combination that became effective during the six months ended June 30, 2024.

	<b>Aimia</b>
Common stock	\$ 399,713
<b>Total consideration</b>	<b>\$ 399,713</b>
Subscription receipts receivable	\$ 1,100
HST Receivable	856
Goodwill	405,194
<b>Total assets acquired</b>	<b>\$ 407,150</b>
AP and accruals	\$ 7,437
<b>Total liabilities acquired</b>	<b>\$ 7,437</b>
<b>Net assets acquired</b>	<b>\$ 399,713</b>

The factors contributing to the recognition of the amount of goodwill are based on expanding research and development to develop dog treats that mirror the weight loss benefits of brands including Slentrol, Wegovy, Ozempic, and Mounjaro with added protein and nutrients from the Company’s Halo products to promote lean muscle and overall pet health.

**Note 9 - Fair Value Measurements**

The carrying amounts of cash and cash equivalents, trade accounts receivable, accounts payable, accrued expenses, and other liabilities approximate fair value because of the short-term nature of these financial instruments. The carrying amounts of borrowings under credit facilities approximates fair value because of the short-term nature and variable interest rates on these instruments approximates current market rates.

The Company estimates the fair value of the term loan based on a discounted cash flow method. The carrying value of the term loan was based on an accounting entry where proceeds from the loan were first allocated to the warrants liabilities. The following table presents the carrying amount and fair value of the Company’s term note and line of credit by hierarchy level:

	<b>Fair Value Hierarchy</b>		<b>June 30, 2024</b>		<b>December 31, 2023</b>	
			<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Term loan	Level 3 (1)	\$	—	\$ —	\$ 2,881	\$ 3,314

(1) the fair value estimates are based on unobservable inputs reflecting management’s assumptions about inputs used in pricing the asset or liability

**Note 10 – Commitments and contingencies**

The Company has manufacturing agreements with its vendors that provides for the company to make its commercial best efforts to purchase minimum quantities in the ordinary course of business. There are no other purchase obligations as of June 30, 2024 or December 31, 2023.

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. After consulting with legal counsel, 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 11 – Warrants**

The following summarizes the Company's outstanding warrants to purchase shares of the Company's common stock as of and for the periods ended June 30, 2024 and December 31, 2023:

	<b>Warrants</b>	<b>Weighted Average Exercise Price</b>
Warrants outstanding as of December 31, 2023	550,039	\$ 405.37
Issued	—	\$ —
Exercised	—	\$ —
Terminated	(364,044)	\$ 54.83
Warrants outstanding as of June 30, 2024	185,995	\$ 213.58

There is no intrinsic value of outstanding warrants as of June 30, 2024 and December 31, 2023.

The anti-dilution provisions which previously precluded equity treatment of the warrants, expired on December 21, 2023, and thus the warrants were reclassified to additional paid in capital and presented in equity as of December 31, 2023. The settlement terms discussed in Note 7 - Debt provide for the termination of all 335,640 Warrants, which resulted in a net zero impact on equity. As a result, there are no Alpha warrants outstanding as of June 30, 2024.

The warrants outstanding as of June 30, 2024, were issued during the year ended December 31, 2021 or prior and have an expiration date in 2026 or thereafter.

**Note 12 – Share-based compensation**

During the three months ended June 30, 2024 and June 30, 2023, the Company recognized \$0.2 million and \$0.3 million, respectively, of share-based compensation expense. During the six months ended June 30, 2024 and June 30, 2023, the Company recognized \$0.7 million and \$1.7 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 24,621 shares of common stock which was increased to 34,091 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 204,546 shares of common stock shall be authorized for issuance. The authorized shares for issuance was increased to 61,364 on January 1, 2021, increased to 127,606 on January 1, 2022 and again increased to 194,493 on January 1, 2023.



### Stock options

The following table provides detail of the options granted and outstanding:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Options outstanding as of December 31, 2023	53,342	\$ 221.40	5.7	\$ —
Granted	47,285	5.00		
Forfeited/Expired	(2,674)	276.32		
Options outstanding as of June 30, 2024	97,953	\$ 115.42	5.1	\$ —
Options exercisable as of June 30, 2024	46,357	\$ 235.32	4.8	\$ —

  

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Options outstanding as of December 31, 2022	69,884	\$ 236.95	7.2	\$ —
Granted	—	—		
Forfeited/Expired	(10,395)	174.61		
Options outstanding as of June 30, 2023	59,489	\$ 242.21	6.2	\$ —
Options exercisable as of June 30, 2023	50,821	\$ 250.06	5.8	\$ —

Options granted under the Amended 2019 Plan vest over a period of one 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).

On June 26, 2024, the Company granted 47,285 options to acquire common stock to certain of its directors, officers and employees, at a weighted-average exercise price of \$5.00 per share. The stock options were granted with a one-year vesting period and the Company recognized less than \$0.01 million of share-based compensation expense in its consolidated statements of operations. As of June 30, 2024, unrecognized share-based compensation related to these options was \$0.2 million, which is expected to be recognized over a weighted average period of one year.

### Restricted Stock Awards

In January 2023, the Company granted 20,292 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 4,545 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 409 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.

During the second quarter of 2023, the Company granted 909 shares of restricted common stock to certain executives and employees under the Amended 2019 Plan as performance bonus compensation totaling less than \$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 third quarter of 2023, the Company granted 34,090 shares of restricted common stock to two members of its board of directors. These restricted stock awards were immediately vested and, as such, the Company recorded share-based compensation expense of less than \$0.3 million upon issuance.

