UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 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 001-41275

BRC Inc.
(Exact name of registrant as specified in its charter)

Delaware	**87-3277812**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1144 S. 500 W
Salt Lake City, UT 84101
(Address of principal executive office, zip code)

(801) 874-1189
Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.0001 par value	BRCC	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of May 1, 2024, the registrant had (i) 67,313,454 shares of Class A common stock, par value $0.0001 per share (the "Class A Common Stock") and, (ii) 145,001,430 shares of Class B common stock, par value $0.0001 per share (the "Class B Common Stock") outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Quarterly Report") includes statements that express the Company’s opinions, expectations, hopes, beliefs, plans, intentions, objectives, strategies, assumptions or projections regarding future events or future results of operations or financial condition and therefore are, or may be deemed to be, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intends,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “will,” “would” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements appear in a number of places throughout this Quarterly Report and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, financial condition, liquidity, prospects, growth, strategies, future market conditions and developments in the capital and credit markets and expected future financial performance, as well as any information concerning possible or assumed future results of operations of the Company. Such forward-looking statements are based on information available as of the date of this Quarterly Report and management's expectations, beliefs and forecasts concerning future events impacting the Company. Factors that may cause such forward-looking statements to differ from actual results include, but are not limited to:

- Competition and our ability to grow and manage growth sustainably and retain our key employees;
- Failure to achieve sustained profitability;
- Negative publicity affecting our brand and reputation, or the reputation of key employees;
- Failure to manage our debt obligations;
- Failure to effectively make use of assets received under bartering transactions;
- Failure by us to maintain our message as a supportive member of the Veteran and military communities and any other factors which may negatively affect the perception of our brand;
- Our limited operating history, which may make it difficult to successfully execute our strategic initiatives and accurately evaluate future risks and challenges;
- Failed marketing campaigns, which may cause us to incur costs without attracting new customers or realizing higher revenue;
- Failure to attract new customers or retain existing customers;
- Risks related to the use of social media platforms, including dependence on third-party platforms;
- Failure to provide a high-quality customer experience to retail partners and end users, including as a result of production defaults or issues, including due to failures by one or more of our co-manufacturers, affecting the quality of our products, which may adversely affect our brand;
- Decrease in success of the direct to consumer ("DTC") revenue channel;
- Loss of one or more of our co-manufacturers, or delays, quality, or other production issues, including labor-related production issues at any of our co-manufacturers;
- Failure to manage our supply chain, and accurately forecast our raw material and co-manufacturing requirements to support our needs;
- Failure to effectively manage or distribute our products through our Wholesale business partners, especially our key Wholesale business partners;
- Failure by third parties involved in the supply chain of coffee, store supplies or merchandise to produce or deliver products, including as a result of ongoing supply chain disruptions, or our failure to effectively manage such third parties;
- Changes in the market for high-quality coffee beans and other commodities;
- Fluctuations in costs and availability of real estate, labor, raw materials, equipment, transportation or shipping;
- Failure to successfully compete with other producers and retailers of coffee;
- Failure to successfully open new Black Rifle Coffee shops ("Outposts"), including any failure to timely proceed through permitting and other development processes, or the failure of any new or existing Outposts to generate sufficient sales;
- Failure to properly manage our rapid growth, inventory needs, and relationships with various business partners;
- Failure to protect against software or hardware vulnerabilities;
- Failure to build brand recognition using our intellectual properties or otherwise;
- Shifts in consumer spending, lack of interest in new products or changes in brand perception upon evolving consumer preferences and tastes;
- Failure to adequately maintain food safety or quality and comply with food safety regulations;
- Failure to successfully integrate into new domestic and international markets;
- Risks related to leasing space subject to long-term non-cancelable leases and with respect to real property;
- Failure of our franchise partners to successfully manage their franchises;
- Failure to raise additional capital to develop the business;

- Risks related to supply chain disruptions;
- Risks related to unionization of employees;
- Failure to comply with federal, state and local laws and regulations, or failure to prevail in civil litigation matters; and
- Other risks and uncertainties indicated in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission (the "SEC") on March 6, 2024 (the "2023 Form 10-K") including those set forth under "Item 1A. Risk Factors" included therein.

The forward-looking statements contained in this Quarterly Report are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under "Item 1A. Risk Factors" in our 2023 Form 10-K. Should one or more of these risks or uncertainties materialize, or should any of the assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We are including this cautionary note to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for forward-looking statements. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

BRC Inc.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and par value amounts)
(unaudited)

	March 31, 2024 (unaudited)	December 31, 2023 (audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 3,997	$ 12,448
Restricted cash	1,465	1,465
Accounts receivable, net	24,774	25,207
Inventories, net	50,383	56,465
Prepaid expenses and other current assets	16,279	12,153
Total current assets	96,898	107,738
Property, plant and equipment, net	66,169	68,326
Operating lease, right-of-use asset	33,686	36,214
Identifiable intangibles, net	403	418
Other	30,025	23,080
Total assets	$ 227,181	$ 235,776
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 39,593	$ 33,564
Accrued liabilities	31,425	34,911
Deferred revenue and gift card liability	7,562	11,030
Current maturities of long-term debt, net	9,779	2,297
Current operating lease liability	2,212	2,249
Current maturities of finance lease obligations	56	58
Total current liabilities	90,627	84,109
Non-current liabilities:		
Long-term debt, net	51,728	68,683
Finance lease obligations, net of current maturities	45	23
Operating lease liability	33,751	35,929
Other non-current liabilities	494	524
Total non-current liabilities	86,018	105,159
Total liabilities	176,645	189,268
Commitments and Contingencies (Note 14)		
Stockholders' equity:		
Preferred Stock, $0.0001 par value, 1,000,000 shares authorized; no shares issued or outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Class A Common Stock, $ 0.0001 par value, 2,500,000,000 shares authorized; 67,134,997 and 65,637,806 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	6	6
Class B Common Stock, $ 0.0001 par value, 300,000,000 shares authorized; 145,079,865 and 146,484,989 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	15	15
Class C Common Stock, $ 0.0001 par value, 1,500,000 shares authorized; no shares issued or outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Additional paid in capital	134,519	133,728
Accumulated deficit	(119,930)	(120,478)
Total BRC Inc.'s stockholders' equity	14,610	13,271
Non-controlling interests	35,926	33,237
Total stockholders' equity	50,536	46,508
Total liabilities and stockholders' equity	$ 227,181	$ 235,776

See notes to unaudited consolidated financial statements.

BRC Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2024	**2023**
Revenue, net	$ 98,392	$ 83,490
Cost of goods sold	56,207	55,979
Gross profit	42,185	27,511
Operating expenses		
Marketing and advertising	7,609	7,144
Salaries, wages and benefits	15,261	19,824
General and administrative	15,346	17,758
Other operating expense, net	14	—
Total operating expenses	38,230	44,726
Operating income (loss)	3,955	(17,215)
Non-operating income (expenses)		
Interest expense, net	(2,051)	(323)
Other income, net	—	273
Total non-operating expenses	(2,051)	(50)
Income (loss) before income taxes	1,904	(17,265)
Income tax expense	49	56
Net income (loss)	$ 1,855	$ (17,321)
Less: Net income (loss) attributable to non-controlling interest	1,307	(12,521)
Net income (loss) attributable to BRC Inc.	$ 548	$ (4,800)
Net income (loss) per share attributable to Class A Common Stock		
Basic and diluted	$ 0.01	$ (0.08)
Weighted-average shares of Class A Common Stock outstanding		
Basic	66,312,366	58,159,223
Diluted	66,597,626	58,159,223

See notes to unaudited consolidated financial statements.

BRC Inc.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands, except for number of shares)
(unaudited)

	Shares									
	Class A Common Stock	Class B Common Stock	Class C Common Stock	Class A Common Stock	Class B Common Stock	Class C Common Stock	Additional Paid-In Capital	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Equity (Deficit)
Balance at January 1, 2023	57,661,274	153,899,025	—	$ 5	$ 16	$ —	$ 129,508	$ (103,733)	$ 70,140	$ 95,936
Equity-based compensation	—	—	—	—	—	—	2,287	—	219	2,506
Common Unit redemption	742,583	(742,583)	—	—	—	—	299	—	(299)	—
Employee stock purchase plan	59,521	—	—	—	—	—	305	—	—	305
Net loss	—	—	—	—	—	—	—	(4,800)	(12,521)	(17,321)
Balance at March 31, 2023	58,463,378	153,156,442	—	$ 5	$ 16	$ —	$ 132,399	$ (108,533)	$ 57,539	$ 81,426
Balance at January 1, 2024	65,637,806	146,484,989	—	$ 6	$ 15	$ —	$ 133,728	$ (120,478)	$ 33,237	$ 46,508
Equity-based compensation	—	—	—	—	—	—	612	—	1,340	1,952
Common Unit redemption	1,405,124	(1,405,124)	—	—	—	—	(42)	—	42	—
Employee stock purchase plan	63,832	—	—	—	—	—	251	—	—	251
Vesting of stock awards, net of shares withheld for taxes	28,235	—	—	—	—	—	(30)	—	—	(30)
Net income	—	—	—	—	—	—	—	548	1,307	1,855
Balance at March 31, 2024	67,134,997	145,079,865	—	$ 6	$ 15	$ —	$ 134,519	$ (119,930)	$ 35,926	$ 50,536

See notes to unaudited consolidated financial statements.

BRC Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2024	**2023**
Operating activities		
Net income (loss)	$ 1,855	$ (17,321)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,413	1,719
Equity-based compensation	1,952	2,506
Amortization of debt issuance costs	301	33
Loss on disposal of assets	511	—
Other	315	—
Changes in operating assets and liabilities:		
Accounts receivable, net	58	3,055
Inventories, net	(2,405)	(25,724)
Prepaid expenses and other assets	(1,892)	(1,118)
Accounts payable	7,264	27,830
Accrued liabilities	(2,331)	(6,463)
Deferred revenue and gift card liability	(3,468)	(160)
Operating lease liability	371	219
Other liabilities	(30)	30
Net cash provided by (used in) operating activities	4,914	(15,394)
Investing activities		
Purchases of property, plant and equipment	(2,718)	(4,902)
Proceeds from sale of property and equipment	41	—
Net cash used in investing activities	(2,677)	(4,902)
Financing activities		
Proceeds from issuance of long-term debt, net of discount	21,829	87,000
Debt issuance costs paid	(164)	—
Repayment of long-term debt	(32,224)	(79,609)
Financing lease obligations	20	(25)
Repayment of promissory note	(400)	(399)
Issuance of stock from the Employee Stock Purchase Plan	251	305
Net cash (used in) provided by financing activities	(10,688)	7,272
Net increase (decrease) in cash, cash equivalents and restricted cash	(8,451)	(13,024)
Cash and cash equivalents, beginning of period	12,448	38,990
Restricted cash, beginning of period	1,465	—
Cash and cash equivalents, end of period	$ 3,997	$ 25,966
Restricted cash, end of period	$ 1,465	$ —

BRC Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2024	**2023**
Non-cash operating activities		
(Derecognition) Recognition of right-of-use operating lease assets	$ (1,955)	$ 5,786
Recognition of revenue for inventory exchanged for prepaid advertising	8,487	—
Non-cash investing and financing activities		
Property and equipment purchased but not yet paid	622	967
Supplemental cash flow information		
Cash paid for income taxes	$ 58	$ 179
Cash paid for interest	$ 1,816	$ 492

See notes to unaudited consolidated financial statements.

