

PROSPECTUS SUPPLEMENT NO. 5
(to Prospectus dated April 4, 2023)



Nogin, Inc.

7,333,334 Shares of Common Stock

7,333,334 Common Warrants

7,333,334 shares of Common Stock Underlying the Common Warrants

This prospectus supplement updates, amends and supplements the prospectus dated April 4, 2023 (as supplemented or amended from time to time, the “Prospectus”), which forms a part of our Registration Statement on Form S-1 (Registration No. 333-269765). Capitalized terms used in this prospectus supplement and not otherwise defined herein have the meanings specified in the Prospectus.

This prospectus supplement is being filed to update, amend and supplement the information included in the Prospectus with information contained in our Quarterly Report on Form 10-Q filed with the SEC on August 14, 2023, which is set forth below.

This prospectus supplement is not complete without the Prospectus. This prospectus supplement should be read in conjunction with the Prospectus, which is to be delivered with this prospectus supplement, and is qualified by reference thereto, except to the extent that the information in this prospectus supplement updates or supersedes the information contained in the Prospectus. Please keep this prospectus supplement with your Prospectus for future reference.

Our Common Stock and Warrants are listed on the Nasdaq Stock Market LLC under the trading symbols “NOGN” and “NOGNW,” respectively. On August 11, 2023, the closing prices for our Common Stock and Warrants on the Nasdaq Stock Market LLC were \$0.75 per share of Common Stock and \$0.011 per Warrant.

Investing in our securities involves a high degree of risk. See “Risk Factors” beginning on page 10 of the Prospectus and other risk factors contained in the documents incorporated by reference therein for a discussion of information that should be considered in connection with an investment in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if the Prospectus or this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is August 14, 2023

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2023**

OR

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

For transition period from to
Commission File Number **001-40682**

Nogin, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

86-1370703

(I.R.S. Employer
Identification Number)

**1775 Flight Way STE 400
Tustin, CA 92782
(949) 222-0209**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value \$0.0001 per share	NOGN	The Nasdaq Stock Market LLC
Warrants to purchase common stock	NOGNW	The Nasdaq Stock Market LLC

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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 August 10, 2023, there were 11,092,559 shares of the registrant's common stock outstanding, par value \$0.0001 per share.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts contained in this Report, including statements concerning possible or assumed future actions, business strategies, events or results of operations, and any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as "may," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other similar expressions. The forward-looking statements in this Report are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Report and are subject to a number of important factors that could cause actual results to differ materially from those in the forward-looking statements, including the risks, uncertainties and assumptions described under the section in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the Securities and Exchange Commission (the "SEC") on March 23, 2023 titled "Risk Factors." These forward-looking statements are subject to numerous risks, including, without limitation, the following:

- the ability to maintain the listing of the shares of Common Stock and Warrants on Nasdaq;
- litigation, complaints, product liability claims and/or adverse publicity;
- privacy and data protection laws, privacy or data breaches, or the loss of data;
- the impact of changes in customer spending patterns, customer preferences, local, regional and national economic conditions, crime, weather, demographic trends and employee availability; and
- our ability to fulfill the obligations and comply with the covenants under the Indenture governing our Convertible Notes; and
- other risks and uncertainties included in this Report, including those under the section entitled "Risk Factors."

Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified and some of which are beyond our control, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur, and actual results could differ materially from those projected in the forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. As a result of these factors, we cannot assure you that the forward-looking statements in this Report will prove to be accurate. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

You should read this Report completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Nogin, Inc. and Subsidiaries
Form 10-Q
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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

Nogin, Inc. and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)

	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash	\$ 3,143	\$ 15,385
Accounts receivable, net	1,908	1,578
Inventory	13,146	15,726
Prepaid expenses and other current assets	1,977	2,539
Total current assets	20,174	35,228
Property and equipment, net	1,895	1,595
Right-of-use asset, net (Note 19)	16,272	17,391
Goodwill	6,748	6,748
Intangible assets, net	5,384	5,493
Investment in unconsolidated affiliates	6,466	7,404
Other non-current asset	972	1,074
Total assets	<u>\$ 57,911</u>	<u>\$ 74,933</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 13,936	\$ 19,605
Due to clients	3,609	10,891
Related party payables	869	1,033
Loans (Note 7)	3,155	—
Accrued expenses and other liabilities (Note 6)	16,281	17,826
Lease liabilities, current portion (Note 19)	4,512	4,367
Total current liabilities	42,362	53,722
Long-term note payable, net	329	—
Convertible notes (Note 7)	59,134	60,852
Deferred tax liabilities	407	394
Lease liabilities, net of current portion (Note 19)	13,637	15,223
Other long-term liabilities (Note 6)	23,472	17,766
Total liabilities	139,341	147,957
STOCKHOLDERS' DEFICIT		
Common stock, \$0.0001 par value, 500,000,000 shares authorized; 11,092,559 and 3,334,714 shares issued and outstanding as of June 30, 2023 and December 31, 2022	1	—
Additional paid-in capital	22,596	9,270
Accumulated deficit	(104,027)	(82,294)
Total stockholders' deficit	(81,430)	(73,024)
Total liabilities and stockholders' deficit	<u>\$ 57,911</u>	<u>\$ 74,933</u>

See the accompanying notes to the unaudited condensed consolidated financial statements.

Nogin, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations
(In thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net service revenue	\$ 7,543	\$ 9,254	\$ 16,461	\$ 17,787
Net product revenue	4,739	7,834	11,284	20,756
Net revenue from related parties	460	3,262	1,674	7,005
Total net revenue	12,742	20,350	29,419	45,548
Operating costs and expenses:				
Cost of services ⁽¹⁾	3,277	5,757	8,807	11,192
Cost of product revenue ⁽¹⁾	1,972	5,156	5,913	15,407
Sales and marketing	715	620	1,417	1,186
Research and development	1,163	1,250	2,126	2,827
General and administrative	15,814	13,140	33,139	30,362
Depreciation and amortization	235	219	437	420
Total operating costs and expenses	23,176	26,142	51,839	61,394
Operating loss	(10,434)	(5,792)	(22,420)	(15,846)
Interest expense	(2,777)	(1,464)	(4,791)	(2,117)
Change in fair value of promissory notes	(259)	(2,566)	(418)	(2,566)
Change in fair value of derivative instruments	3,462	—	4,309	—
Change in fair value of unconsolidated affiliates	(293)	(949)	(938)	(1,982)
Change in fair value of convertible notes	(1,296)	—	3,295	—
Debt extinguishment gain	63	—	63	—
Other (loss) income, net	(259)	(292)	(818)	1,661
Loss before income taxes	(11,793)	(11,063)	(21,718)	(20,850)
(Benefit) Provision for income taxes	39	(93)	13	65
Net loss	<u>\$ (11,832)</u>	<u>\$ (10,970)</u>	<u>\$ (21,732)</u>	<u>\$ (20,915)</u>
Net loss per common share – basic and diluted	\$ (1.13)	\$ (5.54)	\$ (3.13)	\$ (10.56)
Weighted average shares outstanding – basic and diluted	10,506,521	1,981,097	6,940,429	1,981,097

(1) Exclusive of depreciation and amortization shown separately.

See the accompanying notes to the unaudited condensed consolidated financial statements

Nogin, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Stockholders' Deficit
(In thousands, except share data)

	Convertible Redeemable Preferred Stock		Series B		Common Stock		Addition al Paid- in Capital	Treasury Stock	Accumulated Deficit	Total Stockhold ers' Deficit
	Series A									
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, December 31, 2021	443,224	4,687	316,707	6,502	1,981,097	—	4,362	(1,330)	(16,262)	(13,230)
Stock-based Compensation	—	—	—	—	—	—	58	—	—	58
Net loss	—	—	—	—	—	—	—	—	(9,942)	(9,942)
Balance, March 31, 2022	<u>443,224</u>	<u>\$ 4,687</u>	<u>316,707</u>	<u>\$ 6,502</u>	<u>1,981,097</u>	<u>\$ —</u>	<u>\$ 4,420</u>	<u>\$ (1,330)</u>	<u>\$ (26,204)</u>	<u>\$ (23,114)</u>
Stock-based Compensation	—	—	—	—	—	—	25	—	—	25
Warrant issuance	—	—	—	—	—	—	713	—	—	713
Net loss	—	—	—	—	—	—	—	—	(10,970)	(10,970)
Balance, June 30, 2022	<u>443,224</u>	<u>\$ 4,687</u>	<u>316,707</u>	<u>\$ 6,502</u>	<u>1,981,097</u>	<u>\$ —</u>	<u>\$ 5,158</u>	<u>\$ (1,330)</u>	<u>\$ (37,174)</u>	<u>\$ (33,346)</u>
Balance, December 31, 2022	—	—	—	—	3,334,714	—	9,270	—	(82,294)	(73,024)
Stock-based compensation	—	—	—	—	—	—	253	—	—	253
Fair value of equity classified warrants in common stock	—	—	—	—	—	—	430	—	—	430
Net loss	—	—	—	—	—	—	—	—	(9,901)	(9,901)
Balance, March 31, 2023	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>3,334,714</u>	<u>\$ —</u>	<u>\$ 9,953</u>	<u>\$ —</u>	<u>\$ (92,195)</u>	<u>\$ (82,242)</u>
Stock and warrant issuance	—	—	—	—	7,699,277	1	12,526	—	—	12,527
Stock-based compensation	—	—	—	—	—	—	117	—	—	117
Warrant exercise	—	—	—	—	58,568	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	(11,832)	(11,832)
Balance, June 30, 2023	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>11,092,559</u>	<u>\$ 1</u>	<u>\$ 22,596</u>	<u>\$ —</u>	<u>\$ (104,027)</u>	<u>\$ (81,430)</u>

See the accompanying notes to the unaudited condensed consolidated financial statements

Nogin, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows
(In thousands)