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In February 2024, the Company granted 42,088 shares of restricted common stock to members of its Board of Directors as part of their equity compensation pursuant to the Amended and Restated 2019 Incentive Award Plan. These restricted stock awards were immediately vested and, as such, the Company recorded share-based compensation expense of \$0.4 million upon issuance.

In June 2024, the Company granted 22,727 shares of restricted common stock to certain executives under the Amended 2019 Plan as performance bonus compensation. These restricted stock awards were immediately vested and, as such, the Company recorded share-based compensation expense of \$0.1 million upon issuance.

**Note 13 – 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 Internal Revenue Service. 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 and six months ended June 30, 2024 and 2023, respectively.

**Note 14 – Related party transactions**

**Director Fees**

The Company pays quarterly board of director fees. For the three and six months ended June 30, 2024 and 2023, the Company recorded less than \$0.1 million and \$0.1 million, respectively. As of June 30, 2024 and December 31, 2023, \$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 previous member of the Company's board of directors, whose resignation was effective April 1, 2024, is a partner at Believeco. As of June 30, 2024, Believeco is no longer considered a related party. During the period ended June 30, 2023, marketing expense related to Believeco totaled \$0.19 million, of which \$0.15 million is included within Accounts Payable as of June 30, 2023.

**Note 15 – Income taxes**

For the three and six months ended June 30, 2024, the Company recorded an income tax provision of less than \$0.01 million. For the three and six months ended June 30, 2023, the Company recorded an income tax provision of less than \$0.1 million. For the three and six months ended June 30, 2024 and 2023, 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 net operating losses ("NOLs") included in deferred tax assets have been fully offset by a valuation allowance due to uncertainty of realizing the tax benefit of NOLs for the three and six months ended June 30, 2024 and June 30, 2023.

**Note 16 – Concentrations**

**Major suppliers**

The Company sourced approximately 62% of its inventory purchases from one vendor for the six months ended June 30, 2024. The Company sourced approximately 83% of its inventory purchases from three vendors for the six months ended June 30, 2023. As of June 30, 2024 and December 31, 2023, \$5.1 million and \$5.5 million of inventory purchases were in accounts payable on the Condensed Consolidated Balance Sheets, respectively.

**Major customers**

Accounts receivable from two customers represented 95% of accounts receivable as of June 30, 2024. Accounts receivable from two customers represented 79% of accounts receivable as of December 31, 2023. Three customers represented 74% of gross sales for the six months ended June 30, 2024. Three customers represented 60% of gross sales for the six months ended June 30, 2023.

**Credit risk**

As of June 30, 2024 and December 31, 2023, 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 17 – Earnings per share**

The Company presents net income per share on a basic and diluted basis for the three months ended June 30, 2024, and net loss per share on a basic and diluted basis for the six months ended June 30, 2024. Basic income/(loss) per share is computed by dividing net income/(loss) by the weighted average number of common shares outstanding (“WASO”) during the period. For the three months ended June 30, 2023 and the six months ended June 30, 2024 and 2023, the Company’s basic and diluted net loss per share attributable to common stockholders are the same as the Company generated a net loss. For the three months ended June 30, 2024, the Company’s basic and diluted net income per share attributable to common stockholders are the same as the common stock equivalents are excluded from diluted net income per share as they have an anti-dilutive impact.

For the three and six months ended June 30, 2024, potentially dilutive securities not included in the calculation of diluted net income/(loss) per share, because to do so would be anti-dilutive, are as follows: 185,995 of stock equivalent warrants; 98,267 of stock equivalent employee stock options.

For the three and six months ended June 30, 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: 214,400 of stock equivalent warrants; 335,640 of warrant liabilities (148,758 First Tranche Warrant and 186,882 Second Tranche Warrant); 65,740 of stock equivalent employee stock options and 146 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 and six months ended June 30, 2024 and 2023 (in thousands, except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator:				
Net income (loss)	\$ 2,654	\$ (2,964)	\$ (176)	\$ (6,448)
Adjusted net income (loss) available to common stockholders	<u>\$ 2,654</u>	<u>\$ (2,964)</u>	<u>\$ (176)</u>	<u>\$ (6,448)</u>
Denominator:				
Basic WASO	890,756	694,356	838,062	693,561
Diluted WASO	<u>890,756</u>	<u>694,356</u>	<u>838,062</u>	<u>693,561</u>
Net income (loss) per share attributable to common stockholders, basic	<u>\$ 2.98</u>	<u>\$ (4.27)</u>	<u>\$ (0.21)</u>	<u>\$ (9.30)</u>
Net income (loss) per share attributable to common stockholders, diluted	<u>\$ 2.98</u>	<u>\$ (4.27)</u>	<u>\$ (0.21)</u>	<u>\$ (9.30)</u>

**Note 18 – Subsequent events**

The Company has evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the financial statements were issued for potential recognition or disclosure. The Company did not identify any subsequent events that would have required adjustment or disclosure in the financial statements, other than the following:

On July 29, 2024, the Company entered into an Underwriting Agreement (the “Underwriting Agreement”) with ThinkEquity LLC (the “Underwriter”), for an underwritten public offering (the “Offering”) of 639,000 shares (the “Shares”) of the Company’s common stock, par value \$0.001 per share (the “Common Stock”) at a public offering price of \$3.00 per share and pre-funded warrants to purchase 1,028,000 shares of Common Stock (the “Pre-Funded Warrants” and together with the Shares, the “Securities”) at a public offering price of \$2.99 per Pre-Funded Warrant, for aggregate gross proceeds of approximately \$5.0 million prior to deducting approximately \$0.5 million of underwriting discounts, commissions, and other offering expenses. In addition, the Company granted the Underwriter a 45-day option to purchase an additional 100,000 shares of Common Stock, at the public offering price per share, less the underwriting discounts and commissions, to cover over-allotments (the “Over-allotment Option”). The Company also issued representative warrants to purchase 83,350 shares of common stock (equal to 5% of the total number of shares sold in the public offering). The representative warrants will be exercisable at \$3.75 per share, a per share exercise price equal to 125% of the public offering price per share of common stock sold in the offering. The Company has not yet completed its evaluation of the classification of the warrants in accordance with Topic 480. The Securities were offered and sold to the public pursuant to the Company’s registration statement on Form S-1 (File No. 333-280714), filed by the Company with the Securities and Exchange Commission on July 8, 2024, as amended, which became effective on July 29, 2024. The sale of the Securities in connection with the Offering closed on July 31, 2024.

On August 2, 2024, pursuant to and in compliance with the terms and conditions of the Underwriting Agreement and the Offering, the Underwriters provided notice that they would exercise the Over-allotment Option to purchase 100,000 shares of Common Stock at \$3.00 per share. The sale of 100,000 shares of Common Stock in connection with the exercise of the Over-Allotment Option closed on August 2, 2024. The Company has received gross proceeds of approximately \$5.3 million for the Offering to date, including in connection with the exercise of the Over-Allotment Option, prior to deducting underwriting discounts and commissions and offering expenses payable by the Company.

In August 2024, the Company borrowed an additional \$2.5 million from the Wintrust Receivables 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.

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, including Halo Holistic™, Halo Elevate® and the former TruDog brand, which was 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 three distinct categories: Digital, which includes the sale of product to online retailers such as Amazon and Chewy, as well as direct to consumer (“DTC”) which included the sale of product through the Company’s website, halopets.com, through June 1, 2024; International, which includes the sale of product to foreign distribution partners and to select international retailers; and Brick & Mortar, which primarily includes the sale of product to pet specialty retailers, independent pet stores, and regional distributors.

New product innovation represents the cornerstone of our growth plan, supported by our own research and development, and acquisitions. Our established supply and distribution infrastructure allows us to bring new products to market in nine months, generally. Our outsourced manufacturing model is flexible, scalable and encourages innovation allowing us to offer a breadth of assortment in dog and cat food products under the Halo brand, serving a wide variety of customer needs.

Halo is the brand for a new generation of pet parents. For millennial pet parents who view their pets as children, we believe Halo provides the world’s best nutrition for the world’s best kids. Halo offers two premium sub-lines of natural dog and cat food for this audience - Halo Holistic™, which includes the former TruDog brand, and Halo Elevate®.

Halo Holistic™ is designed for the pet parent seeking high-quality ingredients for digestive health. Halo Holistic is the only super premium pet food certified by the Global Animal Partnership and the Marine Stewardship Council, both of which are animal welfare organizations recognized worldwide. Halo Holistic also supports complete digestive health with prebiotics, probiotics and postbiotics. Additionally, it’s made with whole animal proteins only and no meat meals.

Halo Elevate®, our second sub-line which launched during 2022, provides best-in-class nutrition. We believe it’s the only natural pet food with leading nutrient levels to support the top five pet parent health concerns which include digestive health, heart and immunity support, healthy skin and coat, hip and joint support and strength and energy. Each recipe delivers natural, science-based nutrition for optimal health. Both Halo Holistic and Halo Elevate® provide confidence and validation to empower millennial pet parents.

## ***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 \$64 billion of total spend in the pet care market in 2023. According to the American Pet Product Association (“APPA”), approximately 63% of all households in the U.S. own a pet, equating to a 180 million adult consumers living in a household with a pet. Pet spending represents a significant portion of household spend on consumer products, as this translates to an average annual spend on pet products of more than \$738 in 2023, which represents a 7.4% increase over the previous year.

According to the APPA, consumer spending on pets grew at an approximately 5% compound annual growth rate (“CAGR”) in the decade leading up to the COVID-19 pandemic, with a significant spike during the pandemic, fueled by steady annual increases in household pet ownership, the continued premiumization of the category and the humanization of pets. Pet spending is forecasted to grow at a 15% CAGR between 2020 and 2024, with total pet spending to reach \$251 billion by 2030. The surge in pet acquisition has led to an increase in the forecasted growth of the pet care industry over the next ten years. Moreover, according to the APPA, the vegan dog food industry expanded at a CAGR of 2.6% from 2018 to 2022, and it is anticipated that market growth for vegan dog food may continue from 2023 to 2033 at a CAGR of 7%. Human diets with less or no animal meat have gained popularity throughout the preceding decade.

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. The global plant-based pet food market is set to expand its roots in the global market at a promising CAGR of 9.2%, while the market is anticipated to hold a revenue of USD \$57.43 billion in 2032. 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 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 March 2, 2023, we announced that Robert Sauermann 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 (“CFO”), effective April 3, 2023. Also on March 21, 2023, we announced that Carolina Martinez was appointed as Interim CFO, effective April 3, 2023.

On May 11, 2023, we announced that Lionel F. Conacher was resigning from his role as Interim CEO of the Company, effective May 22, 2023. Mr. Conacher will still continue to serve on the Board as a Director. On May 11, 2023, we announced that Kent Cunningham was appointed as Chief Executive Officer of the Company, effective May 22, 2023.

