SOLO BRANDS, INC.
Non-GAAP Financial Measures

We report our financial results in accordance with GAAP; however, management believes that certain non-GAAP financial measures provide users of our financial information with useful supplemental information that enables a better comparison of our performance across periods. We use adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted gross profit, adjusted gross profit margin, adjusted direct-to-consumer net sales, and adjusted EPS non-GAAP financial measures, because we believe they are useful indicators of our operating performance. Our management uses these non-GAAP measures principally as measures of our operating performance and believes that these non-GAAP measures are useful to our investors because they are frequently used by securities analysts, investors and other interested parties in their evaluation of the operating performance of companies in industries similar to ours. Our management also uses these non-GAAP measures for planning purposes, including the preparation of our annual operating budget and financial projections.

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

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

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

Adjusted Gross Profit and Adjusted Gross Profit Margin

We calculate adjusted gross profit as gross profit excluding the fair value write-up of inventory as a result of the change in control transaction in 2020 and the Oru, ISLE, and Chubbies acquisitions. We calculate adjusted gross profit margin as adjusted gross profit divided by net sales.

Adjusted Net Sales

We calculate adjusted net sales as net sales adjusted for unaudited pro forma net sales from acquisitions and excluding the change in deferred revenue balances from the respective prior reporting period end.

Adjusted Net Income

We calculate adjusted net income as net income (loss) excluding inventory fair value write-up, amortization of intangible assets, incentive unit and equity-based compensation expense, acquisition related costs, business optimization expenses, one-time transaction costs, business expansion expenses, management transition costs, and the tax impact of these adjusting items.

Adjusted EBITDA and Adjusted EBITDA Margin

We calculate adjusted EBITDA as net income (loss) before interest expense, income taxes, and depreciation and amortization expenses, adjusted to exclude inventory fair value write-up, incentive unit and equity-based compensation expense, acquisition related costs, business optimization expenses, one-time transaction costs, management transition costs, and business expansion expenses. We calculate adjusted EBITDA margin as adjusted EBITDA divided by net sales.

Adjusted EPS

We calculate adjusted EPS as adjusted net income, as defined above, divided by weighted average diluted shares as calculated under U.S. GAAP.

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

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

(dollars in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Gross profit	**$ 48,853**	**$ 46,464**
Inventory fair value write-up[1]	6,105	659
Adjusted gross profit	**$ 54,958**	**$ 47,123**
Adjusted gross profit margin (Adjusted gross profit as a % of net sales)	66.9 %	68.2 %

[1] Represents the fair market value write-up of inventory accounted for under ASC 805 related to the acquisitions.

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

(dollars in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Change $	Change %
Net sales	**$ 82,203**	**$ 69,071**	**13,132**	**19.0%**
Unaudited pro forma net sales related to the acquisitions[1]	—	19,829		
Pro forma net sales	**82,203**	**88,900**	**(6,697)**	**(7.5)%**
Less: change in deferred revenue[2]	192	17,069		
Adjusted net sales	**$ 82,011**	**$ 71,831**	**10,180**	**14.2%**

[1] Represents net sales for the acquisitions as if they had been part of the Solo Brands portfolio during the three months ended March 31, 2021.
[2] Represents the change in the deferred revenue balances from the respective prior year end.

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

(dollars in thousands)	Three Months Ended March 31, 2022	2021
Net income (loss)	**$ (3,235)**	**$ 22,234**
Inventory fair value write-up[1]	6,105	659
Amortization expense	5,258	3,533
Equity based compensation expense[2]	4,437	229
Acquisition related costs[3]	421	42
Transaction costs[4]	126	28
Management transition costs[5]	123	—
Business optimization expense[6]	83	—
Business expansion expense[7]	75	52
Tax impact of adjusting items[8]	(2,339)	—
Adjusted net income (loss)	**$ 11,054**	**$ 26,777**
Adjusted EPS	**$ 0.19**	*
(amounts per share)		
Loss per Class A common stock - diluted (GAAP)	**$ (0.03)**	*
Inventory fair value write-up[1]	0.10	*
Amortization expense	0.08	*
Equity based compensation expense[2]	0.07	*
Acquisition related costs[3]	0.01	*
Transaction costs[4]	—	*
Management transition costs[5]	—	*
Business optimization expense[6]	—	*
Business expansion expense[7]	—	*
Tax impact of adjusting items[8]	(0.04)	*
Adjusted EPS[9]	**$ 0.19**	*
Weighted-average Class A common stock outstanding - diluted	**63,401**	*
Net income (loss)	**$ (3,235)**	**$ 22,234**
Interest expense	796	1,730
Income tax expense	(878)	44
Depreciation and amortization expense	5,935	3,593
Inventory fair value write-up[1]	6,105	659
Equity based compensation expense[2]	4,437	229
Acquisition related costs[3]	421	42
Transaction costs[4]	126	28
Management transition costs[5]	123	—
Business optimization expense[6]	83	—
Business expansion expense[7]	75	52
Adjusted EBITDA	**$ 13,988**	**$ 28,611**
Adjusted EBITDA margin (Adjusted EBITDA as a % of net sales)	17.0 %	41.4 %

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

(1) Represents the fair market value write-up of inventory accounted for under ASC 805 related to the acquisitions and the 2020 change in control transaction.

(2) Represents employee compensation expense associated with equity-based awards. This includes expense associated with the incentive unit awards as well as awards issued on and subsequent to the IPO including options and restricted stock units.

(3) Represents expenses that we do not believe are reflective of our ongoing operations, primarily warehouse and employee transition costs associated with the acquisitions.

(4) Represents transaction costs primarily related to professional service fees incurred in connection with the IPO.

(5) Represents costs primarily related to recruiting senior level management including a new CFO.

(6) Represents various start-up and transition costs, including warehouse optimization charges associated with new global headquarters infrastructure with new and expanded distribution facilities in Texas, Pennsylvania, and the Netherlands.

(7) Represents costs for expansion into new international and domestic markets.

(8) Represents the tax impact of adjustments calculated at the federal statutory rate of 21% less the portion of the tax impact of the adjustments attributable to noncontrolling interests. We calculated the tax impact of the adjusting items in the three month period ended March 31, 2022, as we were a limited liability company. We were not subject to corporate income taxes in the three month period ended March 31, 2021.

(9) Adjusted Earnings Per Share ("Adjusted EPS") is calculated independently for each component and may not sum to Adjusted EPS due to rounding.