	2023	Six Months Ended June 30,	2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$	(21,732)	\$ (20,915)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and amortization		437	420
Amortization of debt issuance costs and discounts		722	802
Debt issuance costs expensed under fair value option		554	—
Stock-based compensation		370	83
Deferred income taxes		13	65
Change in fair value of unconsolidated affiliates		938	1,982
Change in fair value of warrant liability		(3,739)	509
Change in fair value of promissory notes		878	2,566
Change in fair value of convertible notes		(3,295)	—
Change in fair value of derivatives		(847)	—
Settlement of deferred revenue		—	(1,611)
Gain on extinguishment of accounts payable liabilities		(63)	—
(Gain) loss on disposal of asset		(1)	82
Changes in operating assets and liabilities:			
Accounts receivable		(331)	(546)
Related party receivables		—	(880)
Inventory		2,580	6,392
Prepaid expenses and other current assets		2,469	(2,306)
Other non-current assets		85	—
Accounts payable		(3,673)	(12)
Due to clients		(7,280)	(555)
Related party payables		(164)	1,870
Lease assets and liabilities		(323)	—
Accrued expenses and other liabilities		2,187	(1,139)
Net cash used in operating activities		(30,215)	(13,193)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment		(613)	(226)
Proceeds from sale of property and equipment		4	—
Net cash used in investing activities		(609)	(226)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of April 2023 Offering		22,000	—
Payment of issuance costs for April 2023 Offering		(1,291)	—
Proceeds from short-term loan		3,275	—
Payment of short-term loan		(1,743)	—
Proceeds from promissory notes		—	5,000
Proceeds from promissory notes – related parties		—	1,975
Payment of promissory notes		(3,478)	—
Payment of promissory notes – related parties		(106)	—
Payment of debt issuance costs		(75)	(70)
Proceeds from line of credit		—	86,905
Repayments of line of credit		—	(82,255)
Net cash provided by financing activities		18,582	11,555
NET DECREASE IN CASH AND RESTRICTED CASH		(12,242)	(1,864)
Beginning of period		15,385	4,571
End of period	\$	<u>3,143</u>	\$ <u>2,707</u>
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest	\$	959	\$ 1,288
Cash paid for taxes		118	169
Right-of-use assets exchanged for lease liabilities		1,120	—
Noncash Investing and Financing Activities			
Issuance of warrants with debt	\$	1,483	—
Promissory Note Issuance (Default Interest)		4,649	—
Issuance of note to extinguish accounts payable		1,933	—
SCHEDULE OF CASH AND RESTRICTED CASH			
Cash	\$	3,143	\$ 1,207
Restricted cash		—	1,500
Total cash and restricted cash	\$	<u>3,143</u>	\$ <u>2,707</u>

See the accompanying notes to the unaudited condensed consolidated financial statements

Nogin, Inc. and Subsidiaries
Note to Unaudited Condensed Consolidated Financial Statements

1. DESCRIPTION OF BUSINESS

Nogin, Inc. (together with its subsidiaries, the “Company” or “Nogin”) is an e-commerce, technology platform provider that delivers Commerce-as-a-Service (“CaaS”) solutions as a headless, flexible full stack enterprise commerce platform with cloud services and optimizations along with experts for brands and retailers that provide a unique combination of customizability and sales efficiency. The Company manages clients’ front-to-back-end operations so clients can focus on their business. The Company’s business model is based on providing a comprehensive e-commerce solution to its customers on a revenue sharing basis. Unless the context otherwise requires, references in this subsection to “we,” “our,” “Nogin” and the “Company” refer to the business and operations of Legacy Nogin (as defined below) and its consolidated subsidiaries prior to the Business Combination (as defined below) and to Nogin, Inc. (formerly known as Software Acquisition Group Inc. III) and its consolidated subsidiaries following the consummation of the Business Combination.

The Company’s headquarters and principal place of business are in Tustin, California.

Reverse Stock Split

On March 18, 2023, the Company’s Board of Directors (the “Board”) approved a one-for-twenty reverse stock split of the Company’s common stock, par value \$0.0001 per share (the “Common Stock”). The reverse stock split became effective upon filing of a certificate of amendment to the Company’s second amended and restated certificate of incorporation on March 28, 2023. Upon the effectiveness of the reverse stock split, (i) every twenty shares of outstanding Common Stock were reclassified and combined into one share of Common Stock and (ii) the number of Common Stock for which each outstanding option and warrant to purchase Common Stock is exercisable was proportionately decreased and the exercise price per share of Common Stock of each outstanding option and warrant to purchase Common Stock was proportionately increased. No fractional shares were issued as a result of the reverse stock split. The total number of authorized shares of Common Stock and the par value per share of Common Stock did not change as a result of the reverse stock split. Accordingly, all share and per share amounts for all periods presented in these financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect the reverse stock split and exercise price of each outstanding option and warrant as if the transaction had occurred as of the beginning of the earliest period presented.

Business Combination

On August 26, 2022 (the “Closing Date”), the Company completed its previously announced Business Combination pursuant to the Agreement and Plan of Merger (the “Merger Agreement”), dated as of February 14, 2022 (as amended on April 19, 2022 and August 26, 2022), by and among the Company (formerly known as Software Acquisition Group Inc. III (“SWAG”)), Nuevo Merger Sub, Inc., a wholly owned subsidiary of SWAG (“Merger Sub”), and Branded Online, Inc. dba Nogin (“Legacy Nogin”). Pursuant to the Merger Agreement, Merger Sub was merged with and into Legacy Nogin, with Legacy Nogin surviving the Business Combination as a wholly owned subsidiary of the Company (the “Business Combination” and, together with the other transactions contemplated by the Merger Agreement, the “Transactions”).

While Legacy Nogin became a wholly-owned subsidiary of the Company, Legacy Nogin was deemed to be the acquirer in the Business Combination for accounting purposes. Accordingly, the Business Combination was accounted for as a reverse recapitalization, in which case the condensed consolidated financial statements of the Company represent a continuation of Legacy Nogin and the issuance of common stock and cash consideration in exchange for the net assets of SWAG recognized at historical costs and no recognition of goodwill or other intangible assets. Operations prior to the Business Combination are those of Legacy Nogin and all share and per-share data included in these condensed consolidated financial statements have been retroactively adjusted to give effect to the Business Combination.

As a result of the Business Combination, equity holders of Legacy Nogin received approximately 2.7 million shares of Common Stock and cash consideration of \$15.0 million, of which \$10.9 million was deferred on the Closing Date (Note 9).

The treatment of the Business Combination as a reverse recapitalization was based on the stockholders of Legacy Nogin holding the majority of voting interests of the Company, Legacy Nogin’s existing management team serving primarily as the initial management team of the Company, Legacy Nogin’s appointment of the majority of the initial board of directors of the Company and Legacy Nogin’s operations comprising the ongoing operations of the Company.

In connection with the Business Combination, the Company received proceeds of approximately \$58.8 million from SWAG’s trust account, net of redemptions by SWAG’s public shareholders, as well as approximately \$65.5 million in proceeds from the contemporaneous issuance of 7.00% Convertible Senior Notes due 2026 (the “Convertible Notes”). The aggregate cash raised has been used for general business purposes, the paydown of Legacy Nogin’s outstanding debt, the payment of transaction costs and the payment of the cash consideration.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X of the SEC. Certain information or footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted, pursuant to the rules and regulations of the SEC for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a complete presentation of financial position, results of operations, or cash flows. In the opinion of management, the accompanying unaudited condensed financial statements include all adjustments, consisting of a normal recurring nature, which are necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented.

The accompanying condensed financial statements should be read in conjunction with the Company’s Consolidated Financial Statements for the year ended December 31, 2022. The interim results for the six months ended June 30, 2023 are not necessarily indicative of the results to be expected for the period ending December 31, 2023, or for any future annual or interim periods.

Emerging Growth Company

The Company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard.

Liquidity and Capital Resources

Our primary requirements for short-term liquidity and capital are working capital, inventory management, capital expenditures, public company costs and general corporate needs. We expect these needs to continue as we develop and grow our business. Our future capital requirements will depend on many factors, including our levels of revenue, the expansion of sales and marketing activities, successful customer acquisitions, the results of business initiatives, the timing of new product introductions and overall economic conditions.

Prior to the Business Combination, the Company’s available liquidity and operations were financed through equity contributions, a line of credit, promissory notes and cash flow from operations. Moving forward, the Company expects to fund operations through equity contributions and cash flow from operations.

Because we are in the growth stage of our business and operate in an emerging field of technology, we expect to continue to invest in research and development and expand our sales and marketing teams worldwide. We are likely to require additional capital to respond to technological advancements, competitive dynamics or technologies, customer demands, business opportunities, challenges, acquisitions or unforeseen circumstances and in either the short-term or long-term may determine to engage in equity or debt financings or enter into credit facilities for other reasons. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited.

The accompanying consolidated financial statements as of and for the six months ended June 30, 2023 have been prepared assuming the Company will continue as a going concern. The Company has sustained recurring losses, negative working capital and negative cash flows from operations and had a cash balance of \$3.1 million as of June 30, 2023. These conditions provide substantial doubt about our ability to continue as a going concern for at least twelve months from the date that these consolidated financial statements are issued.

In March 2023, the Company did not timely make the payment of the accrued interest on the Convertible Notes due on March 1, 2023 of \$2.3 million, resulting in a default. On March 26, 2023, the Company, the Notes Guarantors (as defined below) and the holders of the Convertible Notes (collectively, the “Holders”) entered into limited waivers and consents (each, a “Waiver” and collectively, the “Waivers”) pursuant to which, among other things, each Holder agreed to (i) waive the Specified Default (as defined below) and any payment obligation of the Company under the Indenture with respect to the March Interest Payment (as defined below), (ii) in lieu of the Interest Payments (as defined below), (a) receive a promissory note or convertible promissory note, as applicable, and (b) amend

the Warrant Agreement (as defined below) to reduce the exercise price of the warrants governed thereby from \$11.50 to \$0.01, and (iii) consent to the entry into the Supplemental Indenture (as defined below). The Supplemental Indenture, among other things, lowered the minimum amounts of liquidity the Company must maintain on a consolidated basis for each quarter in 2023 and the first quarter of 2024.