On August 2, 2023, we announced that Carolina Martinez was appointed as Chief Financial Officer, Treasurer and Secretary of the Company, effective August 7, 2023. On August 28, 2023, we announced that Donald Young, was resigning from his role as Chief Sales Officer of the Company, effective September 8, 2023.

In December 2023, the Company made a strategic exit out of Petco stores (while remaining on Petco.com), and Pet Supplies Plus. As of June 1, 2024, the Company has exited its DTC channel, in an effort to improve profitability. On March 25, 2024, Better Choice Company, Inc. (“BTTR”) initiated a legal action to enforce a right of first refusal (“ROFR”) option exercised by Alpha, Inc. (“Alpha”), which is controlled by a Paris-based private equity firm, PAI Partners. On June 20, 2024, the Company agreed to settlement terms of the lawsuit. The agreement dismisses the Company’s ongoing litigation with Alpha and provides for the forgiveness of the Company’s term loan, including \$5.0 million in principal and \$0.5 million of payable-in-kind (“PIK”) accrued interest, the termination of 335,640 warrants with a strike price of \$11.44 per share that were set to expire in 2028, and the forgiveness of up to \$2.7 million in accounts payable due to Alpha, provided the remaining outstanding accounts payable balance is paid within 90 days of the settlement date.

The Company was not in compliance with certain covenants related to the Alpha Term Loan Facility as of December 31, 2023 and the debt was callable by the lender. Refer to the Going concern considerations for additional information.

On April 15, 2024, the Company’s board of directors authorized and approved a stock repurchase plan (the “Repurchase Plan”) for up to \$5 million of the currently outstanding shares of the Company’s common stock through December 31, 2024. Under the Repurchase Plan, the Company is authorized to repurchase shares through open market purchases, privately negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Exchange Act. The Board also authorized the Company to enter into written trading plans under Rule 10b5-1 of the Exchange Act. Adopting a trading plan that satisfies the conditions of Rule 10b5-1 would allow a company to repurchase its shares at times when it might otherwise be prevented from doing so due to self-imposed trading blackout periods or pursuant to insider trading laws. Under any Rule 10b5-1 trading plan, the Company’s third-party broker, subject to Securities and Exchange Commission regulations regarding certain price, market, volume and timing constraints, would have authority to purchase the Company’s common stock in accordance with the terms of the plan. The Company may from time to time enter into Rule 10b5-1 trading plans to facilitate the repurchase of its common stock pursuant to its Repurchase Plan. The Company has not made any purchases under the Repurchase Plan, nor has it entered into any trading plans. The Company does not intend to make repurchases of its Common Stock but reserves the right to evaluate the market for the Common Stock and make a determination regarding repurchases at that time prior to December 31, 2024.

On April 24, 2024, the Company received a notice of noncompliance from the NYSE American. On May 24, 2024, we submitted a plan of compliance to NYSE American addressing how we intend to regain compliance, which plan has been accepted by the NYSE American. However, if we are not in compliance with the continued listing standards before the end of the cure period, or if we do not make progress consistent with the plan, the NYSE American may take steps to delist our common stock. Further, we received correspondence from the NYSE American on July 9, 2024, indicating noncompliance under a different requirement of the listing standards, since we reported stockholders’ equity of \$1.1 million as of March 31, 2024, and had losses from continuing operations and/or net losses in three out of its four most recent fiscal years ended December 31, 2023, and that which requires us to maintain a minimum stockholders’ equity of \$4.0 million. We will need to take additional steps to regain compliance under this requirement as well, or the NYSE American may take steps to delist our common stock.

**Results of Operations for the three and six months ended June 30, 2024 and 2023**

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

	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Net sales	\$ 8,542	\$ 10,536	\$ (1,994)	(19)%	\$ 16,445	\$ 19,773	\$ (3,328)	(17)%
Cost of goods sold	5,289	6,948	(1,659)	(24)%	10,578	12,944	(2,366)	(18)%
Gross profit	3,253	3,588	(335)	(9)%	5,867	6,829	(962)	(14)%
<b>Operating expenses:</b>								
Selling, general and administrative	3,977	6,173	(2,196)	(36)%	9,057	12,669	(3,612)	(29)%
Total operating expenses	3,977	6,173	(2,196)	(36)%	9,057	12,669	(3,612)	(29)%
Loss from operations	(724)	(2,585)	1,861	(72)%	(3,190)	(5,840)	2,650	45%
<b>Other income (expense):</b>								
Interest expense, net	(180)	(379)	(199)	(53)%	(542)	(608)	(66)	(11)%
Gain on extinguishment of debt	3,561	—	3,561	100%	3,561	—	3,561	100%
Total other income (expense), net	3,381	(379)	3,760	992%	3,019	(608)	3,627	(597)%
Income (loss) before income taxes	2,657	(2,964)	5,621	190%	(171)	(6,448)	6,277	97%
Income tax expense	3	—	3	—%	5	—	5	100%
Net income (loss)	\$ 2,654	\$ (2,964)	\$ 5,618	190%	\$ (176)	\$ (6,448)	\$ 6,272	97%

**Net sales**

We sell our products through online retailers, pet specialty and independent pet retailers and distributors, internationally to foreign distribution partners (transacted in U.S. dollars), and our website directly to consumers. 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 within the Digital channel includes 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 June 30,				Six Months Ended June 30,			
	2024		2023		2024		2023	
	\$	%	\$	%	\$	%	\$	%
Digital <sup>(1)</sup>	4,406	51%	5,436	51%	8,880	54%	11,207	57%
International <sup>(2)</sup>	3,649	43%	3,875	37%	6,523	40%	6,185	31%
Brick & Mortar <sup>(3)</sup>	487	6%	1,225	12%	1,042	6%	2,381	12%
Net Sales	\$ 8,542	100%	\$ 10,536	100%	\$ 16,445	100%	\$ 19,773	100%