BRC Inc.

INDEX FOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BRC Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except unit/share and per unit/share amounts)
(unaudited)

1. Organization and Nature of Business

BRC Inc., a Delaware public benefit corporation ("BRC Inc."), previously entered into a Business Combination Agreement, dated as of November 2, 2021, as amended by the First Amendment to Business Combination Agreement, dated as of January 4, 2022 (the "First Amendment" and the Business Combination Agreement as so amended, the "Business Combination Agreement"), each by and among BRC Inc., SilverBox Engaged Merger Corp I, a Delaware corporation ("SilverBox"), Authentic Brands LLC, a Delaware limited liability company ("Authentic Brands"), and certain other parties thereto. On February 9, 2022, as contemplated by the Business Combination Agreement, a series of transactions (the "Business Combination") were completed (the "Closing") for an estimated value of $1,839,815 as a result of which Authentic Brands became a subsidiary of BRC Inc., with BRC Inc. acting as the sole managing member thereof as a public benefit corporation.

BRC Inc. conducts substantially all of its business through its solely managed subsidiary, Authentic Brands, and Authentic Brands' subsidiaries, all of which are consolidated in these financial statements. Authentic Brands, through its wholly owned subsidiaries, purchases, roasts, and sells high quality coffee, coffee accessories, and branded apparel through its online channels and business networks. Authentic Brands also develops and promotes online content for the purpose of growing its brands, which include Black Rifle Coffee Company ("BRCC").

Unless the context indicates otherwise, references to "the Company," "we," "us" and "our" refers to BRC Inc. and its consolidated subsidiaries following the closing of the Business Combination.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The Company has prepared the accompanying unaudited consolidated financial statements and accompanying notes in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information. The unaudited consolidated financial statements reflect the financial position and operating results of the Company including its wholly-owned subsidiaries. These financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary for a fair statement of the operating results for the interim periods presented. Intercompany transactions and balances have been eliminated in consolidation. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2023.

The Business Combination was accounted for as a reverse recapitalization transaction between entities under common control, whereas Authentic Brands was considered the accounting acquirer and predecessor entity. The Business Combination was reflected as the equivalent of Authentic Brands issuing stock for the net assets of SilverBox, accompanied by a recapitalization with no incremental goodwill or intangible assets recognized.

Authentic Brands was determined to be the predecessor entity to the Business Combination based on a number of considerations, including:

- Authentic Brands former management making up the majority of the management team of BRC Inc.;
- Authentic Brands former management nominating or representing the majority of BRC Inc.'s board of directors;
- Authentic Brands representing the majority of the continuing operations of BRC Inc.; and
- The chief executive officer of Authentic Brands having voting control of the combined company.

Use of Estimates

The preparation of unaudited consolidated financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent liabilities in the unaudited consolidated financial statements and accompanying notes. Such estimates include but are not limited to estimated losses on accounts receivable, inventory reserves, undiscounted future cash flows and the fair value of assets or asset groups for the purpose of assessing impairment of long-lived assets, liabilities for contingencies, equity-based compensation, estimates for sales returns and related allowance, loyalty rewards, deferred revenue, and measurement and realization of deferred tax assets. Actual results could differ materially from those estimates.

Revenue Recognition

The Company recognizes revenue in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, or Accounting Standards Codification ("ASC 606"). Revenue is recognized when, or as, control of a promised product or service transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products. Revenue excludes any amounts collected on behalf of third parties, including sales and indirect taxes. Revenue recognition is evaluated through the following five steps:

1. Identification of the contract with a customer;
2. Identification of the performance obligations in the contract;
3. Determination of the transaction price;
4. Allocation of the transaction price to the performance obligations in the contract; and
5. Recognition of revenue when or as a performance obligation is satisfied.

Sources and Timing of Revenue

The Company's revenue is derived from product sales through its e-commerce websites and to Wholesale customers who sell the products to end users. In addition, the Company derives revenues from Company-operated store locations, and franchise and license agreements. Revenues from the sale of products and merchandise are recognized when control of the product passes to the customer, typically at the date of delivery of the merchandise to the customer and in an amount that reflects the expected consideration to be received in exchange for such goods. As such, customer orders are recorded as deferred revenue prior to delivery of products. As the Company ships high volumes of packages through multiple carriers, it is not practical for the Company to track the actual delivery date of each shipment. Therefore, the Company uses estimates to determine which shipments are delivered and, therefore, recognize revenue at the end of the period. Delivery date estimates are based on average transit times calculated based on factors such as the type of carrier, the fulfillment source, the delivery destination and historical transit time experience. Actual shipping times may differ from the Company's estimates. Costs to obtain or fulfill a contract with a customer are expensed as incurred and are generally not significant.

Revenues from Company-operated stores are recognized when payment is tendered at the point of sale as the performance obligation has been satisfied. Store revenues are reported excluding sales tax, use or other transaction taxes that are collected from customers and remitted to taxing authorities.

Deferred Revenue

Deferred revenue consists of amounts billed to or received from customers prior to delivery of products. The Company recognizes such amounts in revenues as the product is delivered.

Gift Cards

Gift cards are offered through the Company's e-commerce websites through the form of an e-certificate. When a gift card is purchased, the Company recognizes a corresponding liability for the full amount of the gift card, which is recorded in "Deferred revenue and gift card liability" on the unaudited consolidated balance sheets. Gift cards can be redeemed online and on the Company's website. When a gift card is redeemed, the Company reduces the corresponding liability and recognizes revenue. There are no expiration dates to the gift cards. While the Company will continue to honor all gift cards presented for payment, the Company may determine the likelihood of redemption, based on historical experience, is deemed to be remote for certain cards due to long periods of inactivity. In these circumstances if the Company also determines there is no requirement for remitting balances to government agencies under unclaimed property laws, unredeemed card balances may then be recognized as breakage income, which is included in "Revenue, net" on the unaudited consolidated statements of operations.

Loyalty Rewards Program

In August 2020, BRCC established its BRCC Loyalty Points rewards program (the "Loyalty Program"), which is primarily a spend-based program. BRCC customers who establish an online account are enrolled in the Loyalty Program. Under the program, there are multiple levels in which customers can participate and earn loyalty points. Subscription customers (customers in the BRCC Coffee Club or subscribed to another subscription product type) are in the highest tier and earn 5% on purchases. Non-subscription customers earn 1% on purchases. Any customer who spends $200 or more annually can also earn 5% on purchases, after the spending criteria is met. In addition to earning points on purchases, customers can earn points through certain other activities. BRCC reserves the right in its sole discretion to modify, change, add, or remove activities which can be accomplished to earn points at any time. Under the Loyalty Program, customers may redeem rewards as they reach minimum thresholds per reward. The Company reserves the right to modify, change, add, or remove rewards and their points thresholds at any time. Conversion of rewards are non-changeable after redemption, have no cash value, and are non-transferable. A portion of rewards are expected to expire and not be redeemed and will be recognized as income over time. Based on historical expiration rates, the Company estimates a certain percentage of rewards to expire and reassesses this estimate on a quarterly basis.

The Company defers revenue associated with the points earned through purchases that are expected to be redeemed, net of estimated unredeemed loyalty points. When a customer redeems an earned reward, the Company recognizes revenue for the redeemed product and reduces the related deferred revenue liability. The deferred revenue liability is included in "Deferred revenue and gift card liability" on the unaudited consolidated balance sheets. Until March 2024, BRCC loyalty points expired if there is no account activity (i.e., if there is no new purchase made or order placed) in a period of twelve months. In March 2024, BRCC amended the loyalty rewards policy such that BRCC loyalty points expire after twelve months without consideration of account activity. The change in BRCC's Loyalty Program points policy resulted in a reduction to the deferred revenue liability of $3,361 as a result of a change in the amount of loyalty points that we estimate will be redeemed.

For those points that are earned through other activities, the Company recognizes the redemption of these points as a discount to the transaction price at time of sale. Refer to Note 7, *Deferred Revenue and Gift Card Liability* for information about changes in the current portion of deferred revenue and gift card liability for the three months ended March 31, 2024 and 2023.

Franchise Store Revenues

Franchise rights may be granted through franchise agreements that set out the terms of the arrangement with the franchisee. The franchise agreements require that the franchisee remit continuing fees to the Company as a percentage of the applicable store's revenues in exchange for the license of the intellectual property associated with BRCC's brands. A portion of these fees are dedicated for national marketing campaigns, promotional programs and materials, and other activities that we believe enhance the image of the BRCC brand. Continuing fees represent a portion of the consideration the Company receives under the franchise agreement. Continuing fees are typically billed and collected weekly. Continuing fees are recognized as the related store sales occur. Revenues from continuing fees are included in "Revenue, net" on the unaudited consolidated statements of operations.

Under the franchise agreements, BRCC sells products and equipment to its franchisees. The revenue associated with these product and equipment sales are recognized when control passes to the franchisee, typically at the date of delivery of the merchandise to the franchisee and in an amount that reflects the expected consideration to be received in exchange for such goods.

The franchise agreements also typically require upfront franchise fees such as initial fees paid for the execution of a franchise agreement. The fees associated with these agreements are typically billed and paid when a new franchise agreement becomes effective. The Company has determined that the services it provides in exchange for upfront franchise fees, which primarily relate to pre-opening support, are highly interrelated with the franchise right and are not individually distinct from the ongoing services provided to the Company's franchisees. As a result, upfront franchise fees are recognized as revenue over the term of each respective franchise agreement, generally 10 years. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisee's right to use and benefit from the intellectual property associated with BRCC's brands. The current portion of revenues from upfront franchise fees are included in "Deferred revenue and gift card liability" and the long-term portion of revenues from upfront franchisee fees are included in "Other non-current liabilities" on the unaudited consolidated balance sheets.

License Revenues

License rights may be granted through license agreements that set out the terms of the Company's arrangement with the licensee. The Company's license agreements require that the licensee remit continuing fees to the Company as a percentage of the applicable store's revenues in exchange for the license of the intellectual property associated with BRCC's brands. In addition, licensed store revenues consist of product sales to the licensee. The revenue associated with these product sales are recognized when control of the product passes to the licensee, typically at the date of delivery of the merchandise to the licensee and in an amount that reflects the expected consideration to be received in exchange for such goods. Continuing fees are recognized as the related store sales occur.

The Company's license agreements also typically require upfront license fees such as initial fees paid for the execution of a license agreement. The fees associated with these agreements are typically billed and paid when a new license agreement becomes effective. The Company has determined the services it provides in exchange for upfront license fees, which primarily relate to initial license set up and are not individually distinct from the ongoing services it provides to its licensees. As a result, upfront license fees are recognized as revenue over the term of each respective license agreement, generally 10 years. Revenues for these upfront license fees are recognized on a straight-line basis, which is consistent with the licensee's right to use and benefit from the intellectual property. Revenues from continuing fees and upfront license fees are presented within "Revenue, net" on the unaudited consolidated statements of operations.

Disaggregation of Revenue

The Company disaggregates revenue by sales channel. The Wholesale channel includes product revenue sold to an intermediary and not directly to the consumer. The Direct to Consumer channel is principally comprised of revenue from our e-commerce websites and subscription services directly to the consumer. The Outpost channel includes revenue from Company-operated stores, gift cards, franchise stores and licensing.