On April 4, 2023, the Company entered into Securities Purchase Agreements (the "Purchase Agreements") with certain investors (the "Investors"), pursuant to which the Company agreed to sell, issue, and deliver to Investors, in a registered public offering (the "April 2023 Offering") (i) 7,333,334 shares of Common Stock and (ii) warrants to purchase 7,333,334 shares of Common Stock (the "Common Warrants"). Under the terms of the Purchase Agreements, the Company agreed to sell its Common Stock and accompanying Common Warrants at a combined offering price of \$3.00 per share of Common Stock and accompanying Common Warrant. The Company also entered into a Placement Agency Agreement, dated April 4, 2023, by and between the Company and the Placement Agents (the "Placement Agency Agreement"), pursuant to which the Placement Agents received a cash fee equal to a portion of the purchase price paid by the Investors.

On April 6, 2023, the Company consummated the April 2023 Offering and received gross proceeds of approximately \$22 million in connection with the offering before deducting placement agent fees and other offering expenses.

In addition, the Company is currently executing on various strategies to improve available cash balances, liquidity and cash generated from operations, including strategic growth plans, ongoing comprehensive cost reduction and performance improvement programs, reduced headcount and elimination of certain discretionary and general and administrative expenses, and taking steps to improve the operational efficiency of our fulfillment operations. However, our failure to obtain financing as and when needed could have significant negative consequences for our business, financial condition and results of operations. Our future capital requirements and the adequacy of available funds will depend on many factors, many of which are beyond our control.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. The Company prepared these estimates based on the most current and best available information, but actual results could differ materially from these estimates and assumptions. Significant estimates and assumptions reflected in the financial statements include, but are not limited to, the allowance for credit losses and revenue recognition, including variable consideration for estimated reserves for returns and other allowances, forecasts and other assumptions used in valuations. Management bases its estimates on historical experience and on assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources.

Accounts Receivable, Net

The allowance for credit losses was \$215 thousand as of June 30, 2023 and \$425 thousand as of December 31, 2022.

Inventory

Inventory is comprised entirely of finished goods for resale. The reserve for returns was \$48 thousand as of June 30, 2023 and \$535 thousand as of December 31, 2022.

Concentration of Risks

Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, restricted cash and accounts receivables. The Company maintains cash balances at financial institutions. Amounts on deposit at these institutions are secured by the Federal Deposit Insurance Corporation ("FDIC"). At various times, the Company has had bank deposits in excess of the FDIC's insurance limit. The Company has not experienced any losses in its cash accounts to date. Management believes that the Company is not exposed to any significant credit risk with respect to its cash.

The Company performs ongoing credit evaluations of its customers and generally does not require collateral. As of June 30, 2023, receivables from two customers amounted to \$457 thousand (or 23% of accounts receivable) and \$420 thousand (or 21% of accounts receivable), respectively. As of December 31, 2022, receivables from two customers amounted to \$771 thousand (or 44% of accounts receivable) and \$153 thousand (or 9% of accounts receivable), respectively.

Major Customers

For the six months ended June 30, 2023, revenue from our top three customers amounted to \$4.6 million (or 16% of total revenue), \$3.0 million (or 10% of total revenue), and \$1.8 million (or 6% of total revenue), respectively. For the six months ended June 30, 2022, revenue from our top three customers amounted to \$15.1 million (or 33% of total revenue), \$6.3 million (or 14% of total revenue), and \$4.2 million (or 9% of total revenue), respectively.

Major Suppliers

For the six months ended June 30, 2023, our top three vendors accounted for operating expense of \$3.4 million (or 11% of total operating expense purchases), \$2.4 million (or 8% of total operating expense purchases) and \$2.0 million (or 7% of total operating expense purchases), respectively. For the six months ended June 30, 2022, our top three vendors accounted for operating expense of \$5.6 million (or 14% of total operating expense purchases), \$4.5 million (or 11% of total operating expense purchases) and \$4.1 million (or 10% of total operating expense purchases), respectively.

Right-of-use Assets and Lease Liabilities

On January 1, 2022, the Company adopted Accounting Standards Update (“ASU”) 2016-02 and all subsequent amendments, collectively codified in ASC Topic 842, “Leases” (“ASC 842”), using the current period adjustment method. Accordingly, comparative period financial information was not restated for the effects of adopting ASC 842.

The significant practical expedients we adopted include the following:

- We elected the practical expedient to apply the transition approach as of the beginning of the period of adoption and not restate comparative periods;
- We elected to utilize the “package of three” expedients, as defined in ASC 842, whereby we did not reassess whether contracts existing prior to the effective date contain leases, nor did we reassess lease classification determinations nor whether initial direct costs qualify for capitalization;
- We elected the practical expedient to not capitalize any leases with initial terms of twelve months or less on our consolidated balance sheet;
- For all underlying classes of leased assets, we elected the practical expedient to not separate lease and non-lease components; and
- We elected not to use hindsight in determining the lease term for lease contracts that have historically been renewed or amended.

As of the date of adoption on January 1, 2022, the impact of ASC 842 resulted in the recognition of a right-of-use asset (“ROU asset”) and lease liability for our operating leases on our consolidated balance sheets of approximately \$13.0 million and \$15.1 million, respectively.

Lease liabilities were recognized based on the present value of remaining lease payments over the remaining lease term. ROU assets were recognized utilizing the lease liability as of January 1, 2022 adjusted for deferred rent recorded as under ASC 840 operating lease related balances. As the Company’s operating lease agreements do not provide a rate implicit in the lease, we discounted the remaining lease payments using an estimated incremental borrowing rate, which was based on the information available at the adoption date. Operating lease cost is recognized on a straight-line basis over the lease term. Variable lease costs such as common area costs and other operating costs are expensed as incurred. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The adoption of this new guidance did not have a material net impact on the Company’s consolidated statements of operations or consolidated statements of cash flows.

Our operating leases primarily consist of office space, distribution centers and equipment used within our operations. Most of the leases have lease terms ranging from three to eight years, although the terms and conditions of our leases can vary significantly from lease to lease.

Long-lived Assets

There was no impairment of long-lived assets at June 30, 2023 and December 31, 2022.

Goodwill

There was no impairment of goodwill at June 30, 2023 and December 31, 2022.

Intangibles

Intangible assets include acquired technology, trade names and other intangibles. Intangible assets with finite lives are amortized using the straight-line method over the estimated economic lives of the asset, which range from five to fifteen years. Indefinite lived assets such as trade names are expected to generate cash flows indefinitely. Consequently, these assets were classified as indefinite-lived

intangibles and accordingly are not amortized but reviewed for impairment annually, or sooner under certain circumstances. There was no impairment of indefinite-lived assets at June 30, 2023 and December 31, 2022.

Warrants

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in FASB ASC 480 and ASC Topic 815, "Derivatives and Hedging" ("ASC 815"). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own shares of Common Stock, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding. For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter until settlement. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the condensed statements of operations.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes under ASC Topic 740, "Income Taxes" (ASC 740). Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. There were no unrecognized tax benefits and no amounts accrued for interest and penalties as of June 30, 2023. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. The Company is subject to income tax examinations by major taxing authorities since its inception.

Revenue Recognition

Revenue is accounted for using FASB Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers.

In accordance with ASC Topic 606, the Company recognizes revenue when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services. The Company determines revenue recognition through the following steps:

- Identification of a contract with a customer,
- Identification of the performance obligations in the contract,
- Determination of the transaction price,
- Allocation of the transaction price to the performance obligations in the contract, and
- Recognition of revenue when or as the performance obligations are satisfied.

A performance obligation is a promise in a contract to transfer a distinct product. Performance obligations promised in a contract are identified based on the goods that will be transferred that are both capable of being distinct and are distinct in the context of the contract, whereby the transfer of the goods is separately identifiable from other promises in the contract. Performance obligations include establishing and maintaining customer online stores, providing access to the Company's e-commerce platform, customer service support, photography services, warehousing, and fulfillment. Most of the contracts of the Company with customers contain multiple promises, which may result in multiple performance obligations, while others are combined into one performance obligation. For contracts with customers, the Company accounts for individual promises separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The Company determines the standalone selling prices based on its overall pricing objectives, taking into consideration market conditions and other factors.

The Company has concluded the sale of goods and related shipping and handling on behalf of our customers are accounted for as a

single performance obligation, while the expenses incurred for actual shipping charges are included in cost of sales.

The Company's revenue is mainly commission fees derived from contractually committed gross revenue processed by customers on the Company's e-commerce platform. The Company is acting as an agent in these arrangements and customers do not have the contractual right to take possession of the Company's software. Revenue is recognized in an amount that reflects the consideration that the Company expects to ultimately receive in exchange for those promised goods, net of expected discounts for sales promotions and customary allowances.

CaaS revenue is recognized on a net basis from maintaining e-commerce platforms and online orders, as the Company is engaged primarily in an agency relationship with its customers and earns defined amounts based on the individual contractual terms for the customer and the Company does not take possession of the customers' inventory or any credit risks relating to the products sold.

Variable consideration is included in revenue for potential product returns. The Company uses an estimate to constrain revenue for the expected variable consideration at each period end. The Company reviews and updates its estimates and related accruals of variable consideration each period based on the terms of the agreements, historical experience, and expected levels of returns. Any uncertainties in the ultimate resolution of variable consideration due to factors outside of the Company's influence are typically resolved within a short timeframe therefore not requiring any additional constraint on the variable consideration. The estimated reserve for returns is included on the balance sheet in accrued expenses with changes to the reserve in revenue on the accompanying statement of operations. The reserve for returns as of June 30, 2023 was \$0.3 million and as of December 31, 2022 was \$1.4 million.

In most cases the Company acts as the merchant of record, resulting in a due to client liability (discussed below). However, in some instances, the Company may perform services without being the merchant of record in which case there is a receivable from the customer.

Payment terms and conditions are generally consistent for customers, including credit terms to customers ranging from seven days to 60 days, and the Company's contracts do not include any significant financing component. The Company performs credit evaluations of customers and evaluates the need for allowances for potential credit losses based on historical experience, as well as current and expected general economic conditions.

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and, therefore, are excluded from net revenue in the condensed consolidated statements of operations.