(1) The Company's Digital channel includes two wholesale customers that amounted to greater than 10% of the Company's total net sales for the three and six months ended June 30, 2024 and 2023, and represented \$3.5 million and \$6.6 million of net sales for the three and six months ended June 30, 2024, and \$3.1 million and \$6.9 million of net sales during the three and six months ended June 30, 2023, respectively. Additionally, DTC sales within the Digital channel amounted to greater than 10% of the Company's total net sales for the three months ended June 30, 2024, and 2023, respectively. DTC sales within the Digital channel were approximately \$0.8 million and \$2.0 million for the three and six months ended June 30, 2024, and \$1.7 million and \$3.0 million for the three and six months ended June 30, 2023, respectively. As of June 1, 2024, the Company has exited its DTC channel in an effort to improve profitability. The Company historically reported the sales in this channel as E-commerce and DTC separately and has been consolidated into one revenue stream as of June 30, 2024.

- (2) One of the Company's International customers amounted to greater than 10% of the Company's total net sales during the three months and six months ended June 30, 2024 and 2023, and represented \$3.0 million and \$5.2 million of net sales for the three and six months ended June 30, 2024, and \$2.9 million and \$5.0 million of net sales for the three and six months ended June 30, 2023, respectively.
- (3) None of the Company's Brick & Mortar customers represented greater than 10% of net sales for the three and six months ended June 30, 2024 or June 30, 2023. For the three and six months ended June 30, 2023, Petco was included within the Brick & Mortar channel. Beginning in Q1 2024, Petco is presented within Digital as a result of the strategic exit out of Petco stores, while remaining on Petco.com.

Net sales decreased \$(2.0) million, or (19)%, to \$8.5 million for the three months ended June 30, 2024 compared to \$10.5 million for the three months ended June 30, 2023. Net sales decreased \$(3.3) million, or (17)%, to \$16.4 million for the six months ended June 30, 2024 compared to \$19.8 million for the six months ended June 30, 2023. The decrease in net sales for the three and six months ended June 30, 2024 is primarily attributable to strategically exiting unprofitable customers in the Brick & Mortar channel at the end of 2023 and the shutdown of the DTC revenue stream in the second quarter of 2024.

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 damaged, 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 June 30, 2024, gross profit decreased \$(0.3) million, or (9)%, to \$3.3 million compared to \$3.6 million during the three months ended June 30, 2023. During the six months ended June 30, 2024, gross profit decreased \$(1.0) million, or (14)%, to \$5.9 million compared to \$6.8 million during the six months ended June 30, 2023.

Gross margin increased 403 basis points to 38% for the three months ended June 30, 2024 compared to 34% for the three months ended June 30, 2023. Gross margin increased 114 basis points to 36% for the six months ended June 30, 2024 compared to 35% for the six months ended June 30, 2023. The increase in gross margin for the three and six months ended June 30, 2024 is primarily attributable to improved pricing from our manufacturers, and a shift in product sales mix due to efficient portfolio rationalization.

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 pricing 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 June 30, 2024, sales and marketing costs decreased approximately \$(1.0) million or (44)%, to \$1.3 million from \$2.3 million during the three months ended June 30, 2023. During the six months ended June 30, 2024, sales and marketing costs decreased approximately \$(1.7) million or (41)%, to \$2.5 million from \$4.2 million during the six months ended June 30, 2023. The decrease was driven primarily by lower marketing and advertising agency fees related to the Halo brand renovation and migration from the former TruDog brand, as well as decreased marketing support to our International sales channel.
- *Employee compensation and benefits* decreased approximately \$(0.5) million or (30)% during the three months ended June 30, 2024 to \$1.1 million from \$1.6 million during the three months ended June 30, 2023. Employee compensation and benefits decreased approximately \$(0.7) million or (20)% during the six months ended June 30, 2024 to \$2.6 million from \$3.3 million during the six months ended June 30, 2023. The decrease was primarily related to a reduction in employee headcount, partially offset by higher severance costs during the first half of 2024.
- *Share-based compensation* includes expenses related to equity awards issued to employees and non-employee directors. During the three months ended June 30, 2024, Share-based compensation decreased \$(0.1) million or (44)% to \$0.2 million compared to \$0.3 million for the three months ended June 30, 2023. During the six months ended June 30, 2024, Share-based compensation decreased by \$(0.4) million, or (41)%, to \$0.7 million, as compared to share-based compensation of \$1.1 million during the six months ended June 30, 2023. The decrease is driven by January 2023 grants which became fully vested in January 2024, resulting in a decrease to share-based compensation, partially offset by common stock issued for board service.
- *Freight*, which is primarily related to the shipping of DTC orders to customers, decreased \$(0.1) million or (38)% during the three months ended June 30, 2024 to \$0.2 million compared to \$0.3 million during the three months ended June 30, 2023. Freight decreased \$(0.2) million or (28)% during the six months ended June 30, 2024 to slightly less than \$0.5 million from \$0.7 million during the six months ended June 30, 2023. Freight costs have been generally decreasing due to lower DTC sales as described above. The DTC channel was shut down as of June 1, 2024, which contributed to the decrease in freight costs for the three and six months ended June 30, 2024.
- *Non-cash charges* including depreciation, amortization, disposal or sale of assets and bad debt expense decreased by \$(0.3) million or (60)% to \$0.2 million during the three months ended June 30, 2024 from \$0.4 million during the three months ended June 30, 2023. Non-cash charges were \$0.2 million and \$0.9 million during the six months ended June 30, 2024 and June 30, 2023, respectively. The decrease was driven by the full impairment of intangible assets as of December 31, 2023.
- *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 June 30, 2024, other general and administrative costs decreased \$(0.2) million, or (15)% to \$1.0 million compared to \$1.2 million during the three months ended June 30, 2023. During the six months ended June 30, 2024, other general and administrative costs increased \$0.1 million, or 2% to \$2.6 million compared to \$2.5 million during the six months ended June 30, 2023. The decrease for the three months ended June 30, 2024 was driven by a decrease in DTC related expenses, travel expenses and recruitment fees. The increase for the six months ended June 30, 2024 was driven by an increase in transaction-related and litigation-related legal fees.