The following table disaggregates revenue by sales channel (*dollars in thousands, unaudited*):

	Three Months Ended March 31,	
	2024	**2023**
Wholesale	$ 60,428	$ 39,997
Direct to Consumer	32,614	36,780
Outpost	5,350	6,713
Total net sales	$ 98,392	$ 83,490

Substantially all revenue is derived from customers located in the United States. One wholesale customer and its affiliate represented 29% of revenue for the three months ended March 31, 2024 and one wholesale customer and its affiliate represented 24% of revenue for the three months ended March 31, 2023.

Sales Returns and Discounts

The Company's product sales contracts include terms that could cause variability in the transaction price for items such as discounts, credits, charge backs, or sales returns. Accordingly, the transaction price for product sales includes estimates of variable consideration to the extent it is probable that a significant reversal of revenue recognized will not occur.

The Company inspects returned items when they arrive at its processing facilities. The Company refunds the full cost of the merchandise returned if the returned item is defective or the Company or its partners have made an error, such as shipping the wrong product. If the return is not a result of a product defect or a fulfillment error and the customer initiates a return of an unopened item within30 days of delivery, for most products the Company refunds the full cost of the merchandise less the original shipping charge and actual return shipping fees. If the customer returns an item that has been opened or shows signs of wear, the Company issues a partial refund minus the original shipping charge and actual return shipping fees. Bagged coffee and rounds are not eligible for returns. Revenue is recorded net of estimated returns. The Company records an allowance for returns based on current period revenues and historical returns experience. The Company analyzes actual historical returns, current economic trends and changes in order volume and acceptance of its products when evaluating the adequacy of the sales returns allowance in any accounting period. The allowance for sales returns and charge backs was $102 and $244 as of March 31, 2024 and December 31, 2023, respectively, and included in "Accounts receivable, net" on the unaudited consolidated balance sheets.

Shipping and Handling Fees and Costs

Shipping and handling is considered a fulfillment activity, as it takes place prior to the customer obtaining control of the merchandise, and fees charged to customers are included in net revenue upon completion of the performance obligation.

Segment Information

The Company reports operations as a single reportable segment and manages the business as a single-brand consumer products business. This is supported by the operational structure, which includes sales, product design, operations, marketing, and administrative functions focused on the entire product suite rather than individual product categories or sales channels. Our chief operating decision maker reviews financial information on a consolidated basis and does not regularly review financial information for individual sales channels, product categories or geographic regions that would allow decisions to be made about allocation of resources or performance.

Cost of Goods Sold

Cost of goods sold includes product costs, labor costs, occupancy costs, outbound shipping costs, handling and fulfillment costs, credit card fees, and royalty fees, and is recorded in the period incurred.

Cash, Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents also include proceeds due from credit card transactions with settlement terms of less than five days. The Company maintains cash and cash equivalent balances with financial institutions that exceed federally insured limits. The Company has not experienced any losses related to these balances, and it believes credit risk to be minimal.

Restricted cash relates to amounts that are held by former lenders to secure certain commercial credit obligations until such obligations have been satisfied.

Accounts Receivable, Net

Accounts receivable consist primarily of trade amounts due from business customers at period end. Accounts receivable are recorded at invoiced amounts and do not bear interest. From time to time, the Company grants credit to business customers on normal credit terms. The Company maintains an allowance for doubtful accounts receivable based upon its business customers’ financial condition and payment history, and its historical collection experience and expected collectability of accounts receivable. The allowance for doubtful accounts receivable was $880 and $496 as of March 31, 2024 and December 31, 2023, respectively.

Inventories, Net

Inventories are stated at the lower of standard cost, which approximates First In, First Out ("FIFO"), or net realizable value. The Company records inventory reserves for obsolete and slow-moving inventory. Inventory reserves are based on inventory obsolescence trends, historical experience and application of the specific identification method. Inventories were $50,383 and $56,465 as of March 31, 2024 and December 31, 2023, respectively. Finished goods includes allocations of labor and occupancy expenses, and inbound transportation costs.

Property, Plant and Equipment, Net

Property and equipment are stated at cost with depreciation calculated using the straight-line method over the estimated useful lives of the related assets or the term of the related finance lease, whichever is shorter. Leasehold improvements are amortized over the shorter of the term of the related leases or estimated useful lives. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are derecognized, and any resulting gain or loss is reflected in earnings for the period. The cost of maintenance and repairs are charged to earnings as incurred; significant renewals and improvements are capitalized.

Estimated useful lives are as follows:

	Estimated Useful Lives
Land	—
Building and Leasehold improvements	5 — 39 years
Computer equipment and software	3 years
Machinery and equipment	5 — 15 years
Vehicles	5 years

Identifiable Intangibles - Internal Use Software

In accordance with ASC 350-40, *Intangibles - Goodwill and Other, Internal-Use Software* ("ASC 350-40"), the Company capitalizes qualifying internal use software costs that are incurred during the application development stage if management with the relevant authority authorizes the project, it is probable the project will be completed, and the software will be used to perform the function intended. Capitalized internal use software costs are reported in property and equipment on the unaudited consolidated balance sheets and are amortized over the expected economic life of three years using the straight-line method once the software is ready for intended use. Costs incurred for enhancements that are expected to result in additional significant functionality are capitalized and amortized over the estimated useful life of the enhancement. Costs related to preliminary project activities and post-implementation activities, including training and maintenance, are expensed as incurred. Capitalized software costs net of accumulated amortization are included as a component of "Property, plant and equipment, net" on the unaudited consolidated balance sheets.

Impairment of Long-Lived Assets

The Company reviews the recoverability of its long-lived assets, such as property and equipment and identifiable intangible assets, when events or changes in circumstances occur that indicate the carrying value of the asset or asset group may not be recoverable. The assessment of possible impairment is based on the Company’s ability to recover the carrying value of the asset or asset group from the expected future undiscounted pre-tax cash flows of the related operations. If these undiscounted cash flows are less than the carrying amount of the related asset, an impairment is recognized for the excess of the carrying value over its fair value.

Leases

The Company leases certain property and equipment under non-cancelable finance and operating leases which expire at various dates through 2043. The majority of our leases are operating leases for our Company-operated Outposts. We also lease distribution and warehouse facilities. We do not enter into material lease transactions with related parties. We categorize leases as either operating or finance leases at the commencement date of the lease. Operating lease agreements may contain tenant improvement allowances, rent holidays, rent escalation clauses and/or contingent rent provisions. We have lease agreements with lease and non-lease components, which are accounted for together as a single lease component for underlying classes of assets. The Company has estimated that the lease term for retail stores is generally 10 years to 15 years.

We recognize a right-of-use (“ROU”) asset and lease liability for each operating lease with a contractual term greater than twelve months at the time of lease inception. We do not record leases with an initial term of twelve months or less on our consolidated balance sheet but continue to record rent expense on a straight-line basis over the lease term. Our leases often include options to extend or terminate at our sole discretion, which are included in the determination of the lease term when they are reasonably certain to be exercised.

Our lease liability represents the present value of future lease payments over the lease term. We cannot determine the interest rate implicit in each of our leases. Therefore, we use market and term-specific incremental borrowing rates. Our incremental borrowing rate for a lease is the rate of interest we expect to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. We considered a combination of factors, including the rates that we currently pay on our lines of credit, lease terms and the effect of adjusting the rate to reflect the term consideration of collateral.

Total lease costs recorded as rent and other occupancy costs include fixed operating lease costs and short-term lease costs. Our real estate leases may require we pay certain expenses, such as common area maintenance costs, real estate taxes and other executory costs, of which any fixed portion would be included in operating lease costs. We recognize operating lease costs on a straight-line basis over the lease term. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. A significant majority of our leases are related to our Company-operated Outposts, and their related costs are recorded within "General and administrative" expenses on the unaudited consolidated statement of operations.

The ROU asset is measured at the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, initial direct costs, and any material tenant improvement allowances reasonably certain to be received. For operating leases, ROU assets are reduced over the lease term by the recognized straight-line lease expense less the amount of accretion of the lease liability determined using the effective interest method. For finance leases, assets are amortized on a straight-line basis over the shorter of the useful life of the leased asset or the lease term. Interest expense on each finance lease liability is recognized utilizing the effective interest method. ROU assets are tested for impairment in the same manner as long-lived assets. Additionally, we monitor for events or changes in circumstances that may require a reassessment of one of our leases and determine if a remeasurement is required.

Income Taxes

The Company accounts for income taxes under the liability method, and deferred tax assets ("DTAs") and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. DTAs and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided if it is determined that it is more likely than not that the DTA will not be realized. The Company records interest and penalty expense related to income taxes as interest and other expense, respectively.

The Company evaluates and accounts for uncertain tax positions using a two-step approach: Step 1. Recognition – occurs when the Company concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustainable upon examination. Step 2. Measurement – determines the amount of benefit that is greater than 50% likely to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Derecognition of a tax position that was previously recognized would occur when the Company subsequently determines that a tax position no longer meets the more likely-than-not threshold of being sustained.

Equity-Based Compensation

The Company recognizes the cost of equity-based compensation awards and incentive unit awards based on the fair value estimated in accordance with FASB ASC 718, *Stock Based Compensation* ("ASC 718"). The Company records equity-based compensation expense for awards with only a service based vesting condition based on the fair value of such awards at the grant date and recognizes compensation expense on a straight-line basis over the requisite service period. Equity-based compensation expense for awards with market based vesting conditions is recorded based on the fair value of such awards at the grant date and recognized on an accelerated basis over the requisite service period. The assumptions used to calculate the fair value of equity awards granted are evaluated and revised, as necessary, to reflect the Company's historical experience and current market conditions. For more information, see Note 10, *Equity-Based Compensation*.

Earnings per Share

Basic net income/(loss) per share is calculated by dividing net income/(loss) attributable to Class A Common Stock by the weighted-average shares of Class A Common Stock outstanding without the consideration for potential dilutive securities. Diluted net loss per share represents basic net loss per share adjusted to include the potentially dilutive effect of outstanding unvested share awards, and units of Authentic Brands designated as common units (the “Common Units”) and restricted units (the “Restricted Common Units”) in the Third Amended and Restated Limited Liability Company Operating Agreement of Authentic Brands (the "LLC Agreement") that are exchangeable into shares of Class A Common Stock. Diluted net loss per share is computed by dividing the net income attributable to Class A Common Stock by the weighted-average number of shares of Class A Common Stock outstanding for the period determined using the treasury stock method and if-converted method, as applicable. As the impact of these if-converted securities is generally antidilutive during periods of net loss, the diluted net loss per share calculation for periods with net losses is the same as the basic net loss per share. For more information, see Note 13, *Net Income (Loss) per Share*.

Concentrations of Credit Risk

The Company’s assets that are potentially subject to concentrations of credit risk are cash and accounts receivable. Cash balances are maintained in financial institutions which at times exceed federally insured limits. The Company monitors the financial condition of the financial institutions in which its accounts are maintained and has not experienced any losses in such accounts. The accounts receivable of the Company are spread over a number of customers, of which three customers accounted for 58% of total outstanding receivables as of March 31, 2024 and three customers accounted for 55% of total outstanding receivables as of December 31, 2023. The Company performs ongoing credit evaluations as to the financial condition of its customers and creditors with respect to trade accounts.