Commerce-as-a-Service

As noted above, the Company's main revenue stream is CaaS revenue in which it receives commission fees derived from contractually committed gross revenue processed by customers on the Company's e-commerce platform. Consideration for online sales is collected directly from the end customer by the Company and amounts not owed to the Company are remitted to the customer. Revenue is recognized on a net basis from maintaining e-commerce platforms and online orders, as the Company is engaged in an agency relationship with its customers and earns defined amounts based on the individual contractual terms for the customer and the Company does not take possession of the customers' inventory or any credit risks relating to the products sold.

Product sales

Under certain licensee agreements, the Company is the owner of inventory and reseller of record. As a result, the Company is the principal in sales to end customers and records these revenues on a gross basis at a point in time.

Fulfillment services

Revenue for business-to-business ("B2B") fulfillment services is recognized on a gross basis either at a point in time or over a point in time. For example, inbound and outbound services are recognized when the service is complete, while monthly storage services are recognized over the service period.

Marketing services

Revenue for marketing services is recognized on a gross basis as marketing services are complete. Performance obligations include providing marketing and program management such as procurement and implementation.

Shipping services

Revenue for shipping services is recognized on a gross basis as shipments are completed and products are shipped to end customers.

Set up and implementation services

The Company provides set up and implementation services for new clients. The revenue is recognized on a gross basis at the completion of the service, with the unearned amounts received for incomplete services recorded as deferred revenue, if any.

Other services

Revenue for other services such as photography, business to customer ("B2C") fulfillment, customer service, development and web

design are reimbursable costs and recognized on the gross basis, and are services rendered as part of the performance obligations to clients for which an online platform and online orders are managed. All reimbursable costs are the responsibility of the Company as the Company uses such services to fulfill its performance obligations.

Cost of services

Cost of services reflects costs directly related to providing services under the master service agreements with customers, which primarily includes service provider costs directly related to processing revenue transactions, marketing expenses and shipping and handling expenses which correspond to marketing and shipping revenues, as well as credit card merchant fees. Cost of services is exclusive of depreciation and amortization and general salaries and related expenses.

Cost of product revenue

Cost of product revenue reflects costs directly related to selling inventory acquired from select clients, which primarily includes product cost, warehousing costs, fulfillment costs, credit card merchant fees and third-party royalty costs. Cost of product revenue is exclusive of depreciation and amortization and general salaries and related expenses.

Due to Clients

Due to clients consists of amounts payable to clients pertaining to the client's last month pro rata share of revenue earned and collected by the Company, less any returns and any expenses incurred by the Company on behalf of the clients. In most cases, the Company acts as the merchant and seller of record and thus directly collects the funds from sales on the online store. As such, at the end of each month, there is an amount owed to the Company's clients net of the Company's fees, and expenses incurred on the client's behalf.

Fair Value Measurement

The Company applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* ("ASC 820"), which provides a single authoritative definition of fair value, sets out a framework for measuring fair value, and expands on required disclosures about fair value measurement.

The Company applies the provisions of ASC 820 to all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis.

The Company defines fair value as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- *Level 1* – Quoted prices in active markets for identical assets or liabilities.
- *Level 2* – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3* – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

In determining fair value, the Company utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counter party credit risk and nonperformance risk in its assessment of fair value.

The carrying value of the Company's short-term financial instruments, such as cash and cash equivalents, restricted cash, accounts receivable, notes payable, and accounts payable, approximate the fair value due to the immediate or short-term maturity of these instruments. The carrying value of the Company's long-term debt approximates fair value as the interest rate on the Company's secured credit facility and certain other debt has a variable component, which is reflective of the market.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses" (Topic 326). The FASB issued this update to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments in this update replace the existing guidance of incurred loss impairment methodology with an approach that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2018, the FASB issued ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses," which clarifies the scope of guidance in the ASU 2016-13. This update is effective for interim and annual periods beginning after December 15, 2022,

with amendments generally applied prospectively. The Company adopted this update effective January 1, 2023, and it did not have a material impact on the Company's financial statements as a result of adoption.

In August 2020, the FASB issued ASU 2020-06 Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which improves Convertible Instruments and Contracts in an Entity's Own Equity and is expected to improve financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The ASU simplifies accounting for convertible instruments by removing major separation models required under current U.S. GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument and more convertible preferred stock as a single equity instrument with no separate accounting for embedded conversion features. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for it.

The ASU also simplifies the diluted earnings per share (EPS) calculation in certain areas. ASU 2020-06 is effective for the Company beginning January 1, 2024, with early adoption permitted as of January 1, 2021. The Company early adopted the provisions of ASU 2020-06 effective January 1, 2022 and it did not have a material impact on the Company's financial statements as a result of adoption.

Other recently issued accounting standards are not expected to have a material effect on the Company's financial statements.

3. PROPERTY AND EQUIPMENT

Property and equipment, net as of June 30, 2023 and December 31, 2022, consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Furniture and equipment	\$ 2,993	\$ 2,406
Leasehold improvements	572	572
Property and equipment, gross	3,565	2,978
Less accumulated depreciation	(1,670)	(1,383)
Property and equipment, net	<u>\$ 1,895</u>	<u>\$ 1,595</u>

Depreciation expense for property and equipment for the six months ended June 30, 2023 and 2022 was \$310 thousand and \$304 thousand, respectively.

4. GOODWILL AND INTANGIBLE ASSETS

In connection with the ModCloth acquisition (Note 13), the Company recorded \$6.7 million of goodwill.

In connection with the BTB (ABC), LLC ("Betabrand") acquisition, the Company's amortization expense for capitalized software for the six months ended June 30, 2023 and 2022 was \$55 thousand and \$58 thousand, respectively.

As of June 30, 2023 and December 31, 2022, intangible assets consist of the following (in thousands):

	June 30, 2023	December 31, 2022
Software	\$ 1,166	\$ 1,166
Trade Name	4,617	4,617
	5,783	5,783
Less: Accumulated amortization	(399)	(290)
Intangible assets-net	<u>\$ 5,384</u>	<u>\$ 5,493</u>

As of June 30, 2023, the Company's amortization of intangibles for the next five years are as follows (in thousands):

2023 (remaining payments)	\$ 110
2024	219
2025	219
2026	219
2027	—
Total remaining intangible amortization	<u>\$ 767</u>

5. INVESTMENT IN UNCONSOLIDATED AFFILIATES

On April 6, 2021, the Company and Tiger Capital Group, LLC ("Tiger Capital") formed a joint venture, ModCloth Partners, LLC ("ModCloth"). The Company and Tiger Capital each contributed \$1.5 million into ModCloth and the Company owned 50% of the outstanding membership units. Tiger Capital provided the financing for the inventory, while the Company entered into a Master

Services Agreement with ModCloth to provide the e-commerce services (see Note 14). The Company accounted for its investment in ModCloth under the fair value option of accounting.

On December 1, 2022, Tiger Capital assigned its interest in ModCloth to the Company for \$1.5 million, at which point ModCloth became a wholly-owned subsidiary of the Company. In addition, the Company paid the remaining balance of approximately \$1 million on the inventory financing arrangement between ModCloth and Tiger Capital (Note 13).

On December 31, 2021, the Company and CFL Delaware, Inc. (“CFL”) formed a joint venture, IPCO, whereby Nogen contributed certain assets acquired from the Betabrand acquisition and entered into a Master Services Agreement with IPCO to provide certain e-commerce services, marketing, photography, customer service and merchant credit card monitor fraud services (Note 14). Also, CFL entered into a Master Supply Agreement with IPCO and agreed to procure the supply of inventory to IPCO, provide manufacturing, fulfillment, logistics and warehousing services for the inventory. The Company accounts for its investment in IPCO under the fair value option of accounting. As of June 30, 2023 and December 31, 2022, the investment balance related to IPCO was \$6.5 million and \$7.4 million, respectively, and was included in investment in unconsolidated affiliates on the consolidated balance sheets. For the six months ended June 30, 2022, the Company recorded a loss of \$1.6 million to other expense related to the settlement of deferred revenue related to sale of finished inventory to IPCO. In addition, the Company recorded a fair value loss related to its IPCO investment of \$938 thousand and \$41 thousand for the six months ended June 30, 2023 and June 30, 2022, respectively, included in changes in fair value of unconsolidated affiliates on the consolidated statement of operations.

The following table presents summarized financial information for the joint venture for the six months ended June 30, 2023 and 2022, and as of June 30, 2023 and December 31, 2022 (in thousands):

	IPC For the Six Months Ended June 30, 2023		IPC For The Six Months Ended June 30, 2022	
Net revenue	\$	5,598	\$	13,578
Gross margin		3,883		10,776
Net loss		(2,002)		(826)

	IPC As of June 30, 2023		IPC As of December 31, 2022	
Current assets	\$	2,356	\$	4,254
Long term assets		5,214		5,509
Current liabilities		4,299		6,142
Long term liabilities		2,762		1,032

The Company’s IPCO investments are Level 3 fair value measurements. The Company utilized the following valuation methods to conclude on the fair value as of June 30, 2023:

- *Discounted Cash Flow*– The key unobservable input utilized was a discount rate of 17.1% for IPCO.

- *Guideline Public Company Method* – The Company utilized a revenue multiple of 0.65x for IPCO on current period forecasted revenues. The revenue multiple was derived from public peers of IPCO.

- *Guideline Transaction Method* – The Company utilized a revenue multiple of 0.70x for IPCO on current period forecasted revenues. The revenue multiple was derived from public transactions in which the target companies were similar to IPCO.