### ***Interest expense, net***

During the three months ended June 30, 2024, interest expense decreased by \$(0.2) million, or (53)% to \$(0.2) million from \$(0.4) million for the three months ended June 30, 2023. During the six months ended June 30, 2024, interest expense decreased by \$(0.1) million, or (11)% to \$(0.5) million from \$(0.6) million for the six months ended June 30, 2023. Interest expense for the three and six months ended June 30, 2024 is comprised of interest on our Wintrust Receivables Credit Facility, Alpha Term Loan, the amortization of debt issuance costs, and interest accretion on the Alpha Term Loan. The decrease in interest expense for the three and six months ended June 30, 2024 is related to the forgiveness of the Alpha Term Loan, as discussed in Note 7 - Debt.

### ***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 and six months ended June 30, 2024, we recorded income tax expense of less than \$0.01 million, which relates to the gain on extinguishment of debt. During the three and six months ended June 30, 2023 we recorded income tax expense of less than \$0.1 million, which related to indefinite-lived assets. The effective tax rate for the six months ended June 30, 2024 was less than 1%, 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 181,818 shares of common stock at a price of \$5.00 per share. On June 30, 2024 and December 31, 2023, we had cash and cash equivalents of \$3.3 million and \$4.5 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 June 30, 2024, we have not experienced a significant adverse impact to our business, financial condition or cash flows resulting from 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, 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 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 pay our short-term obligations. 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.

Our ability to raise additional capital may be adversely impacted by the potential worsening of global economic conditions, including inflationary pressures, the recent disruptions to, and volatility in, the credit and financial markets in the United States and worldwide resulting from 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):

	Six Months Ended June 30,	
	2024	2023
Cash flows (used in) provided by:		
Operating activities	\$ (986)	\$ (1,237)
Investing activities	(18)	(10)
Financing activities	(158)	(4,619)
Net decrease in cash and cash equivalents	<u>\$ (1,162)</u>	<u>\$ (5,866)</u>

***Cash flows from operating activities***

Cash used in operating activities decreased by \$0.3 million, or 20%, during the six months ended June 30, 2024 compared to the six months ended June 30, 2023. The decrease in cash was primarily driven by a \$6.6 million decrease in net loss, which was partially offset by the \$(3.6) million gain recognized on extinguishment of the Alpha term loan. The decrease is also driven by significant fluctuations in our working capital, including a comparative decrease in inventory balance of \$2.8 million.

***Cash flows from investing activities***

Cash used in investing activities was less than \$0.1 million during the six months ended June 30, 2024 and June 30, 2023. The cash used in investing activities is related to capital expenditures.

***Cash flows from financing activities***

Cash used in financing activities was \$(0.2) million, during the six months ended June 30, 2024 and cash used in financing activities was \$4.6 million during the six months ended June 30, 2023. The cash used in financing activities for the six months ended June 30, 2024 was related to proceeds from the Wintrust revolving line of credit of \$5.5 million, offset by payments on the Wintrust revolving line of credit of \$(5.6) million. The cash used in financing activities for the six months ended June 30, 2023 was related to payment of the Wintrust revolving line of credit of \$(13.5) million offset by proceeds from the Wintrust revolving line of credit of \$1.9 million, \$2.3 million from the Wintrust receivables facility and \$5.0 million from the Alpha facility.

### **Wintrust Receivables Credit Facility**

On June 21, 2023, the Company entered into an account purchase agreement with Wintrust Receivables Finance, a division of Wintrust Bank N.A. (“Wintrust”) pursuant to which Wintrust will purchase, at its discretion, eligible customer invoices and advance up to 75% of the face amount of all purchased amounts up to \$4,750,000. Each advance under the AP Agreement will bear interest at the U.S. prime rate, plus 2.5%. The AP Agreement has an initial term of two years and will automatically renew annually unless terminated by the Company on at least 60 days’ notice. The Wintrust Receivables Credit Facility is secured by a general security interest in the assets of the Company. The Wintrust Receivables Credit Facility is guaranteed secured by the Company pursuant to that certain Unlimited Continuing Guaranty Agreement dated as of June 21, 2023.

As of June 30, 2024, the balance outstanding on the Wintrust Receivables Credit Facility amounted to \$1.6 million.