Marketing and Advertising Expenses

The Company’s marketing and advertising expenses are primarily internet marketing expenses, commercial sponsorships and advertising time slots. Marketing expenses are recognized as incurred based on the terms of the individual agreements, which are generally, but not limited to: a commission for traffic driven to its websites that generate a sale, programmatic targeting advertisements, national television and radio advertisements, or payments to social media influencers. The Company may also enter into marketing service agreements with third party production and content providers where the Company prepays for certain services or deliverables and recognizes the expense when the service is completed. Prepaid marketing and advertising expenses totaled $6,335 and $6,826 as of March 31, 2024 and December 31, 2023, respectively. This includes $6,129 of prepaid advertising as of March 31, 2024 and December 31, 2023, each, in connection with a transaction whereby prepaid advertising was received by BRCC in exchange for finished goods inventory and revenue was recognized for the amount of prepaid advertising credits received. For more information, see Note 5, *Other Assets*.

Fair Value Measurements

The Company’s financial instruments consist primarily of accounts receivable, accounts payable and long-term debt. The carrying amounts of accounts receivable and accounts payable are representative of their respective fair values due to the short-term maturity of these instruments. The fair value of variable rate long-term debt is based upon the current market rates for debt with similar credit risk and maturity, which approximated its carrying value, as interest is based upon the Secured Overnight Financing Rate (“SOFR”), or the PNC Base Rate (see further explanation of the Base Rate in Note 8, *Long-Term Debt*), or prior to our August 2023 refinancing, the Bloomberg Short-Term Bank Yield (“BSBY”) or Prime rates plus an applicable floating margin. In measuring fair value, the Company reflects the impact of credit risk on liabilities, as well as any collateral. The Company also considers the credit standing of counterparties in measuring the fair value of assets.

The Company uses any of three valuation techniques to measure fair value: the market approach, the income approach, and the cost approach in determining the appropriate valuation technique based on the nature of the asset or liability being measured and the reliability of the inputs used in arriving at fair value.

The Company follows the provisions of ASU No. 2022-03-*Fair Value Measurements* ("Topic 820") for non-financial assets and liabilities measured on a non-recurring basis.

The inputs used in applying valuation techniques include assumptions that market participants would use in pricing the asset or liability (i.e., assumptions about risk). Inputs may be observable or unobservable. The Company uses observable inputs in the Company's valuation techniques and classifies those inputs in accordance with the fair value hierarchy established by applicable accounting guidance, which prioritizes those inputs. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels are defined as follows:

Level 1 — inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 — inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. As of March 31, 2024, the Company had no Level 3 financial assets or liabilities.

Comprehensive Income (Loss)

The Company has no components of comprehensive income and comprehensive income (loss) is equivalent to net income (loss) in each of the periods presented. As such, no statement of comprehensive income (loss) is presented.

Recently Adopted Accounting Pronouncements

There were no new Recently Adopted Accounting Pronouncements.

Recent Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740), *Improvements to Income Tax Disclosures*, which "enhances the transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information". The FASB determined that these amendments should be effective for public business entities for annual periods beginning after December 15, 2024 (early adoption is permitted). The Company is currently evaluating the impact of these amendments on its consolidated financial statements and accompanying disclosures.

3. Inventories, Net

Inventories consist of the following (*dollars in thousands, unaudited*):

	March 31, 2024	December 31, 2023
Coffee:		
Unroasted	$ 3,487	$ 4,248
Finished Goods	13,145	10,515
Ready-to-Drink (raw materials)	16,124	14,652
Ready-to-Drink (finished goods)	13,088	21,600
Apparel and other merchandise	4,539	5,450
Total inventories, net	$ 50,383	$ 56,465

4. Property, Plant and Equipment, Net

Property, plant and equipment, net consists of the following (*dollars in thousands, unaudited*):

	March 31, 2024	December 31, 2023
Building and leasehold improvements	$ 29,707	$ 29,098
Machinery and equipment	19,949	18,856
Computer equipment and software	14,421	6,847
Furniture and fixtures	2,813	2,856
Land	1,547	1,547
Vehicles	889	889
Construction in progress	12,661	21,602
Property, plant, and equipment, gross	81,987	81,695
Less: accumulated depreciation and amortization	(15,818)	(13,369)
Total property, plant and equipment, net	$ 66,169	$ 68,326

The total depreciation expense for internal use software was $989 and $183 for the three months ended March 31, 2024 and 2023, respectively.

Substantially all long-lived assets are located in the United States.

5. Other Assets

During the third quarter of 2023, we entered into a contract whereby we agreed to exchange finished goods inventory for prepaid advertising, for a stated contract price of $41,565. During the first quarter of 2024, we entered into amendments to the contract under the same terms for an incremental stated contract price of $6,735. We measured the noncash consideration using the standalone selling price of finished goods sold to distributors, which was 84% of the stated contract price. Revenue and corresponding prepaid advertising is recognized based on the standalone selling price as the products are delivered. As of March 31, 2024 and December 31, 2023, we recognized $35,856 and $28,901 of other assets on our consolidated balance sheet, respectively. Based upon the period over which we expect to use these advertising credits, we concluded that $6,129 were current as of March 31, 2024 and December 31, 2023, each, and have been recorded as prepaid and other current assets on our consolidated balance sheet, and $29,727 and $22,772 were non-current and have been recorded as other assets on our consolidated balance sheets as of March 31, 2024 and December 31, 2023 respectively. During the quarter ended March 31, 2024, we recognized $8,487 of revenue on our consolidated income statement.

6. Accrued Liabilities

Accrued liabilities consist of the following (*dollars in thousands, unaudited*):

	March 31, 2024	December 31, 2023
Accrued compensation and benefits	$ 8,163	$ 6,881
Accrued inventory purchases	6,851	8,859
Accrued professional fees	3,808	2,240
Accrued freight	3,368	4,616
Accrued marketing	1,366	1,457
Accrued sales and other taxes	1,186	1,329
Accrued interest	988	1,842
Credit card liabilities	140	186
Other accrued expenses	5,555	7,501
Total accrued liabilities	$ 31,425	$ 34,911

7. Deferred Revenue and Gift Card Liability

The following table provides information about deferred revenue, gift cards, and the Loyalty Program, including significant changes in deferred revenue balances for the below designated periods (*dollars in thousands, unaudited*):

	Three Months Ended March 31,	
	2024	2023
Balance at beginning of period	$ 11,030	$ 9,505
Sales of gift cards	1,729	346
Redemption of gift cards	(1,793)	(374)
Increase from deferral of revenue	2,295	3,127
Decrease from revenue recognition	(2,832)	(3,560)
Loyalty Program points earned	721	521
Loyalty Program points redeemed/expired	(3,588)	(220)
Balance at end of period	$ 7,562	$ 9,345

8. Long-Term Debt

The Company's credit facilities and related balances were as follows (*dollars in thousands, unaudited*):

	March 31, 2024	December 31, 2023
Term loan facility	$ 50,000	$ 50,000
ABL facility	14,737	23,947
Notes payable	2,093	2,493
Total principal	66,830	76,440
Less debt issuance costs	(5,323)	(5,460)
Long-term debt, net	$ 61,507	$ 70,980
Current maturities:		
Current maturities of principal	$ 9,779	$ 2,297
Less current portion of debt issuance costs	—	—
Current maturities of long-term debt, net	$ 9,779	$ 2,297
Long-term debt:		
Non-current principal	$ 57,051	$ 74,143
Less non-current portion of debt issuance costs	(5,323)	(5,460)
Long-term debt, net	$ 51,728	$ 68,683

Future contractual maturities of credit facilities (not including debt issuance costs) as of March 31, 2024 are as follows (*dollars in thousands, unaudited*):

Remainder of 2024	$ 9,379
2025	4,797
2026	6,025
2027	6,250
2028	40,379
Total	$ 66,830

ABL Facility and Term Loan Facility

On August 10, 2023 (the "Closing Date"), Authentic Brands and certain of its subsidiaries (collectively, the "Borrowers") entered into a Credit Agreement (the "ABL Credit Agreement") with PNC Bank, National Association, as administrative agent and collateral agent ("PNC"), and the lenders from time to time party thereto, pursuant to which the lenders thereunder agreed to provide the Borrowers with a senior secured asset-based revolving credit facility in an aggregate principal amount of up to $75,000 (including a sub-facility for letters of credit in an amount up to $7,500 all of which is available at March 31, 2024) (the "ABL Facility"), and a Credit Agreement (the "Term Loan Credit Agreement" and together with the ABL Credit Agreement, the "Credit Agreements") with Whitehawk Capital Partners LP, as administrative agent and collateral agent, and the lenders from time to time party thereto, pursuant to which the lenders thereunder provided the Borrowers with senior secured term loans on the Closing Date in an aggregate principal amount of $50,000 (the "Term Loan") and a bridge loan in the amount of $6,000 (the "Bridge Loan" and together with the Term Loan, the "Term Loan Facility").

The proceeds of the Term Loan were issued net of a $1,525 discount which was recorded against the outstanding amount of debt on our consolidated balance sheet and amortized over the life of the Term Loan Credit Agreement. Debt issuance costs of $4,545 were incurred in connection with the origination of the ABL Facility and these costs will be reported as a reduction to the outstanding balance of long-term debt on our consolidated balance sheet and amortized over the life of the ABL Credit Agreement. The Bridge Loan incurred a Bridge Loan fee of 10% of the aggregate amount of the Bridge Loan on the Closing Date. The Bridge Loan fee was paid when the Bridge Loan principal was repaid in the fourth quarter of 2023.

The obligations under the Credit Agreements are guaranteed by each Borrower and each Borrower's direct and indirect, existing and future domestic subsidiaries, subject to certain exceptions (collectively, the "Guarantors" and each, a "Guarantor"). The obligations under the ABL Credit Agreement are secured by a first priority lien on certain deposit accounts, cash and cash equivalents, credit card payments, accounts receivable, inventory and other related assets of the Guarantors (the "ABL Priority Collateral") and a second priority lien on substantially all of the other assets of the Guarantors. The obligations under the Term Loan Credit Agreement are secured by a second priority lien on the ABL Priority Collateral and a first priority lien on substantially all of the other assets of the Guarantors.

Each Credit Agreement includes certain conditions to borrowings, representations and warranties, affirmative and negative covenants, and events of default customary for financings of their type and size. Each Credit Agreement requires the Borrowers to maintain (i) consolidated EBITDA (as defined in the Credit Agreements) of at least $(2,460) for the fiscal quarter ended September 30, 2023, which amount increases incrementally over the next 15 quarters to $40,000 for the 5 fiscal quarters ended June 30, 2028; (ii) a fixed charge coverage ratio of not less than 1.10 to 1.00, measured quarterly on a trailing 12 month basis, following the Availability Block Release Date (as defined below); (iii) minimum liquidity of at least $15,000, which amount is reduced to $7,500 following the Availability Block Release Date; and (iv) minimum average liquidity of at least $9,375 following the Availability Block Release Date. The Credit Agreements also limit the Borrowers' ability to, among other things, incur additional indebtedness, create liens on any assets, pay dividends or make certain restricted payments, make certain investments, consummate certain asset sales, make certain payments on indebtedness, and merge, consolidate or engage in other fundamental changes.

Under the terms of the ABL Credit Agreement, the amount available for advances is subject to a borrowing base, which is calculated by reference to the value of certain eligible deposit accounts, cash and cash equivalents, credit card payments, accounts receivable and inventory, offset by certain reserves. The amount available for advances will be reduced by $15,000 until the Borrowers have maintained a fixed charge coverage ratio of not less than 1.10 to 1.00 for two consecutive fiscal quarters following the Closing Date and no defaults or events of default are then continuing (the date such condition is satisfied, the "Availability Block Release Date"). PNC may also reduce the amount available for advances upon certain findings or if PNC determines, in good faith and in the exercise of reasonable business judgment, that such reductions are necessary for other purposes. Our available borrowing under the ABL Credit Facility at March 31, 2024 was approximately $11,452, after consideration of the $15,000 reduction required before the Availability Block Release Date. During the first quarter of 2024, our available borrowings fell below $15,000 which resulted in cash dominion under the terms of the ABL Credit Agreement whereby certain proceeds must now be collected into a separate account which are subsequently applied against our ABL borrowings until such time as our available borrowings are $15,000 or the occurrence of the Availability Block Release Date, whichever is first.