The following table summarizes the changes in the IPCO investment Level 3 fair value measurement (in thousands):

	IPC	
Balance as of January 1, 2022	\$	7,133
Change in fair value		271
Balance as of December 31, 2022		7,404
Change in fair value		(645)
Balance as of March 31, 2023	\$	6,759
Change in fair value		(293)
Balance as of June 30, 2023	\$	<u>6,466</u>

6.CERTAIN LIABILITY ACCOUNTS

Accrued expenses and other current liabilities as of June 30, 2023 and December 31, 2022 were as follows (in thousands):

	June 30, 2023	December 31, 2022
Business Combination consideration payable	\$ 5,000	\$ 5,000
Contract liability	4,229	5,058
Payroll and other employee costs	2,164	1,300
Sales tax payable	525	1,191
Accrued interest	8	1,622
Accrued transaction costs	—	840
Inventory accrual	—	503
Other accrued expenses and current liabilities	4,355	2,312
Total	\$ 16,281	\$ 17,826

Included in “Contract liability” are liabilities primarily related to unearned revenue and unredeemed gift cards. Unearned revenue is recorded when payments are received in advance of fulfilling our obligations and is recognized when the obligations are fulfilled.

As of June 30, 2023, our liabilities for unearned revenue were \$3.2 million, which included \$2.6 million employee retention credits received in June 2023. As of December 31, 2022, our liabilities for unearned revenue were \$2.1 million. As of June 30, 2023 and December 31, 2022, our liabilities for unredeemed gift cards were \$1.1 million and \$3.0 million.

Other long-term liabilities as of June 30, 2023 and December 31, 2022 were as follows (in thousands):

	June 30, 2023	December 31, 2022
Deferred transaction costs payable	\$ 10,979	\$ 10,979
Warrant liability	6,756	—
Business Combination consideration payable	3,815	3,355
Deferred PIPE issuance costs payable	1,160	1,160
PIPE principal accretion	—	617
Legal settlement	668	621
Standby agreement derivative liability	—	847
Other long-term liabilities	94	187
Total	\$ 23,472	\$ 17,766

7. LONG-TERM DEBT

Convertible Notes and Indenture

On April 19, 2022, the Company, certain guarantors named therein (the “Notes Guarantors”) and certain investors named therein (each, a “Subscriber” and collectively, the “Subscribers”), entered into subscription agreements (each, a “PIPE Subscription Agreement” and collectively, the “PIPE Subscription Agreements”) pursuant to which the Company agreed to issue and sell to the Subscribers immediately prior to the closing of the Business Combination (i) up to an aggregate principal amount of \$75.0 million of 7.00% Convertible Notes due 2026 at par value of the notes and (ii) up to an aggregate of 1.5 million warrants (the “PIPE Warrants”) with each whole PIPE Warrant entitling the holder thereof to purchase one share of Common Stock

On August 26, 2022, immediately prior to the closing of the Business Combination (the “Closing”), the Company issued \$65.5 million aggregate principal amount of Convertible Notes and, as contemplated by the PIPE Subscription Agreements, the Company, the Note Guarantors and U.S. Bank Trust Company, National Association, as trustee, entered into an Indenture governing the Convertible Notes (the “Indenture”). The Convertible Notes were offered in a private placement under the Securities Act, pursuant to the PIPE Subscription Agreements. The Convertible Notes will mature on September 1, 2026 (the “Maturity Date”), unless earlier repurchased, redeemed or converted in accordance with their terms, and will accrue interest at a rate of 7.00% per annum, payable in cash. The Convertible Notes may be converted at any time (in whole or in part) into shares of Common Stock, at the option of the holder of such Convertible Note, based on the applicable conversion rate at such time. The conversion price is approximately \$230.00 per share of Common Stock, based on an initial conversion rate of 4.3478 shares of Common Stock per \$1,000 principal amount of Convertible Notes. For conversions with a conversion date on or after the first anniversary of the closing of the Transactions and prior to the regular record date immediately preceding the Maturity Date, the conversion consideration will also include an interest make-whole payment equal to the remaining scheduled payments of interest on the Convertible Note being converted through the Maturity Date. The Company will be able to elect to make such interest make-whole payment in cash or in Common Stock, subject to certain conditions. The conversion rate is subject to adjustments set forth in the Indenture, including conversion rate resets (x) on August 27,

2023, September 26, 2023 and September 26, 2024 and (y) following the consummation of certain equity and equity-linked offerings by the Company and sales of certain equity and equity-linked securities by certain shareholders of the Company. On August 27, 2023, the conversion rate will reset to the greater of (i) the then-current conversion rate and (ii) if the Standby Capital VWAP Sale Price (as defined below) is less than or equal to \$150.00, the quotient of (x) \$1,000 and (y) the volume weighted average sale price of shares of Common Stock sold under the Standby Agreement (as defined below) (the “Standby Capital VWAP Sale Price”). As of June 30, 2023, the Standby Capital VWAP Sale Price was \$35.20.

Each holder of a Convertible Note has the right to cause the Company to repurchase for cash all or a portion of the Convertible Notes held by such holder upon the occurrence of a “Fundamental Change” (as defined in the Indenture) at a price equal to (i) on or before September 26, 2023, 100% of the original principal amount of such Convertible Note, and (ii) from and after September 26, 2023, 100% of the accreted principal amount applicable at such time pursuant to the terms of the Indenture, in each case, plus accrued and unpaid interest.

The Indenture includes restrictive covenants that, among other things, require the Company to maintain a minimum level of liquidity on a consolidated basis and limit the ability of the Company and its subsidiaries to incur indebtedness above certain thresholds or to issue preferred stock, to make certain restricted payments, to dispose of certain material assets and engage in other asset sales, subject to reinvestment rights, to pay certain advisory fees in connection to the Transactions and the transactions contemplated by the PIPE Subscription Agreements above a certain threshold, and other customary covenants with respect to the collateral securing the obligations created by the Convertible Notes and the Indenture, including the entry into security documents (in each case, subject to certain exceptions set forth in the Indenture); provided that the covenants with respect to (i) the making of restricted payments, (ii) the incurrence of indebtedness, (iii) the disposition of certain material assets and asset sales, (iv) liquidity, (v) the payment of advisory fees and (vi) the collateral securing the obligations created by the Convertible Notes and the Indenture shall terminate once less than 15% of the aggregate principal amount of the Convertible Notes are outstanding. The liquidity covenant would terminate if the Company achieves \$175 million in consolidated revenue in the preceding four fiscal quarters. Certain of the Company’s subsidiaries will serve as Notes Guarantors that jointly and severally, fully and unconditionally guarantee the obligations under the Convertible Notes and the Indenture. The Indenture also requires certain future subsidiaries of the Company, if any, to become Notes Guarantors. This covenant will terminate once less than 15% of the aggregate principal amount of the Convertible Notes are outstanding. The Indenture also includes customary events of default and related provisions for potential acceleration of the Convertible Notes.

The Company elected to account for the Convertible Notes under the fair value option of accounting upon issuance of the Convertible Notes. At issuance the Company recognized the fair value of the Convertible Notes of \$65.1 million with the remaining \$0.4 million of proceeds received allocated to the PIPE Warrants. As of June 30, 2023 and December 31, 2022, the fair value of the Convertible Notes were \$59.1 million and \$62.5 million, respectively, of which \$0 million and \$1.6 million, respectively, representing accrued interest, is included in accrued expenses and other current liabilities on the consolidated balance sheets. The gain on fair value of the Convertible Notes during the six months ended June 30, 2023 was \$3.3 million of which \$2.3 million is included in interest expense, which is recognized based on effective interest method.

The primary reason for electing the fair value option is for simplification and cost-benefit considerations of accounting for the Convertible Notes (the hybrid financial instrument) at fair value in its entirety versus bifurcation of the embedded derivatives. The fair value was determined using a binomial lattice valuation model. The significant inputs to the valuation of the Convertible Notes at fair value are Level 3 inputs since they are not directly observable. The significant assumptions used in the model are the discount rate of 13.80%, which is based on the company's credit rating, volatility of 97.67% and 38 time-nodes.

The Company did not timely make the payment of the accrued interest on the Convertible Notes due on March 1, 2023. On March 26, 2023, the Company, the Notes Guarantors and Holders entered into limited waivers and consents pursuant to which each holder agreed to (i) waive the Specified Default (as defined below) and any payment obligation of the Company under the Indenture with respect to the March Interest Payment (as defined below), (ii) in lieu of the March Interest Payment and payment of the accrued interest on the Convertible Notes due on September 1, 2023 (collectively, the “Interest Payments”), (a) receive a promissory note and (b) amend the Warrant Agreement (as defined below) to reduce the exercise price of the warrants governed thereby from \$11.50 to \$0.01, and (iii) consent to the entry into the Supplemental Indenture (as defined below).

The Supplemental Indenture, among other things, (i) lowered the minimum amounts of liquidity the Company must maintain on a consolidated basis for each quarter in 2023 and the first quarter of 2024, (ii) added restrictions on the Company’s ability to make payments relating to certain restricted investments, (iii) decreased the maximum amount of equity interests that the Company may repurchase, redeem, acquire or retire, (iv) removed the Company’s ability to issue preferred stock or incur certain unsecured indebtedness or junior lien indebtedness, (v) decreased other permitted debt baskets, (vi) decreased the threshold for a cross-default for purposes of determining an Event of Default (as defined in the Indenture) and (vii) added a new Event of Default in the event the Company did not consummate an underwritten primary equity offering providing at least \$10 million of proceeds to the Company by April 30, 2023.

On March 26, 2023, the Company, the Notes Guarantors and each holder of the Convertible Notes executed unsecured promissory notes (each, a “2023 Promissory Note” and collectively, the “2023 Promissory Notes”), with each 2023 Promissory Note having an

aggregate principal amount equal to such holder's interest payments. The 2023 Promissory Notes mature on March 26, 2025 and accrue interest at seven percent (7.0%) per annum.

In addition, the 2023 Promissory Notes provide that, in the event the Company consummates the April 2023 Offering by April 30, 2023, the holder of each 2023 Promissory Note has the option to require the Company to repay a portion of the principal balance of the 2023 Promissory Note in an amount equal to or less than the gross proceeds to the Company from any purchases by the holder of the Company's securities in the April 2023 Offering (the "Put Option"). Each holder may exercise its Put Option within ten business days following the closing and funding of the April 2023 Offering. In addition, certain of the 2023 Promissory Notes provide such holders with the right to convert their respective promissory note (the "2023 Convertible Promissory Notes") into unregistered securities of the Company (the "Unregistered Securities") on the same terms as the securities offered in the April 2023 Offering in the event such offering is consummated.