### **Alpha Term Loan**

On June 21, 2023, the Company entered into a term loan credit agreement with Alpha Inc., a leading custom manufacturer of super-premium pet food in the U.S. Pursuant to the Term Loan Agreement, Alpha made a term loan to the Company in the original principal amount of \$5,000,000 (the “Term Loan”). The Term Loan is also evidenced by that certain Term Note dated as of June 21, 2023 issued by the Company to Alpha (the “Term Note”). The proceeds of the Term Loan, together with a portion of the Company’s cash on hand, were used to retire all of the outstanding obligations of Halo, Purely for Pets, Inc. (“Halo”), a wholly-owned subsidiary of the Company, under Halo’s long-term credit facility with Old Plank Trail Community Bank, N.A., an affiliate of Wintrust Bank, N.A.

As described in Note 7 - Debt, on March 25, 2024, the Company initiated a legal action to enforce a right of first refusal option exercised by Alpha pursuant to the terms of a written agreement between Alpha and the Company whereby Alpha was to acquire the assets of Halo. On June 20, 2024, the Company agreed to settlement terms of the lawsuit. The agreement dismisses the Company’s ongoing litigation with Alpha and provides for the forgiveness of the Company’s term loan, including \$5.0 million in principal and \$0.5 million of payable-in-kind (“PIK”) accrued interest, the termination of 335,640 warrants with a strike price of \$11.44 per share that were set to expire in 2028, and the forgiveness of up to \$2.7 million in accounts payable due to Alpha, provided the remaining outstanding accounts payable balance is paid within 90 days of the settlement date.

As a result of the settlement terms described above, we are not indebted to Alpha as it relates to the Term Loan Facility as of June 30, 2024.

### **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 7 - 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, 2023 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, 2023.

### **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 12 - Share-based compensation” of the Company’s Annual Form 10-K. 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 12 - Share-based compensation” of the Company’s Annual Form 10-K. 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 are not required to provide the information under this Item.

### ITEM 4. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including our Chief Executive Officer (our Principal Executive Officer or “PEO”) and our Chief Financial Officer (our Principal Financial Officer or “PFO”), we evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, because of the material weaknesses in our internal control over financial reporting described in our Annual Report on Form 10-K for the year ended December 31, 2023, our disclosure controls and procedures were not effective as of June 30, 2024.

Notwithstanding the material weaknesses in our internal control over financial reporting, we have concluded that the condensed consolidated financial statements included in this Form 10-Q, when read with the notes thereto, present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States of America.

#### Material Weaknesses

We previously reported three material weaknesses in the design and operation of our internal control over financial reporting that were identified in connection with the audit of our fiscal year 2023 consolidated financial statements. A “material weakness” is defined under SEC rules as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis by the Company’s internal controls. The material weaknesses relate to (i) failure to maintain controls over the operating effectiveness of cybersecurity and IT general controls; (ii) insufficient policies and procedures to review, analyze, account for and disclose complex transactions; (iii) failure to design and maintain controls over the operating effectiveness of revenue recognition controls.

#### Remediation of Prior Year Material Weaknesses

##### *Cybersecurity and IT General Controls*

To remediate the material weakness associated with failure to maintain controls over the operating effectiveness of cybersecurity and IT general controls, we have (i) fully transitioned to a new managed IT service provider with an appropriate level of knowledge and technical experience to design and maintain cybersecurity and IT general controls; (ii) established policies and procedures for the design and operation of IT general controls and manual controls to prevent cybersecurity breaches, such as multi-factor authentication implemented and enforced, anti-virus and anti-malware software suites installed, a cybersecurity training platform for all employees through the industry leading KnowBe4 platform, and the dual approval of vendor payments and wiring instructions; (iii) sustained operation of our controls over a period that is appropriate in order to conclude that the controls are operating effectively.

## **Remediation Plan**

### *Accounting for Complex Transactions*

To address the material weakness in internal controls related to the accounting for complex accounting transactions, we have (i) added resources responsible for the execution and oversight of accounting and financial reporting operations; (ii) expanded the use of specialist involvement in highly complex and technical areas of accounting and valuation; and (iii) designed and implemented enhancements to internal control over financial reporting including those related to business combinations. We will continue ongoing remediation efforts related to enhancing our internal controls to include specific activities to assess the accounting for significant complex transactions.

### *Revenue Recognition*

To address the material weakness in internal controls related to the revenue recognition, we continue to evaluate the design and operating effectiveness controls supporting revenue recognition and are in the process of enhancing certain controls over revenue, including adding resources and training programs addressing the design, implementation, and documentary evidence requirement of control procedures over revenue recognition for appropriate personnel.

Although we implemented measures and plan to implement additional measures to remedy our internal control deficiencies, there can be no assurance that our efforts will be successful. In addition, until the remediation steps have been completed and operated for a sufficient period of time, and subsequent evaluation of their effectiveness is completed, the material weaknesses identified and described above will continue to exist.

### **Changes in Internal Control Over Financial Reporting**

We completed one acquisition for an aggregate purchase price of \$0.4 million during the six months ended June 30, 2024. The Company continues to evaluate the internal control environment of the acquired entity and have not yet concluded on the integration and effectiveness of internal controls. Our assessment is ongoing to ensure that all controls are appropriately aligned and integrated with our existing framework. The acquisition represents less than 1% of our consolidated total assets and has no revenues as of and for the six months ended June 30, 2024, respectively.