Borrowings under the ABL Facility bear interest at a rate per annum of either (i) the Base Rate (as defined below) plus a margin ranging from 1.50% to 2.00% or (ii) term SOFR plus a margin ranging from 2.60% to 3.10%, in each case subject to a 0.25% reduction following the Availability Block Release Date. “Base Rate” means, for any day, the base commercial lending rate of PNC as publicly announced to be in effect from time to time. The Borrowers are also required to pay certain fees in connection with the ABL Credit Agreement, including an unused commitment fee based on the average daily unused portion of the ABL Facility, equal to 0.375% on an annual basis.

Borrowings under the Term Loan Facility bear interest at a rate per annum equal to either (i) a base rate plus 7.50% or (ii) term SOFR plus 8.50%. The base rate and term SOFR rate are subject to floors of 4.00% and 3.00%, respectively.

The ABL Facility matures on the earlier of (i) August 10, 2028 and (ii) the date that is 91 days prior to the scheduled maturity date of any other debt in excess of $2,500, subject to certain exceptions.

The Term Loan Facility requires the Borrowers to make quarterly principal repayments in an aggregate principal amount equal to (i) 1.25% of the original aggregate principal amount of the Term Loan commencing with the fiscal quarter ending September 30, 2024 through the fiscal quarter ending June 30, 2025, (ii) 2.50% of the original aggregate principal amount of the Term Loan commencing with the fiscal quarter ending September 30, 2025 through the fiscal quarter ending June 30, 2026, and (iii) 3.125% of the original aggregate principal amount of the Term Loan commencing with the fiscal quarter ending September 30, 2026 through the maturity date of the Term Loan. The Term Loan Facility is also subject to mandatory prepayment (x) to the extent the outstanding obligations under the Term Loan Facility exceed a borrowing base calculated by reference to the value of certain eligible intellectual property, equipment and real property, offset by certain reserves, and (y) of up to 50% of the Borrowers’ excess cash flows beginning in 2026. The Borrowers may voluntarily prepay amounts outstanding under the Term Loan Facility at any time, subject in certain cases to a prepayment premium.

The Term Loan matures on the earlier of (i) August 10, 2028 and (ii) the date that is 91 days prior to the scheduled maturity date of any other debt in excess of $2,500, subject to certain exceptions.

Notes Payable

In July and September 2021, the Company entered into note payable agreements for $2,588 at an interest rate of approximately 1.00% per annum to repurchase Incentive Units (as defined below) from former employees. The notes are payable in four annual installment payments. As of March 31, 2024, the total outstanding balance on these notes payables is $1,294.

In January 2022, the Company entered into a note payable agreement for $1,599 at an interest rate of 1.30% per annum to repurchase Incentive Units from a former employee. As of March 31, 2024, the outstanding balance on the notes payable is $800.

9. Stockholders' Equity

In conjunction with the Business Combination, 18,769 class A common units and 73,890 class B common units of Authentic Brands (the holders thereof, the "Existing Members") were converted into an aggregate of 139,106,323 common units in Authentic Brands (the "Common Units") and 19,853,125 restricted common units in Authentic Brands (the "Restricted Common Units"). The Existing Members also received 139,106,323 shares of Class B Common Stock of the Company.

Subsequent to the Business Combination, the Company's authorized capital stock consists of 2,802,500,000 shares including (i) 2,500,000,000 shares of Class A Common Stock, (ii) 300,000,000 shares of Class B Common Stock, (iii) 1,500,000 shares of Class C Common Stock, par value $0.0001 per share (the "Class C Common Stock"), and (iv) 1,000,000 shares of preferred stock, par value $0.0001 per share (the "Preferred Stock"). The Class C Common Stock is divided into two series as follows: (a) 750,000 shares of Series C-1 Common Stock, par value $0.0001 per share; and (b) 750,000 shares of Series C-2 Common Stock, par value $0.0001 per share.

Holders of the Company's Class A Common Stock and the Class B Common Stock are each entitled to one vote per share, and holders of the Class C Common Stock do not have any voting rights. Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of our Class A Common Stock are entitled to receive dividends and other distributions as may from time to time be declared by the our board of directors at its discretion out of legally available Company assets, ratably in proportion to the number of shares held by each such holder, and at such times and in such amounts as the board of directors in its discretion may determine. No dividends or other distributions will be declared or paid on the Class B Common Stock or the Class C Common Stock.

A holder of Class B Common Stock may transfer or assign shares of Class B Common Stock only if such holder also simultaneously transfers an equal number of such holder's Common Units in compliance with and as permitted by the LLC Agreement.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, after payment of debts and other liabilities and after the rights of holders of preferred stock, if any, have been satisfied, the holders of all outstanding shares of Class A Common Stock will be entitled to receive the remaining assets of the Company available for distribution ratably in proportion to the number of shares held by each such stockholder.

The board of directors of the Company may establish one or more classes or series of preferred stock. Our board of directors may determine, with respect to any class or series of preferred stock, the terms and rights of such class or series. The Company currently does not have any preferred stock issued and outstanding.

Common Units are entitled to share in the profits and losses of Authentic Brands and to receive distributions declared and have no voting rights. Holders of Common Units receive one share of Class B Common Stock, which are voting, non-economic shares in the Company, for each Common Unit they own. Subject to the terms of the LLC Agreement, the Common Unit holders have the option to redeem all or any portion of their Common Units. However, upon redemption, the Company's board of directors determines whether the Common Units are redeemed in cash or Class A Common Stock.

Common Units that are redeemed for shares, are exchanged for a number of Class A Common Stock equal to the number of exchanged Common Units. Simultaneously, a number of Class B Common Stock held by the unitholder is surrendered equal to the number of Common Units being redeemed. For Common Units redeemed for cash, cash redemption may only be effected if a concurrent fundraising activity takes place by the Company.

Non-Controlling Interests

Non-controlling interests represent the ownership interests in Authentic Brands held by holders other than the Company. As of March 31, 2024, BRC Inc.'s ownership percentage in Authentic Brands controlling and non-controlling interests was 31.4% and 68.6%, respectively.

10. Equity-Based Compensation

Incentive Units

Authentic Brands' maintains an equity incentive plan (the “2018 Equity Incentive Plan”) under which it granted Incentive Units (as defined in the 2018 Equity Incentive Plan) to employees or non-employee directors prior to the Business Combination. As of March 31, 2024, 8,585 Incentive Units remain outstanding under the 2018 Equity Incentive Plan, and no new Incentive Units have been granted under the 2018 Equity Incentive Plan since the completion of the Business Combination. The board of directors has the authority to determine the terms and conditions of each grant under the 2018 Equity Incentive Plan, and 200,000 non-voting units have been authorized thereunder. These units may contain certain service and performance related vesting provisions. The Incentive Units were awarded to eligible employees and non-employee directors and entitle each grantee to receive non-voting member units upon vesting, subject solely to the employee’s continuing employment or the non-employee director’s continuing service on the board of directors.

The following table summarizes the changes in the number of Incentive Units for the three months ended March 31, 2024:

	Incentive Units	Weighted Average Grant Date Fair Value
Granted and outstanding at January 1, 2024	8,585	$ 213.81
Granted	—	—
Forfeited	—	—
Granted and outstanding at March 31, 2024	8,585	$ 213.81
Vested at March 31, 2024	6,507	$ 213.33

As of March 31, 2024, total unrecognized equity compensation expense related to nonvested Incentive Units to be recognized over a weighted average period of approximately two years was $351.

In connection with the Business Combination, the Company adopted the 2022 Omnibus Incentive Plan (the "Omnibus Plan"), which replaced the 2018 Equity Incentive Plan, and the 2022 Employee Stock Purchase Plan (the "ESPP").

Stock Options

The Company granted stock options to employees under the Omnibus Plan that vest ratably overthree years and expire after seven years. The grant date estimated fair value of the stock options was based upon a Black Scholes model valuation of the options at the grant date. The following weighted average assumptions were utilized in determining the fair value of options granted:

Weighted average grant date fair value	$2.18
Expected dividend	—
Expected volatility	65%
Risk-free interest rate	4.37%
Options term (in years)	4.5

The computation of expected volatility is based on a weighted average of comparable public companies within the Company’s industry. The Company uses the "simplified method" prescribed by the Securities and Exchange Commission Staff Accounting Bulletin No. 107, *Share-Based Payment*, to calculate the expected term of options granted. The risk-free interest rate is based on the yield of zero-coupon U.S. Treasury securities of comparable terms. The Company does not anticipate paying dividends in the foreseeable future. The Company recognizes pre-vesting forfeitures as they occur rather than estimate the forfeiture rate at the grant date.

The following table summarizes information about stock options activities for the three months ended March 31, 2024:

	Stock Options	Weighted Average Exercise Price
Outstanding at January 1, 2024	3,413,340	$ 5.19
Granted	2,371,128	3.91
Forfeited	(226,832)	6.18
Outstanding at March 31, 2024	5,557,636	$ 4.60
Vested at March 31, 2024	100,468	$ 9.51

As of March 31, 2024, total unrecognized equity compensation expense related to stock options to be recognized over a weighted average period of approximately two years was $10,901.

Restricted Stock Units

The Company granted restricted stock unit ("RSU") awards to employees and non-employee directors under the Omnibus Plan that vest annually over approximately three years. The grant date fair values were based on the closing price of the Class A Common Stock of the Company on the date of grant.

The following table summarizes information about the RSUs under the Omnibus Plan for the three months ended March 31, 2024:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2024	1,684,955	$ 5.77
Granted	1,079,772	3.91
Forfeited	(150,329)	5.63
Vested	(35,349)	6.59
Nonvested at March 31, 2024	2,579,049	$ 4.99

As of March 31, 2024, total unrecognized equity compensation expense related to RSUs to be recognized over a weighted average period of approximately two years was $9,751.

Performance-Based Restricted Stock Units

On December 29, 2022, the Company granted 8,462,412 performance-based restricted stock units ("PSUs") to a key employee which vest if certain market capital growth rates are achieved each year through April 2027. Vested PSUs are settled in shares of the Company Class A Common Stock equal to the number of PSUs granted. The PSUs are forfeited upon termination of employment before the performance period ends. PSUs granted during the year ended December 31, 2022 have a weighted-average grant date fair value of $0.46 per share. All PSUs were unvested as of March 31, 2024. The Company used the Monte Carlo pricing model to estimate the fair value of PSUs utilizing the following assumptions at the grant date:

Expected dividend	—
Expected volatility	65%
Risk-free interest rate	3.97%
Award term years	4.3
Valuation date share price	$6.21

As of March 31, 2024, total unrecognized equity-based compensation expense related to PSUs to be recognized over a weighted average period of approximately three years was $1,614.

Employee Stock Purchase Plan

In September 2022, the Company began offering shares of its Class A Common Stock under its Employee Stock Purchase Plan ("ESPP") adopted in connection with the Business Combination, whereby eligible employees may acquire an equity interest in the Company through payroll contributions. At the end of a six-month offering period, shares are purchased at 85% of the stock price at enrollment date or purchase date, whichever is lower.