The Company elected to account for the 2023 Promissory Notes and 2023 Convertible Promissory Notes under the fair value option of accounting upon issuance of such notes. At issuance the Company recognized the fair value of the 2023 Promissory Notes and 2023 Convertible Promissory Notes of \$4.8 million.

In April 2023, upon consummation of the April 2023 Offering, all holders of the 2023 Promissory Notes exercised their Put Options and the holder of the 2023 Convertible Promissory Note converted such note into Unregistered Securities. As of June 30, 2023, the 2023 Promissory Notes and 2023 Convertible Promissory Note were repaid in full.

Loans

In February 2023, the Company obtained a loan for \$3 million with a third-party with an annual interest rate of 39% and debt issuance cost of \$75 thousand (the "February 2023 Loan"), which are to be paid from future cash receipts. The third-party has rights to future cash receipts until the loan is fully repaid. The weekly repayments began at the end of February 2023 for \$130 thousand and will continue until the loan is fully repaid in October 2023. As of June 30, 2023, the outstanding balance of the loan was \$1.6 million.

In February 2023, the Company obtained a loan for \$250 thousand with a merchant third-party with an annual percentage rate of 20.17%, which are to be repaid from future cash receipts directly from the merchant. During the six months ended June 30, 2023, repayments of \$186 thousand have been made and the loan is expected to be fully repaid in August 2023. As of June 30, 2023, the outstanding balance of the loan was \$89 thousand.

In June 2023, the Company entered into a payment plan agreement with an existing vendor with an outstanding accounts payable amount of \$2 million. The Company agreed to pay \$125 thousand upon the execution of the agreement and on the first day of each month commencing July 1, 2023 through and including August 1, 2024. On September 1, 2024, a final payment in an amount equal to the then outstanding balance plus accrued interest at a rate of five percent per annum shall be paid. As of June 30, 2023, the outstanding balance of the loan was \$1.8 million.

The Company calculates the interest and expenses of the debt issuance cost using the effective interest rate method.

2022 Promissory Notes

During the second quarter of 2022, the Company entered into promissory notes with various individuals, including current investors, members of management and other unrelated parties in exchange for cash in an amount equal to \$7.0 million (the "2022 Promissory Notes"). The 2022 Promissory Notes were due to mature on the earlier of (a) one year from issuance or (b) the closing of the Business Combination (Note 1) and bore per annum interest at the rate of 7.75% plus the greater of 3.50% or the prime rate as published by the Wall Street Journal. The Company was required to make nine interest-only payments, followed by three principal and interest payments. In connection with the 2022 Promissory Notes, the Company issued warrants ("2022 Promissory Note Warrants") to purchase up to 31,024 shares of Common Stock at an exercise price of \$0.01 per share (Note 8). Upon payment in full of the 2022 Promissory Notes, the Company was required to make an additional final payment of \$3.5 million.

The Company elected to account for the 2022 Promissory Notes under the fair value option of accounting upon issuance of each of the 2022 Promissory Notes. At issuance the Company recognized the fair value of the 2022 Promissory Notes of \$6.3 million with the remaining \$0.7 million of proceeds received allocated to the 2022 Promissory Note Warrants.

The 2022 Promissory Notes were repaid at the closing of the Business Combination.

8. WARRANTS AND DERIVATIVES

Convertible Note Warrants

The Company issued the PIPE Warrants in connection with the Convertible Notes issuance. There were 1,396,419 PIPE Warrants issued to purchase Common Stock at \$11.50 per share. The PIPE Warrants are redeemable for \$0.01 once the Company's stock price

reaches \$18.00 per share. The PIPE Warrants are equity classified. Approximately \$377 thousand of the proceeds upon issuance of the Convertible Notes was allocated to the PIPE Warrants along with an immaterial amount of issuance costs.

On March 26, 2023, the Company and Continental Stock Transfer & Trust Company (the “Warrant Agent”) entered into an Amendment to that certain Warrant Agreement, dated as of August 26, 2022, by and between the Company and the Warrant Agent (the “Warrant Agreement”). Pursuant to the Amendment to the Warrant Agreement, the exercise price of each warrant was reduced from \$11.50 to \$0.01. The Company recorded a loss related to the warrant amendment of \$430 thousand in other expense in the consolidated statement of operations.

On March 28, 2023, the Company filed with the Secretary of State of the State of Delaware a Certificate of Amendment to its Second Amended and Restated Certificate of Incorporation to effect a 1-for-20 reverse stock split of the Common Stock (the “Reverse Stock Split”). Proportionate adjustments have been made to the per share exercise price and the number of shares of Common Stock that may be purchased upon exercise of warrants issued by the Company. As a result of the 1-for-20 reverse stock split, the number of PIPE Warrants outstanding was adjusted from 1,396,419 to 69,821 and the exercise price was increased from \$0.01 per share to \$0.20 per share. During the three months ended June 30, 2023, holders exercised 58,568 PIPE Warrants. As of June 30, 2023, 11,253 PIPE Warrants remain outstanding.

Standby Agreement Derivative Liability

In connection with the Business Combination, Legacy Nogin acquired from SWAG a derivative liability associated with agreements entered into by SWAG prior to the Closing Date. SWAG entered into an agreement with a financial institution (the “Financial Institution”), whereby the Financial Institution purchased SWAG Class A common stock from third parties prior to the Closing Date (the “Standby Agreement”). At the Closing Date, the Company paid the Financial Institution 80% of the Financial Institution’s aggregate purchase price of such shares of SWAG Class A common stock. After the Closing Date, the Financial Institution may sell the shares purchased pursuant to the Standby Agreement and keep all the proceeds of such sales until they have recouped the remaining 20% of the aggregate purchase price of the shares purchased prior to the Closing Date. After such time, proceeds from the sale of such shares would be paid to the Company less a liquidity fee equal to 3.5% of the proceeds from such sales. If the Financial Institution has not fully recouped the aggregate purchase price of the shares purchased prior to the Closing Date by August 26, 2026, the Company would be obligated to pay the remaining amount due to the Financial Institution on such date. Any remaining unsold shares as of August 26, 2026 would be returned to the Company.

In addition, SWAG entered into a subscription agreement (the “Subscription Agreement”) with the same Financial Institution whereby the Financial Institution purchased 517,079 shares of Common Stock at a purchase price of \$10.17 per share at the closing of the Business Combination and paid the Company an amount equal to 20% of the purchase price. The Subscription Agreement was structured similarly to the Standby Agreement between the Company and the Financial Institution regarding the timing and amount of future payments, as well as the return of any unsold shares at maturity.

The Company concluded the Standby Agreement would be accounted for as a derivative in its entirety in accordance with ASC 815-10, and the structured payments within the Subscription Agreement was considered an embedded feature in the Subscription Agreement that met the definition of a derivative and required bifurcation from the Subscription Agreement, as it is not clearly and closely related to the Subscription Agreement and would be accounted for in accordance with ASC 815-10 (together the “Standby Agreement Derivative”). The Standby Agreement Derivative was not entered into for hedging purposes. The Company accounted for the Standby Agreement Derivative acquired at fair value upon the closing of the Business Combination. The Company will continue to account for the Standby Agreement Derivative at fair value each reporting period in accordance with ASC 815-10.

The Company engaged a third-party valuation specialist to assist with the fair value assessment. The fair value as of December 31, 2022 of the Standby Agreement Derivative liability was \$847 thousand and was recorded in other long-term liabilities on the condensed consolidated balance sheets. In March 2023, all shares were resold by the Financial Institution and the Company recognized a gain to fair value of derivative instruments of \$847 thousand for the six months ended June 30, 2023 on the condensed consolidated statements of operations.

April 2023 Offering Warrants

On April 4, 2023, the Company entered into the Purchase Agreements with the Investors pursuant to which the Company agreed to sell, issue, and deliver to Investors, in the April 2023 Offering (i) 7,333,334 shares of Common Stock and (ii) 7,333,334 Common Warrants. Under the terms of the Purchase Agreements, the Company agreed to sell its Common Stock and accompanying Common Warrants at a combined offering price of \$3.00 per share of Common Stock and accompanying Common Warrant. On April 6, 2023, the Company consummated the April 2023 Offering and received gross proceeds of approximately \$22 million in connection with the offering before deducting placement agent fees and other offering expenses. Each Common Warrant entitles the holder thereof the ability to exercise one Common Warrant for one share of Common Stock of the Company, par value \$0.0001 per share, for \$3.00 per share.

In April 2023, upon consummation of the April 2023 Offering, all holders of the 2023 Promissory Notes exercised their Put Options. The holder of the 2023 Convertible Promissory Note, Tenor Metric Co-Invest Fund L.P (“Tenor”), exercised their conversion option on

April 25, 2023 by giving notice to the Company to convert all of the then-outstanding principal balance plus accrued interest into a number of shares of Common Stock (the “Tenor Shares”) and a number of warrants to purchase Common Stock (the “Tenor Warrants”) pursuant to the terms of the 2023 Convertible Promissory Note. Tenor received 356,970 Tenor Shares and 356,970 Tenor Warrants upon conversion. The Tenor Warrants have the same terms as the Common Warrants described above.

The Company concluded the Common Warrants and Tenor Warrants would be accounted for as derivatives in accordance with ASC 815-10 as they met the definition of derivatives and the Common Warrants and Tenor Warrants did not meet the scope exception pursuant to ASC 815-10-15-74(a) as a result of changes to the settlement amount upon certain fundamental transactions. These Warrants will be accounted for as derivative liabilities and measured at fair value with the changes in fair values recognized in earnings.

The Company utilized the Black-Scholes valuation model to value the Common Warrants and Tenor Warrants at issuance and as of June 30, 2023. The Black-Scholes model provides the theoretical estimate of the price of European style option, considering the price of the underlying stock, strike price, time to expiration, risk-free rate, and volatility. The Company utilized the following weighted average inputs as of April issuance and June 30, 2023.