Our remediation efforts were ongoing during the quarter ended June 30, 2024. Except for our ongoing remediation efforts of the material weaknesses described above, and the successful remediation of our material weakness related to cybersecurity and IT general controls, there were no changes in our internal control over financial reporting that occurred during the quarter-ended June 30, 2024 that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

**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 after discussing with legal counsel 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**

<b>Exhibit</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File No.</b>	<b>Exhibit</b>	<b>Filing date</b>
3.1	<a href="#">Certificate of Incorporation, dated January 1, 2019</a>	10-Q	333-161943	<u>3.1</u>	04/15/2019
3.2	<a href="#">Certificate of Amendment to Certificate of Incorporation, dated February 1, 2019</a>	10-Q	333-161943	<u>3.2</u>	04/15/2019
3.3	<a href="#">Certificate of Amendment to Certificate of Incorporation, dated March 13, 2019</a>	8-K	333-161943	<u>3.1</u>	03/20/2019
3.4	<a href="#">Certificate of Amendment to Certificate of Incorporation, dated April 18, 2019</a>	10-KT	333-161943	<u>3.5</u>	07/25/2019
3.5	<a href="#">Certificate of Amendment to Certificate of Incorporation, dated July 30, 2020</a>	8-K	333-161943	<u>99.1</u>	07/30/2020
3.6	<a href="#">Certificate of Merger of Sport Endurance, Inc. with and into the Company</a>	10-Q	333-161943	<u>3.4</u>	04/15/2019
3.7	<a href="#">Bylaws</a>	10-Q	333-161943	<u>3.5</u>	04/15/2019
3.8	<a href="#">Certificate of Designation for Series F Convertible Preferred Stock</a>	8-K	333-161943	<u>3.1</u>	10/02/2020
3.9	<a href="#">Certificate of Cancellation of Series F Preferred Stock of Better Choice</a>	8-K	001-40477	<u>3.10</u>	08/11/2022
4.1	<a href="#">Form of Warrant in connection with the November 2019 private placement</a>	8-K	333-161943	<u>4.2</u>	11/15/2019
4.3	<a href="#">Form of Warrant, dated December 19, 2019, by and among the Company and the Halo Sellers</a>	10-Q	333-161943	<u>4.8</u>	01/31/2020
4.4	<a href="#">Form of Warrant, dated December 19, 2019, by and among the Company and the Shareholder Personal Guarantors</a>	10-Q	333-161943	<u>4.10</u>	01/31/2020
4.7†	<a href="#">Better Choice Company Inc. Amended and Restated 2019 Incentive Award Plan</a>	10-K	333-161943	<u>10.19</u>	05/04/2020
4.8†	<a href="#">Form of 2019 Incentive Award Plan Stock Option Agreement</a>	S-1	333-234349	<u>10.7</u>	10/28/2019
4.9	<a href="#">Form of Common Stock Purchase Warrant in connection with the June 2020 private placement.</a>	10-Q	333-161943	<u>4.11</u>	06/25/2020
4.11	<a href="#">Form of July 2020 Warrants</a>	8-K	333-161943	<u>10.5</u>	07/21/2020
4.12	<a href="#">Form of Warrant in connection with the October 2020 Series F Private Placement</a>	8-K	333-161943	<u>4.1</u>	10/02/2020
4.14	<a href="#">Form of warrant in connection with the January 2021 Private Placement</a>	S-1/A	333-251241	<u>4.22</u>	02/16/2021
4.15	<a href="#">Form of pre-funded and representative warrants in connection with the July 2024 Public Offering</a>	S-1	333-280714	<u>4.2</u>	07/31/2024

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Exhibit	Exhibit Description	Form	File No.	Exhibit	Filing date
10.1†	<a href="#">Form of Indemnification Agreement by and among the Company and its officers and directors</a>	S-1	333-234349	<u>10.8</u>	10/28/2019
10.22 †	<a href="#">Employment Agreement, dated as of May 22, 2023, by and between Kent Cunningham and Better Choice Company, Inc.</a>	8-K	001-40477	<u>10.2</u>	05/16/2023
10.24 †	<a href="#">Account Purchase Agreement, dated as of June 21, 2023, by and between Wintrust Receivables Finance, a division of Wintrust Bank N.A., and Halo, Purely for Pets, Inc.</a>	8-K	001-40477	<u>10.9</u>	06/21/2023
10.25	<a href="#">Employment Agreement, dated as of August 2, 2023, by and between Carolina Martinez and Better Choice Company, Inc.</a>	8-K	001-40477	<u>10.2</u>	08/07/2023
10.26	<a href="#">Better Choice Acquires Aimia Pet Healthco to Enter the GLPI Pet Market</a>	8-K	001-40477	99.1	02/12/2024
10.27	<a href="#">Settlement Agreement, dated June 20, 2024, by and between Alphia, Inc. and Better Choice Company, Inc.</a>	8-K	001-40477	10.1	06/21/2024
31.1 *	<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>				
31.2 *	<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>				
32.1 *	<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 June 30, 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 June 30, 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: August 14, 2024

By: /S/ KENT CUNNINGHAM

Kent Cunningham  
*Chief Executive Officer*  
*(Principal Executive Officer)*

Date: August 14, 2024

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, Kent Cunningham, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three and six months ended June 30, 2024 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: August 13, 2024

/s/ KENT CUNNINGHAM  
Kent Cunningham  
Chief Executive Officer  
(Principal Executive Officer)

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**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 three and six months ended June 30, 2024 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: August 13, 2024

/s/ CAROLINA MARTINEZ

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

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**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 this Quarterly Report on Form 10-Q of Better Choice Company Inc. (the "Company") for the three and six months ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, pursuant to 18 U.S.C. (section) 1350, as adopted pursuant to (section) 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: August 13, 2024

*/s/ KENT CUNNINGHAM*

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Kent Cunningham  
*Chief Executive Officer*  
*(Principal Executive Officer)*

*/s/ CAROLINA MARTINEZ*

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

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