On March 8, 2024, the Company issued 63,832 shares for a total of $251 under the September 9, 2023 ESPP period, which covered the period between September 9, 2023 and March 8, 2024.

11. Defined Contribution Plan

The Company maintains a voluntary qualified defined contribution plan covering eligible employees as defined by the plan documents. Participating employees may elect to defer and contribute a portion of their eligible compensation to the plan up to limits stated in the plan documents, not to exceed the dollar amounts set by applicable laws. The Company's matching contributions to the plan were $204 and $257 for the three months ended March 31, 2024 and 2023, respectively.

12. Income Taxes

BRC Inc. is the managing member of Authentic Brands and, as a result, consolidates the financial results of Authentic Brands. Authentic Brands and its subsidiaries are limited liability companies and have elected to be taxed as partnerships for income tax purposes except for a subsidiary, Free Range American Media Company, which is taxed as a corporation. The Company files income tax returns in the U.S. federal and various state jurisdictions. Any taxable income or loss generated by Authentic Brands is passed through to and included in the taxable income or loss of its members, including BRC Inc., generally on a pro rata basis or otherwise under the terms of the Authentic Brands LLC Agreement. The Company is subject to U.S. federal income taxes, in addition to state and local income taxes with respect to its allocable share of any taxable income or loss of Authentic Brands, as well as any stand-alone income or loss generated by BRC Inc.

The Company's U.S. federal and state income tax returns for the tax years 2019 and beyond remain subject to examination by the Internal Revenue Service. With respect to state and local jurisdictions, the Company and its subsidiaries are typically subject to examination for several years after the income tax returns have been filed. The Internal Revenue Service has commenced an examination of the Authentic Brands' U.S. income tax return for 2021. We anticipate this audit will conclude within the next twelve months. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, interest and penalties have been provided for in the accompanying consolidated financial statements for any adjustments that may be incurred due to state or local audits and uncertain tax positions. The Company's income tax expense may vary from the expense that would be expected based on statutory rates due principally to its organizational structure and recognition of valuation allowances against deferred tax assets.

Our effective tax rate for the period ended March 31, 2024 differs from the U.S. federal statutory rate primarily due to changes in the valuation allowance and non-controlling interest.

Based primarily on our limited operating history and Authentic Brands' historical losses, the Company believes there is a significant uncertainty as to when the Company will be able to use our deferred tax assets ("DTAs"). Therefore, the Company has recorded a valuation allowance against the DTAs for which the Company has concluded it is more likely than not that they will not be realized.

13. Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing net income (loss) attributable to Class A Common Stock by the weighted-average shares of Class A Common Stock outstanding without consideration for potential dilutive securities. Diluted net income (loss) per share represents basic net income (loss) per share adjusted to include the potentially dilutive effect of outstanding unvested share awards, warrants, Common Units and Restricted Common Units that are exchangeable into shares of Class A Common Stock. Diluted net income (loss) per share is computed by dividing the net income (loss) attributable to Class A Common Stock by the weighted-average number of shares of Class A Common Stock outstanding for the period determined using the treasury stock method and if-converted method, as applicable. Shares of Class B Common Stock do not participate in the earnings or losses of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted income (loss) per share of Class B Common Stock under the two-class method has not been presented.

The following table sets forth the computation of basic and diluted net income (loss) per share *(in thousands, except unit/share and per unit/share amounts, unaudited)*:

	Three Months Ended March 31,	
	2024	2023
Numerator:		
Net income (loss)	$ 1,855	$ (17,321)
Less: Net income (loss) attributable to non-controlling interests	1,307	(12,521)
Net income (loss) attributable to Class A Common Stock - basic and diluted	$ 548	$ (4,800)
Denominator:		
Weighted-average shares of Class A Common Stock outstanding - Basic	66,312,366	58,159,223
Weighted-average effect of dilutive securities:		
RSUs	283,453	—
Employee Stock Purchase	1,807	—
Weighted-average shares of Class A Common Stock outstanding - Diluted	66,597,626	58,159,223
Net income (loss) per share attributable to Class A common stockholders, basic	$ 0.01	$ (0.08)
Net income (loss) per share attributable to Class A common stockholders, diluted	$ 0.01	$ (0.08)

The Company excluded the following potentially dilutive securities, presented based on amounts outstanding at each period end, from the computation of diluted net income (loss) per share attributable to Class A common shareholders because including them would have had an antidilutive effect:

	Three Months Ended March 31,	
	2024	2023
Stock options	5,557,636	896,202
Common Units	145,079,865	153,156,442
RSUs	287,420	923,521
PSUs	8,462,412	8,462,412
Incentive Units	8,585	14,210
Employee Stock Purchase	76,476	95,309
Total units excluded from computation of diluted net income (loss) per share	159,472,394	163,548,096

14. Commitments and Contingencies

Purchase Agreements

The Company has entered into manufacturing and purchase agreements to purchase and produce coffee product from third-party suppliers. These purchase agreements are typically obligations to purchase minimum volumes with fixed pricing if the volume terms are not fulfilled, in the form of a take-or-pay provision. The aggregate value of purchases from these third-party suppliers totaled $11,744 and $39,074 for the three months ended March 31, 2024 and 2023, respectively.

The amounts in the table below represents the Company's future minimum purchase commitments as of March 31, 2024 (*dollars in thousands, unaudited*):

Remainder of 2024	$	17,533
2025		26,058
2026		30,018
2027		32,427
2028		15,141
Thereafter		14,934
Total	$	136,111

Contingencies

The Company is the subject of various legal actions in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to such lawsuits, the Company accrues reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. Although the outcomes of these proceedings cannot be predicted with certainty, the Company does not believe any of these proceedings, individually or in the aggregate, would be expected to have a material adverse effect on results of operations, cash flows or financial condition.

The Company could be subject to additional sales tax or other tax liabilities. The Company follows the guidelines of ASC 450, *Accounting for Contingencies*, and the unaudited consolidated financial statements reflect the current impact of such legislation through the Company's best estimates. However, any of these events could have a material effect on the Company's business and operating results depending on the previous periods of applied enforcement by certain jurisdictions.

The Company is also subject to U.S. (federal and state) laws, regulations, and administrative practices that require us to collect information from its customers, vendors, merchants, and other third parties for tax reporting purposes and report such information to various government agencies. The scope of such requirements continues to expand, requiring us to develop and implement new compliance systems. Failure to comply with such laws and regulations could result in significant penalties and interest which might have an adverse effect on the Company's business and operating results. The Company has accrued $320 related to potential sales and other tax exposure as of March 31, 2024 and December 31, 2023, each, which is included in accrued liabilities on the accompanying unaudited consolidated balance sheets.

Legal Disputes

On April 28, 2022, Tang Capital Partners, LP ("Tang Capital") filed a lawsuit in federal district court in New York against the Company, Tang Capital Partners, LP v. BRC Inc., Case 22-CV-3476 (RWL) (Southern District of New York). The complaint alleges that the Tang Capital suffered damages arising from the Company's refusal on two occasions to permit Tang Capital to exercise warrants. On March 8, 2023, the court granted the Company's motion to dismiss a claim for declaratory judgment but denied the Company's motion to dismiss a breach of contract claim. Each party has recently submitted its respective motion for summary judgment. Tang Capital's motion for summary judgment seeks $10.5 million in compensatory damages, and prejudgment interest. The Company believes that it has meritorious defenses to the claim asserted against it and will defend itself vigorously in these proceedings; however, there can be no assurances that it will be successful in its efforts. The Company is not able at this time to determine or predict the ultimate outcome of this lawsuit or provide a reasonable estimate or range of estimates of the possible outcome or loss, if any, in this matter.

On February 3, 2023, Strategy and Execution, Inc. ("SEI") filed a lawsuit in federal district court in Texas againstone of the Company's wholly owned subsidiaries, Strategy and Execution, Inc, v. Black Rifle Coffee Company LLC, Case 23-CV-00135 (FB) (Western District of Texas). The complaint alleges that SEI, a former consultant to the Company, is owed certain disputed royalties and expense reimbursements from the Company. On April 4, 2023, the Company filed a partial motion to dismiss several of the claims which was granted with prejudice with respect to the Company's position that all royalties expired upon expiration of the parties' contract on December 31, 2023. The Company believes that it has meritorious defenses to the claims asserted against it and will continue to defend itself vigorously in these proceedings; however, there can be no assurances that it will be successful in its efforts. The Company is not able at this time to determine or predict the ultimate outcome of this lawsuit or provide a reasonable estimate or range of estimates of the possible outcome or loss, if any, in this matter.

On June 22, 2023, John Brian Clark, JBC Structured Products LLC, and Marathon Capital LLC filed a complaint against BRC Inc. and Black Rifle Coffee Company LLC: John Brian Clark, et al. v. BRC Inc., et al., Case 1:23-CV-5340 (RWL) (Southern District of New York). Clark alleges a breach of contract and is seeking a declaratory judgment. The complaint alleges that Clark suffered damages arising from the Company’s refusal to allow Clark to exercise warrants. The lawsuit seeks unspecified general and compensatory damages, attorneys’ fees, and other reasonable costs and disbursements. The Company believes that it has meritorious defenses to the causes of action asserted against it and will defend itself vigorously in these proceedings; however, there can be no assurances that it will be successful in its efforts. Currently the case is stayed through the resolution of the Tang Capital matter, but Clark has the option to end the stay at any time after the end of June 2024 or a summary judgment decision in Tang Capital, whichever comes first. The Company is not able at this time to determine or predict the ultimate outcome of this lawsuit or provide a reasonable estimate or range of estimates of the possible outcome or loss, if any, in this matter.

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

The following discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q and the annual audited consolidated financial statements, notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), contained in our Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K") . In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties, and assumptions that could cause the Company's actual results to differ materially from management’s expectations. When used in this report, the terms “we,” “us,” “our,” “BRCC,” “Black Rifle Coffee,” “Black Rifle Coffee Company,” and the “Company” mean BRC Inc. and its consolidated subsidiaries, collectively, unless the context requires otherwise.

Overview

Black Rifle Coffee Company is a rapidly growing Veteran-led premium coffee and media company that operates through three channels: Wholesale, Direct to Consumer ("DTC"), and our Outpost Retail Stores. Our business started with a loyal and quickly expanding community of consumers through our DTC channel, through which we now have approximately 209,000 active Coffee Club subscribers as of March 31, 2024. We are now experiencing rapid growth in our Wholesale channel as we have continued our expansion into grocery stores, specialty stores, and other intermediaries. Our Outpost channel experienced growth through 2023 during the initial rollout of our Outpost retail stores; however, we anticipate limited growth in this channel in 2024 as we evaluate our strategy for retail stores, and we expect to recommence investment in this channel in future years.

At Black Rifle Coffee, we develop our roast profiles with the same mission focus we learned as military members serving our country. We produce creative and engaging cause-related media content to inform, inspire, entertain, and build our community. We also sell Black Rifle Coffee-brand apparel, coffee brewing equipment, and outdoor and lifestyle gear that our consumers proudly wear and use to showcase our brand. At the heart of everything we do is our commitment to supporting active duty military, Veterans, first responders, and those who love America.

We utilize a three-pronged approach to craft a unique brand that resonates with our customer base and enhances brand loyalty: Inform, Inspire, and Entertain. We want our audience to love coffee as much as we do, so we strive to inform them on all the awesome facets of coffee. Every day we work to inspire our customers; we take pride in the coffee we roast, the Veterans we employ and the causes we support. We give back to the community and are committed to support those who serve.