	April 6, 2023		June 30, 2023	
Underlying price	\$	1.91	\$	1.35
Strike price/exercise price		3.00		3.00
Expected life		5.00		4.77
Risk-free rate		3.37 %		4.17 %
Volatility		96.23 %		102.79 %

The Company utilized the following steps to establish the inputs for the Black-Scholes model:

- *Underlying price* – The underlying price was based on the VWAP of the Company.
- *Strike price/exercise price* – The exercise price was based on the warrant agreements.
- *Expected life* – The expected life is calculated as the remaining life of the warrants.
- *Risk-free rate* – Risk-free rate was the linearly interpolated yield for the expected life based on Treasury Yield.
- *Volatility* – The volatility was based on the volatilities of the group peer companies.

The fair value as of June 30, 2023 of one Common Warrant or one Tenor Warrant was \$0.88. The fair value of the Common Warrants and Tenor Warrants liability was \$6.8 million and was recorded in other long-term liabilities on the condensed consolidated balance sheets.

9. FAIR VALUE MEASUREMENTS

The Company applies the provisions of ASC 820, which provides a single authoritative definition of fair value, sets out a framework for measuring fair value, and expands on required disclosures about fair value measurement.

The Company applies the provisions of ASC 820 to all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis.

The Company defines fair value as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.

In determining fair value, the Company utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counter party credit risk and nonperformance risk in its assessment of fair value.

The carrying value of the Company's short-term financial instruments, such as cash, restricted cash, accounts receivable, notes payable, and accounts payable, approximate the fair value due to the immediate or short-term maturity of these instruments. The Company has elected to apply the fair value option of accounting for its warrant liability, Convertible Notes and equity investments in unconsolidated affiliates.

The following details the Company's recurring measurements for assets and liabilities at fair value (in thousands):

	June 30, 2023	December 31, 2022
Warrant liability (Level 2) – Note 8	\$ 6,756	\$ —
Investment in unconsolidated affiliates (Level 3) – Note 5	6,466	7,404
Convertible Note (Level 3) – Note 7	59,134	60,852
Standby Agreement derivative liability (Level 3) – Note 8	—	847
Non-current Business Combination Cash Consideration (Level 3)	3,815	3,355

Deferred Business Combination cash consideration

In connection with the Business Combination, Legacy Ngin equity holders elected to receive \$15.0 million of the merger consideration in cash. In order to meet conditions to close the Transactions, the Company paid \$4.1 million of the \$15.0 million cash consideration at the Closing Date. Of the \$10.9 million in deferred cash consideration, \$5.0 million is payable, subject to certain conditions, on February 21, 2023, and is included in accrued expenses and other current liabilities as of June 30, 2023 on the condensed consolidated balance sheets (the "Current Cash Consideration"). The remaining \$5.9 million (the "Non-current Cash Consideration") is payable, subject to certain conditions, on the earlier of (a) the date on which the Company completes a primary offering of equity securities that generates gross proceeds to the Company equal to or in excess of \$15.0 million and (b) November 25, 2026. In the event the conditions to paying cash consideration are not met and cash consideration remains unpaid as of November 25, 2026, the unpaid cash consideration will be settled in shares of Common Stock with the number of shares issued determined based on the quotient of unpaid cash consideration divided by the 10-day volume weighted average trading price of the Common Stock on the Nasdaq Stock Market LLC ("Nasdaq"). The Company elected to account for the Non-current Cash Consideration of \$5.9 million under the fair value option of accounting under ASC 825-10. At the Closing Date, the fair value of the Non-current Cash Consideration was \$4.2 million. In connection with the reverse recapitalization, the cash consideration would be akin to a distribution of capital. As a result, the Company recorded the fair value of the distribution at the Closing Date of \$13.3 million, which included the \$4.1 million paid at the Closing Date, \$5.0 million Current Cash Consideration and \$4.2 million Non-current Cash Consideration, against accumulated deficit. As of June 30, 2023, the fair value of the Non-current Cash Consideration was \$3.8 million which is included in other long-term liabilities on the condensed consolidated balance sheets. The change in fair value from the Closing Date for the six months ended June 30, 2023 of \$0.5 million is included in other loss on the condensed consolidated statements of operations.

The significant inputs to the valuation of the deferred cash consideration at fair value are Level 3 inputs since they are not directly observable. The Company primarily used a discounted cash flow method to value the deferred cash consideration, based on the expected future payment discounted to present value. The significant input is the discount rate which is based on the Company's credit rating.

10. INCOME TAXES

The income tax expense for the six months ended June 30, 2023 and June 30, 2022 was an expense of \$13 thousand and \$65 thousand, respectively. Income tax expense differs from the income taxes expected at the U.S. federal statutory tax rate of 21%, primarily due to state taxes and additional valuation allowance for the period ended June 30, 2023 and December 31, 2022.

11. COMMON STOCK

Holders of Common Stock are entitled to one vote per share and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to holders of Common Stock. The holders of Common Stock have no preemptive or other subscription rights, and there is no redemption or sinking fund provisions with respect to such shares.

On April 4, 2023, the Company entered into the Purchase Agreements with the Investors pursuant to which the Company agreed to sell, issue, and deliver to Investors, in the April 2023 Offering (i) 7,333,334 shares of Common Stock and (ii) 7,333,334 Common Warrants. Under the terms of the Purchase Agreements, the Company agreed to sell its Common Stock and accompanying Common Warrants at a combined offering price of \$3.00 per share of Common Stock and accompanying Common Warrant. On April 6, 2023, the Company consummated the April 2023 Offering and received gross proceeds of approximately \$22 million in connection with the offering before deducting placement agent fees and other offering expenses.

Common Stock will be subordinate to any preferred stock the Company issues in the future with respect to rights upon liquidation of the Company.

12.STOCK COMPENSATION PLAN

In 2013, Legacy Nogin adopted the Branded Online, Inc. 2013 Stock Incentive Plan (the "2013 Plan") pursuant to which Legacy Nogin was authorized to issue stock options or nonvested shares to officers and key employees in an amount up to 132,770 shares of its common stock. In connection with the Business Combination, the Company adopted the Nogin, Inc. 2022 Incentive Award Plan (the "2022 Plan"), which became effective on the Closing Date. The aggregate number of shares of Common Stock available for issuance under the 2022 Plan is equal to (i) 255,147 shares plus (ii) an annual increase for ten years on the first day of each calendar year beginning on January 1, 2023, equal to the lesser of (A) 15% of the aggregate number of shares of Common Stock outstanding on the last day of the immediately preceding calendar year and (B) such smaller amount of shares as determined by the Board. Following the effectiveness of the 2022 Plan, the Company will not grant additional awards under the 2013 Plan.

At June 30, 2023 and December 31, 2022, there were 172,147 and 59,028 shares available respectively, for grant under the Company's stock incentive plans.

Stock Options

Stock options have been granted under the 2013 and 2022 Plans. Such options have a 10-year term and generally vest ratably over a period of four years. Summary information related to stock options outstanding as of June 30, 2023 and December 31, 2022 is as follows:

	Outstanding Stock Options
Outstanding at January 1, 2022	42,546
Granted	87,323
Exercised	(9,957)
Forfeited / Terminated	(46,171)
Outstanding at December 31, 2022	<u>73,741</u>
Granted	83,000
Exercised	—
Forfeited / Terminated	(46,941)
Outstanding at June 30, 2023	<u>109,800</u>

The weighted average exercise price of the outstanding options was \$36.50 and \$255.40 per share as of June 30, 2023 and December 31, 2022, respectively. There were 61,327 and 46,660 fully vested and exercisable options as of June 30, 2023 and December 31, 2022, respectively.

The Company recognized \$212 thousand and \$83 thousand in stock compensation expense for the six months ending June 30, 2023 and 2022, respectively. The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model. Expected volatility was computed based on the historical volatility of similar entities with publicly traded shares. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield to curve in effect at the time of grant.

The Company has no history or expectations of paying dividends on its Common Stock.

The following table summarizes the assumptions used in the calculation of the fair market value for awards granted during the six months ended June 30, 2023:

Valuations assumptions

Expected dividend yield	— %
Expected volatility	61 %
Expected term (years)	6
Risk-free interest rate	3.9 %

Restricted Stock Units

As of June 30, 2023, restricted stock units ("RSUs") of 506,250 shares were granted under the 2022 Plan. The RSUs are issued upon vesting. The RSUs vest over a period of 1-3 years and are expected to be settled in shares upon vesting. The weighted average exercise price of each RSU was \$15.40 per share as of June 30, 2023. The Company recognized \$158 thousand in stock compensation expense for the six months ending June 30, 2023. There were no RSUs granted in fiscal year 2022.

13.ACQUISITION

Prior to December 1, 2022, the Company owned a 50% equity interest in a joint venture, ModCloth, which was accounted for under the fair value option of accounting. On December 1, 2022, the Company acquired the remaining 50% equity interest in ModCloth (the

“ModCloth Acquisition”) from Tiger Capital, pursuant to Tiger Capital’s exercise of their put option to require the Company to purchase all of Tiger Capital’s equity interest for \$1.5 million in cash. As a result of the ModCloth Acquisition, ModCloth is now a wholly owned consolidated subsidiary of the Company.

Total purchase consideration in connection with the ModCloth Acquisition was \$6.9 million, including \$1.5 million in cash and \$5.4 million for the settlement of a preexisting relationship. Under the terms of the ModCloth Tiger Assignment, control of ModCloth transferred to the Company on December 1, 2022. Cash consideration was funded with cash previously recorded as restricted cash in our consolidated balance sheets as of December 31, 2022. We did not incur material fees and expenses in connection with the ModCloth Acquisition.

Prior to the closing of the ModCloth Acquisition, the Company accounted for the existing 50% equity interest in ModCloth using the fair value option of accounting. As of September 30, 2022 the Company’s investment in ModCloth had a fair value and carrying value of \$4.5 million. The Company accounted for the acquisition of the remaining 50% equity interest in ModCloth as a step acquisition, which required remeasurement of the Company’s existing 50% ownership interest in ModCloth to fair value as of December 1, 2022. The Company utilized weighted discounted cash flow, guideline public company and comparable market transaction valuation approaches to determine the fair value of the existing equity interest. This resulted in a fair value of \$1.92 million and the recognition of a loss of \$2.6 million, which was included in Change in fair value of unconsolidated affiliates on the consolidated statements of operations.