To support our premium quality product, we own one roasting facility focused on large and small batch roasting. Our coffee beans are primarily roasted in-house and 100% in the United States to ensure consistency and quality of product. Our coffee beans are sourced only from the highest quality suppliers. Our state-of-the-art equipment guarantees freshness and offers significant capacity for expansion.

We are a digitally native brand with an established omnichannel business model, reaching our customers through one reportable segment that is comprised of three channels. Our Wholesale channel includes products sold to an intermediary such as grocery stores, including the Food, Drug, and Mass ("FDM") customer set, specialty retailers, such as outdoors and sporting goods retailers, and convenience stores, which primarily sell our Ready-to-Drink ("RTD") products. Our DTC channel includes our e-commerce business, through which consumers order our products online and products are shipped to them. Our Outpost channel includes our Company-operated and franchised Black Rifle Coffee retail coffee shop locations.

We continue to experience strong revenue growth. Revenue increased to $98.4 million for the three months ended March 31, 2024 as compared to $83.5 million for the three months ended March 31, 2023, representing growth of 18%. This growth was primarily driven by growth in the Wholesale channel from expansion in our largest retail customer, our entry into the FDM market for bagged coffee and rounds products and increased sales in RTD products.

The Business Combination

In February 2022, we completed the Business Combination and as a result of the consummation of a series of mergers in connection therewith, Authentic Brands became a subsidiary of BRC Inc., with BRC Inc. acting as the sole managing member thereof as a public benefit corporation. The Business Combination was accounted for as a reverse acquisition and a recapitalization of Authentic Brands. Accordingly, the Business Combination was reflected as the equivalent of Authentic Brands issuing stock for the net assets of SilverBox, accompanied by a recapitalization. Under this method of accounting, SilverBox is treated as the "acquired" company for financial reporting purposes. The net assets of SilverBox are stated at historical cost, with no goodwill or other intangible assets recorded. This accounting treatment was determined by the individual controlling Authentic Brands prior to the Business Combination, who also controls the combined company post Business Combination.

Trends

Certain trends affecting our business within the respective sales channels are as follows:

- Wholesale channel revenue has increased as we have added new customers and we continue to grow our presence in the FDM market. We expect to see increased revenue within this channel as we increase investment to obtain new customers, launch new products, and expand in the FDM market.
- DTC channel revenue growth has declined as a result of a decline in the DTC market as well as our decision to redirect investments to other growing areas of the business as we continue to experience elevated DTC customer acquisition costs. In addition, we have limited our promotional offerings while focusing on profitability.
- Outpost channel revenue has decreased due to declining volumes at our existing Outpost retail locations. We anticipate limited growth in this channel in 2024 as we shift investments into other channels while we work to improve the quality of our earnings through operational and strategic changes, some of which might result in store closures for underperforming Outposts. We expect accelerated growth in the Outpost channel in future years as investments shift back.

Key Factors Affecting Our Performance

Our Ability to Increase Brand Awareness

Our ability to promote and maintain brand awareness and loyalty is critical to our success. We believe we have created a highly efficient marketing strategy that provides us the ability to increase brand awareness and drive consumer interaction. Consumer appreciation of our brands is primarily reflected in the increase of our sales across our three channels over the last few years. We expect to continue to develop and implement forward-looking brand strategies that leverage social media and employ targeted digital advertising to expand the reach of our brand.

Our Ability to Grow Our Customer Base in Our Outposts and Wholesale Channels

We are currently growing our customer base through our Wholesale channel. Our products are also sold through a growing number of physical retail channels. Wholesale customers include large national retailers, regional retailers, distributors, and dealers.

Our Ability to Acquire and Retain Customers at a Reasonable Cost

We believe our ability to consistently acquire and retain new customers at a reasonable cost will be a key factor affecting our future performance. We continue to have a strong presence activating in major markets to reach new consumers and drive brand awareness. As a result our brand awareness is showing tremendous growth, reaching an estimated 30% in the United States. To accomplish our goal of continuing to extend brand awareness, we will continue deploying to highly efficient, reach-based formats such as national television, streaming advertising and through select partnership opportunities. In addition, we will strive to strengthen our social media footprint across various platforms such as Facebook, Instagram and YouTube. As we continue to expand our deployment venues, our expertise in digital creative and engagement provides a distinct advantage to reach, engage and convert our consumers. We will continue to utilize marketing measurement to ensure our advertising and marketing spend is effective and efficient while expanding our brand reach.

Our Ability to Drive Repeat Usage of Our Products

We gain substantial economic value from repeat users of our products who consistently re-order our products. The pace of our growth rate will be affected by the repeat usage dynamics of existing and newly acquired customers.

Our Ability to Expand Our Product Line

Our goal is to continue to expand our product line over time to increase our growth opportunity and reduce product-specific risks through diversification into multiple products each designed around daily use. Our pace of growth will be partially affected by the cadence and magnitude of new product launches over time. As an example, we launched RTD coffee products in March 2020 with two 11-ounce SKUs. We have since added another 11-ounce SKU and three high-caffeine, boldly-flavored 15-ounce SKUs. Four of these SKUs grew to become top-35 products in the RTD coffee category, both in units and dollars in 2023, and realized All Commodities Volume ("ACV") of 43% at March 31, 2024. Moving forward, we believe that it is important to our business that we continue innovating with new products and flavors and continue to explore the world to find the highest quality beans possible to deliver to our customers.

Our Ability to Manage Our Supply Chain

Our ability to grow and meet future demand will be affected by our ability to properly plan for and source inventory from a variety of suppliers and co-manufacturers located inside and outside the United States. The majority of our green coffee beans come from Colombia, Nicaragua, and Brazil, and since 2020, we have also sourced green coffee beans from over ten countries in Latin America, Africa, and Asia to diversify our supply chain and offer our customers specialty and limited-time-only roasts. Quality control is also a critically important part of our manufacturing and supply chain operations. 100% of our coffee is roasted in the United States. Our licensed, Coffee Quality Institute-certified grader and former Green Beret, leads cupping, grading, scoring, and sourcing of our coffees. We also must effectively manage our co-manufacturers and suppliers.

Results of Operations

This discussion and analysis pertains to comparisons of material changes on the unaudited consolidated financial statements for three months ended March 31, 2024 and 2023. The following table represents the selected results of operations for BRC Inc. for the periods indicated (*dollars in thousands, unaudited*):

	Three Months Ended March 31,	
	2024	**2023**
Revenue, net	$ 98,392	$ 83,490
Cost of goods sold	56,207	55,979
Gross profit	42,185	27,511
Operating expenses		
Marketing and advertising	7,609	7,144
Salaries, wages and benefits	15,261	19,824
General and administrative	15,346	17,758
Other operating expense, net	14	—
Total operating expenses	38,230	44,726
Operating income (loss)	3,955	(17,215)
Non-operating income (expenses)		
Interest expense, net	(2,051)	(323)
Other income, net	—	273
Total non-operating expenses	(2,051)	(50)
Income (loss) before income taxes	1,904	(17,265)
Income tax expense	49	56
Net income (loss)	$ 1,855	$ (17,321)

The following table summarizes our revenue, gross profit, gross margin, and total operating expenses (*dollars in thousands, unaudited*):

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Revenue, net	$ 98,392	$ 83,490	$ 14,902	18 %
Cost of goods sold	56,207	55,979	228	— %
Gross profit	$ 42,185	$ 27,511	$ 14,674	53 %
Gross margin[(1)]	42.9 %	33.0 %		
Total operating expenses	$ 38,230	$ 44,726	$ (6,496)	(15) %

[(1)]*Gross margin is calculated as gross profit as percentage of revenue, net*

Revenue, net

We sell our products both directly and indirectly to our customers through a broad set of physical and online platforms. Our revenue, net reflects the impact of product returns as well as discounts and fees for certain sales programs, trade spend, promotions, and loyalty rewards.

Net revenue for the three months ended March 31, 2024 increased $14.9 million, or 18%, to $98.4 million as compared to $83.5 million for the corresponding period in 2023. The increase was primarily driven by increased points of distribution in the Wholesale channel including entry and expansion into the FDM market and increased sales of RTD product, partially offset by lower customer acquisition and volume in the DTC and Outpost channels.

The following table summarizes net sales by channel for the periods indicated (*dollars in thousands, unaudited*):

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Wholesale	$ 60,428	$ 39,997	$ 20,431	51 %
Direct to Consumer	32,614	36,780	(4,166)	(11) %
Outpost	5,350	6,713	(1,363)	(20) %
Total net sales	$ 98,392	$ 83,490	$ 14,902	18 %

Net revenue for our Wholesale channel for the three months ended March 31, 2024, increased $20.4 million, or 51%, to $60.4 million as compared to $40.0 million for the corresponding period in 2023. The Wholesale channel performance was primarily driven by entry into the FDM market along with increased sales in our RTD product line.

Net revenue for our DTC channel for the three months ended March 31, 2024 decreased $4.2 million, or 11%, to $32.6 million as compared to $36.8 million for the corresponding period in 2023, primarily due to lower customer acquisition due to declines in the overall DTC market as well as a strategic shift in advertising spend to other areas with higher returns and reduced promotional offerings to focus on profitability.

Net revenue for our Outpost channel for the three months ended March 31, 2024, decreased $1.4 million, or 20%, to $5.4 million as compared to $6.7 million for the corresponding period in 2023. Revenue decreased primarily due to lower transaction volumes across all stores in the first quarter of 2024 compared to the corresponding period in 2023.

Cost of goods sold

Cost of goods sold primarily includes raw material costs, labor costs directly related to producing our products including wages and benefits, shipping costs, and other overhead costs related to certain aspects of production, warehousing, fulfillment expense, shipping, and credit card fees.

Cost of goods sold for the three months ended March 31, 2024 remained flat compared to the corresponding period in 2023. Gross margin increased 990 basis points to 42.9% for the three months ended March 31, 2024 as compared to 33.0% for the corresponding period in 2023. The increase in gross margin was a result of product mix shift, as the FDM market has higher margins, productivity improvements in our RTD products and warehousing costs, and lower green coffee costs.

Operating expenses

Operating expenses consist of marketing and advertising expenses related to brand marketing campaigns through various online platforms, including email, digital, website, social media, search engine optimization, as well as performance marketing efforts including retargeting, paid search and product advertisements, as well as social media advertisements and sponsorships. Operating expenses also consist of salaries, wages, and benefits of payroll and payroll related expenses for labor not directly related to producing our products. Payroll expenses include both fixed and variable compensation. Variable compensation includes bonuses and equity-based compensation. General and administration costs include other professional fees and services, and general corporate infrastructure expenses, including utilities and depreciation and amortization.

Operating expenses for the three months ended March 31, 2024 decreased $6.5 million, or 15%, to $38.2 million as compared to $44.7 million for the corresponding period in 2023.

The following table summarizes operating expenses for the periods indicated (*dollars in thousands, unaudited*):

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Marketing and advertising	$ 7,609	$ 7,144	$ 465	7 %
Salaries, wages and benefits	15,261	19,824	(4,563)	(23)%
General and administrative	15,346	17,758	(2,412)	(14)%
Other operating expense, net	14	—	14	100 %
Total operating expenses	$ 38,230	$ 44,726	$ (6,496)	(15)%

Marketing and advertising expenses increased by $0.5 million, or 7%, to $7.6 million as compared to $7.1 million for the corresponding period in 2023. This increase was due to our expansion of partnerships, including our engagement with UFC.

Salaries, wages and benefits expenses decreased by $4.6 million, or 23%, to $15.3 million as compared to $19.8 million for the corresponding period in 2023. This decrease, as part of our cost savings initiative, was primarily due to lower compensation costs driven by reductions in headcount during 2023 for which we realized the full benefit in the first quarter of 2024.

General and administrative expenses decreased by $2.4 million, or 14%, to $15.3 million as compared to $17.8 million for the corresponding period in 2023. This decrease, as part of our cost savings initiative, was due to reductions in our corporate infrastructure and support that were inefficient or duplicative, including professional services, information technology, and office space.

Components of Our Non-Operating Income (Expenses)

The following table summarizes non-operating income (expenses) for the periods indicated (*dollars in thousands, unaudited*):

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Interest expense, net	$ (2,051)	$ (323)	$ 1,728	535 %
Other income, net	—	273	(273)	(100)%
Total non-operating expenses	$ (2,051)	$ (50)	$ (2,001)	4002 %

Interest expense for the three months ended March 31, 2024 increased $1.7 million, or 535%, to $2.1 million as compared to $0.3 million for the corresponding period in 2023. The increase was primarily attributable to the increase in average debt balance and higher interest rates under our new term loan facility. The increase in interest rate is a result of our refinancing in the third quarter of 2023, whereby we entered into a new $75.0 million senior credit facility and a $50.0 million term loan facility with interest rates of term Secured Overnight Financing Rate plus 2.60% to 3.10%, based on average excess availability of the borrowing base and term SOFR plus 8.50%, respectively. This is compared to the interest rate under our previous senior credit facility of Bloomberg Short-Term Bank Yield plus 2.00% to 2.25%, based on average excess availability of the borrowing base.

Other income (expense), net consists of miscellaneous income (expense) items such as bank fees and credit card rebates in 2023.

Liquidity and Capital Resources

Liquidity Overview

Our principal use of cash is to support the growth of our business, including increasing working capital requirements related to inventories, accounts receivable, and general and administrative expenses. Furthermore, we use cash to fund our debt service commitments, capital equipment acquisitions, and other growth-related needs.

Our primary sources of cash are (1) cash on hand, (2) cash provided by operating activities, and (3) net borrowings from our credit facilities. As of March 31, 2024, our cash and cash equivalents was $4.0 million, our working capital was $6.3 million, and under our credit facilities, we had $11.5 million of available borrowings, after the consideration of the $15.0 million reduction required before the Availability Block Release Date, the date on which we have maintained a fixed charge coverage ratio of not less than 1.10 to 1.00 for two consecutive fiscal quarters following August 10, 2023, and no defaults or events of default are then continuing. Our ability to draw from the credit facilities is subject to a borrowing base and other covenants. We believe that these sources of liquidity will be sufficient to fund our working capital requirements and to meet our commitments in the ordinary course of business and under the current market conditions for at least the next twelve months.

See Note 8, *Long-Term Debt*, to the unaudited consolidated financial statements included in Item 1 of Part I of this Quarterly Report for information regarding the Credit Agreements.

Cash Flows from Operating, Investing and Financing Activities

The following table summarizes our cash flows for the periods indicated (*dollars in thousands, unaudited*):

	Three Months Ended March 31,			
	2024	**2023**	**$ Change**	**% Change**
Cash flows provided by (used in):				
Operating activities	$ 4,914	$ (15,394)	$ 20,308	132 %
Investing activities	(2,677)	(4,902)	(2,225)	(45)%
Financing activities	(10,688)	7,272	(17,960)	(247)%

Operating Activities

Net cash provided by operating activities was $4.9 million for the three months ended March 31, 2024, compared to net cash used in operating activities of $15.4 million for the corresponding period in 2023. The total increase of $20.3 million in net cash provided was primarily due to a net loss of $17.3 million improving to net income for 2024 as well as a decrease in cash outflows for inventory and accrued liabilities. These changes were partially offset by decreases in cash inflows from accounts receivable and accounts payable.

Investing Activities

Net cash used in investing activities was $2.7 million for the three months ended March 31, 2024, compared to net cash used in investing activities of $4.9 million for the corresponding period in 2023. The $2.2 million decrease in net cash used was primarily due to reduced capital expenditure projects for our Outpost locations and roasting facilities.

Financing Activities

Net cash used in financing activities was $10.7 million for the three months ended March 31, 2024, compared to net cash provided by financing activities of $7.3 million for the corresponding period in 2023. The $18.0 million decrease in net cash provided by financing activities was primarily due to a decrease in net proceeds from issuance of long-term debt.

Commitments

The Company has entered into several manufacturing and purchase agreements to purchase coffee products from third-party suppliers. The minimum purchase amounts are based on quantity and in the aggregate will be approximately $17.5 million for the remainder of 2024; $26.1 million for 2025; and $30.0 million for 2026. See Note 14, *Commitments and Contingencies* to the unaudited consolidated financial statements included in Item 1 of Part I of this Quarterly Report for information regarding such manufacturing and purchase agreements.

Liabilities relating to operating leases that have commenced as of March 31, 2024 have been reported on the balance sheet as operating lease liabilities. As of March 31, 2024, we have entered into operating leases that have not yet commenced which primarily relate to real estate leases. These leases will commence in fiscal year 2024 and fiscal year 2025 with lease terms of 15 years. Payments on leases are expected to be approximately $3.8 million in the next twelve months, and approximately $44.0 million beyond twelve months through 2043.

Capital Expenditures

Future capital requirements will vary materially from period to period and will depend on factors such as adding additional roasting capacity, expansion of our corporate and information technology infrastructure relating to growth initiatives and expansion and growth by opening additional Company-operated Outposts. We currently expect to fund our material capital requirements with borrowings from our credit facilities, but we may also seek additional debt or equity financing.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Commodity Risks

Our profitability is dependent on, among other things, our ability to anticipate and react to changes in costs of key operating resources. Commodity price risk is our primary market risk, which is affected by purchases of coffee beans, dairy products, aluminum cans and other materials and commodities. We purchase and roast quality coffee beans that can be subject to significant volatility. Increases in the “C” coffee commodity price increase the price of high-quality coffee. We generally enter into fixed price purchase commitments for the green coffee we roast.

The supply and price of coffee we purchase can also be affected by multiple factors in the producing countries, such as weather (including the potential effects of climate change), natural disasters, crop disease, inventory levels, and political and economic conditions. Because of the significance of coffee beans to our operations, combined with our ability to only partially mitigate future price risk through purchasing practices, increases in the cost of high-quality coffee beans could have a material adverse impact on our profitability.

Interest Rate Risk

Our Term Loan Facility bears interest at a rate per annum equal to either (i) a base rate plus 7.50% or (ii) term SOFR plus 8.50%. Borrowings under our ABL Facility bear interest at a rate per annum of either (i) the Base Rate (as defined below) plus a margin ranging from 1.50% to 2.00% or (ii) term SOFR plus a margin ranging from 2.60% to 3.10%. "Base Rate" means, for any day, the base commercial lending rate of PNC as publicly announced to be in effect from time to time. We seek to manage exposure to adverse interest rate changes through our normal operating and financing activities. As of March 31, 2024, we had $50.0 million outstanding on our Term Loan Facility and $14.7 million outstanding on our ABL Facility with available borrowings of $11.5 million. The carrying value of the variable interest rate debt approximates its fair value as the borrowings are based on market interest rates. A hypothetical increase of interest rates of 5% on our outstanding variable rate borrowings would result in additional interest expense annually of approximately $3.2 million.

Inflation

Inflationary factors such as increases in the cost of our products, overhead costs and parcel freight costs have had an impact on our operating results. While we have begun to partially offset inflation and other changes in costs of essential operating resources by slightly increasing prices, along with more efficient purchasing practices and productivity improvements, there can be no assurance that we will be able to continue to do so in the future. From time to time, competitive conditions could limit our pricing flexibility. There can be no assurance that future cost increases can be offset by increased prices or that increased prices will be fully absorbed by our customers without any resulting change to their purchasing patterns. In addition, there can be no assurance that we will generate overall revenue growth in an amount sufficient to offset inflationary or other cost pressures. The cost of constructing our Outposts is subject to inflation, which could increase the costs of labor and materials. An increasing rate of inflation in the future may have a material adverse effect on our ability to maintain current levels of gross profit and operating expenses, if the selling prices of our products do not increase with these increased costs.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of March 31, 2024. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2024, our disclosure controls and procedures were not effective to ensure that the information required to be disclosed by the Company in 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, due to the material weakness in our internal control over financial reporting described in our 2023 Form 10-K.

Remediation Plan for Material Weakness

Management has continued to execute the remediation plan to address the material weakness. We have added resources to our accounting department, including access to accounting research tools and additional full-time employees, to improve our ability to perform reviews. In addition, the review of the fixed asset activity to support the preparation of the statement of cash flows is now being performed by more experienced accounting personnel. Finally, we began implementation of a new accounting software during the second quarter of 2024, which will allow us to perform a more detailed analysis of fixed assets to support our statement of cash flows. We estimate that our remediation plan will be complete before the end of the second quarter of 2024.

Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 2024, we completed the implementation of a new eCommerce platform. As part of this implementation, we assessed the impact to the control environment and modified internal controls where necessary.

Except for the system implementation discussed above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the three months ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Note 14, *Commitments and Contingencies* to the unaudited consolidated financial statements included in Item 1 of Part I of this Quarterly Report for information regarding certain legal proceedings in which the Company is involved.

Item 1A. Risk Factors

In addition to the other information included in this Quarterly Report, you should carefully consider the risks and uncertainties discussed in our "*Cautionary Note Regarding Forward-Looking Statements*". There have been no material changes to the risk factors that were previously disclosed in Item 1A in the Company's 2023 Form 10-K.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b5-1 Trading Plans - Directors and Section 16 Officers

During the three months ended March 31, 2024, no director or officer of the Companyadopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" as each term is defined in Item 408(a) of Regulation S-K under the Securities Act of 1933, as amended.

Item 6. Exhibits

Exhibit	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporate by reference to Exhibit 3.1 to the Company's Form 8-K filed on February 10, 2022 with the SEC).
3.2	Amended and Restated By-Laws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Form 8-K filed on February 10, 2022 with the SEC).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

* Filed herewith.
** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BRC Inc.

	By:	/s/ Christopher Mondzelewski
		Christopher Mondzelewski
		Chief Executive Officer
		(Principal Executive Officer)
	By:	/s/ Stephen Kadenacy
		Stephen Kadenacy
May 8, 2024		Chief Financial Officer
		(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher Mondzelewski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BRC 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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2024

/s/ Christopher Mondzelewski
Christopher Mondzelewski
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen Kadenacy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BRC 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(s) 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(s) 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.

/s/ Stephen Kadenacy

Date: May 8, 2024

Stephen Kadenacy
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of BRC Inc. (the “Company”) for the quarter ended March 31, 202, as filed with the Securities and Exchange Commission on the date hereof (the “Quarterly Report”), I, Christopher Mondzelewski, Chief Executive Officer (Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

2. the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2024

/s/ Christopher Mondzelewski
Christopher Mondzelewski
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of BRC Inc. (the "Company") for the quarter endd March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Stephen Kadenacy, Chief Financial Officer (Principal Financial Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

2. the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2024

/s/ Stephen Kadenacy

Stephen Kadenacy
Chief Financial Officer
(Principal Financial Officer)