The ModCloth Acquisition was accounted for as a business combination by applying the acquisition method of accounting pursuant to ASC Topic 805, “Business Combinations”.

The following table summarizes the purchase price consideration in connection with the ModCloth Acquisition as of December 1, 2022 (amounts in thousands):

Total cash consideration	\$	1,500
Settlement of pre-existing relationship (a)		5,415
Total consideration		6,915
Fair value of previously held equity interest		1,920
Total		8,835

(a) Effective settlement of pre-existing accounts receivable of \$5.4 million for services provided to ModCloth under the Company’s Master Services Agreement with ModCloth and additional operational funding provided by the Company to ModCloth. The \$5.4 million accounts receivable balance as of the acquisition date was based on the Company’s estimate of the amount that will ultimately be collected from ModCloth.

The following table summarizes the preliminary fair values of the assets acquired, liabilities assumed and resulting goodwill in the ModCloth Acquisition as of December 1, 2022 (amounts in thousands):

	As of December 1, 2022	
Acquired assets		
Cash	\$	3
Accounts receivable, net		25
Inventory		4,787
Prepaid expenses and other current assets		30
Property and equipment, net		108
Right-of-use asset, net		895
Other non-current asset		80
Intangible assets, net		4,610
Goodwill		6,748
Total acquired assets	\$	17,286
Liabilities assumed		
Accounts payable	\$	5,544
Accrued expenses and other liabilities		2,908
Total liabilities assumed	\$	8,452

The fair value of ModCloth’s identifiable intangible assets and useful lives are as follows (amounts in thousands, except years):

	Fair Value	Useful Life (Years)
Trade name	4,610	10
Total identifiable intangible assets	\$ 4,610	

Fair value measurement methodology used to estimate the fair value of the trade name is based on the relief from royalty method, which estimates the value of the trade names based on the hypothetical royalty payments that are saved by owning the asset. Some of the more significant assumptions inherent in the development of intangible asset fair values, from the perspective of a market participant, include, but are not limited to (i) the amount and timing of projected future cash flows (including revenue and expenses), (ii) the discount rate selected to measure the risks inherent in the future cash flows, and (iii) the assessment of the asset’s life cycle.

The goodwill of \$6.7 million represents future economic benefits expected to arise from synergies from combining operations and commercial organizations to increase market presence and the extension of existing customer relationships. The goodwill recorded is not deductible for income tax purposes.

14. RELATED PARTY TRANSACTIONS

The Company provides services to its joint venture, IPCO, under Master Services Agreements, which were entered into on December 31, 2021.

Sales under the Master Services Agreement to IPCO were \$1.7 million and \$3.5 million for the six months ended June 30, 2023 and June 30, 2022. In addition, the Company sold inventory to IPCO for \$0.6 million during the first quarter of 2022, and such amount is included in net revenue to related parties in the consolidated statement of operations. As of June 30, 2023 and December 31, 2022, the Company had payables to IPCO of \$0.9 million and \$1.0 million, respectively, which were included in related party payables on the consolidated balance sheets.

Prior to December 1, 2022, the Company owned a 50% equity interest in a joint venture, ModCloth, which was accounted for under the fair value option of accounting. On December 1, 2022, the Company acquired the remaining 50% equity interest in ModCloth from Tiger Capital, pursuant to Tiger Capital’s exercise of their put option to require the Company to purchase all of Tiger Capital’s equity interest for \$1.5 million in cash. As a result of the ModCloth Acquisition, ModCloth is now a wholly owned consolidated subsidiary of the Company, and the results of ModCloth are consolidated into the results of the company post-assignment. Sales under the Master Services Agreement to ModCloth prior to the assignment were \$7.0 million for the six months ended June 30, 2022.

The Company’s chief executive officer and his immediate family member (together, the “PIPE Related Parties”) were investors in the PIPE issuance of Convertible Notes (Note 7) for total proceeds of \$1.5 million. In addition to the \$1.5 million in Convertible Notes, the PIPE Related Parties also received 32,142 equity classified Convertible Note Warrants (Note 8). As of June 30, 2023, the fair value of the Convertible Notes with the PIPE Related Parties was \$1.4 million, which is included in Convertible Notes on the consolidated balance sheets. The terms of the Convertible Notes with the PIPE Related Parties are consistent with the rest of the holders of the Convertible Note.

As part of the April 2023 Offering, the PIPE Related Parties and other related parties received 1,888,814 liability classified Common Warrants (Note 8). As of June 30, 2023, the fair value of the Common Warrants held by the PIPE Related Parties and other related parties was \$1.7 million, which is included in warrant liabilities on the consolidated balance sheets. The terms of the Common Warrants held by the PIPE Related Parties and other related parties are consistent with the terms of the Common Warrants held by the non-related party holders.

15. REVENUE

Disaggregation of Revenue

The Company has five major streams of revenue. CaaS service revenue, product revenue and shipping revenue are considered transferred to customers at the point of sale. Marketing and other revenue (other than B2C fulfillment services for rental space) are considered transferred to customers when services are performed. Thus, these revenues streams are recognized at a point in time. B2C fulfillment services for rental space is recognized over time.

The following table presents a disaggregation of the Company's revenues by revenue source for the six months ended June 30, 2023 and 2022 (in thousands):

	Six Months Ended June 30,	
	2023	2022
Commerce-as-a-Service Revenue	\$ 6,838	\$ 10,307
Product sales revenue	11,284	20,756
Marketing revenue	4,720	7,686
Shipping revenue	3,210	4,115
Other revenue	3,367	2,684
Total revenue	<u>\$ 29,419</u>	<u>\$ 45,548</u>

16.SEGMENT REPORTING

The Company conducts business domestically and our revenue is managed on a consolidated basis. Our Chief Executive Officer, Jonathan S. Huberman, who is our Chief Operating Decision Maker, reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. There are no segment managers who are held accountable for operations, operating results, and plans for levels, components, or types of products or services below the consolidated unit level. Accordingly, the Company is considered to be a single reportable segment.

All of the Company's long-lived assets and external customers are located within the United States.

17.EARNINGS PER SHARE

Basic and diluted net income (loss) per share are computed using the two-class method as required when there are participating securities. The shares of the Company's redeemable convertible preferred stock were participating securities as the holders of the redeemable convertible preferred stock were entitled to participate with any dividends payable in Common Stock. In periods of net income, net income is attributed to holders of Common Stock and participating securities based on their participating rights. Net losses are not allocated to the participating securities as the participating securities do not have a contractual obligation to share in any losses. The following table presents the Company's basic and diluted net income (loss) per share:

<i>(In thousands, except share and per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Numerator: Basic EPS				
Net loss	\$ (11,832)	\$ (10,970)	\$ (21,732)	\$ (20,915)
Net loss attributable to common stockholders-basic	<u>\$ (11,832)</u>	<u>\$ (10,970)</u>	<u>\$ (21,732)</u>	<u>\$ (20,915)</u>
Denominator: Basic EPS				
Weighted average shares of common stock outstanding-basic	10,506,521	1,981,097	6,940,429	1,981,097
Net loss per share attributable to common stock-basic	<u>\$ (1.13)</u>	<u>\$ (5.54)</u>	<u>\$ (3.13)</u>	<u>\$ (10.56)</u>

<i>(In thousands, except share and per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Numerator: Diluted EPS				
Net loss attributable to common stockholders-diluted	\$ (11,832)	\$ (10,970)	\$ (21,732)	\$ (20,915)
Denominator: Diluted EPS				
Adjusted weighted average shares of common stock outstanding-basic	10,506,521	1,981,097	6,940,429	1,981,097
Dilutive potential shares of common stock:				
Options to purchase shares of common stock	—	—	—	—
Warrants to purchase shares of common stock	—	—	—	—
Weighted average shares of common stock outstanding-diluted	10,506,521	1,981,097	6,940,429	1,981,097
Net loss per share attributable to common stock-diluted	<u>\$ (1.13)</u>	<u>\$ (5.54)</u>	<u>\$ (3.13)</u>	<u>\$ (10.56)</u>

The Company's potentially dilutive securities below, have been excluded from the computation of diluted net loss per share as they would be anti-dilutive.

Weighted-average number of potentially anti-dilutive shares excluded from calculation of dilutive earnings per share

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2021	2023	2022
Series A convertible, redeemable preferred shares	—	443,224	—	443,224
Series B convertible, redeemable preferred shares	—	316,707	—	316,707
Stock-based compensation awards	651,829	129,869	602,814	110,088
Legacy Nogin Warrants	—	31,184	—	31,184
PIPE Warrants	19,620	—	44,582	—
SWAG Warrants	1,069,334	—	1,069,334	—
Shares Underlying Convertible Notes	284,783	—	284,783	—
April 2023 Offering Common Warrants	7,108,719	—	3,573,997	—

18. MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT

Significant changes in the Company's mezzanine equity and shareholders' deficit during the six months ended June 30, 2023 were as follows:

Common Stock

Subsequent to the Business Combination, the Company is authorized to issue up to 500 million shares of Common Stock with a par value of \$0.0001 per share. Each share of Common Stock entitles the shareholder to one vote.

On April 4, 2023, the Company entered into the Purchase Agreements with the Investors pursuant to which the Company agreed to sell, issue, and deliver to Investors, in the April 2023 Offering (i) 7,333,334 shares of Common Stock and (ii) 7,333,334 Common Warrants. Under the terms of the Purchase Agreements, the Company agreed to sell its Common Stock and accompanying Common Warrants at a combined offering price of \$3.00 per share of Common Stock and accompanying Common Warrant. On April 6, 2023, the Company consummated the April 2023 Offering and received gross proceeds of approximately \$22 million in connection with the offering before deducting placement agent fees and other offering expenses.

Preferred Stock

As part of the Business Combination, all of the convertible preferred stock of Legacy Nogin, (including both the Series A preferred stock and Series B preferred stock) were converted into approximately 15.2 million shares of the Company's Common Stock. As a result of the conversion of the Series A preferred stock and Series B preferred stock, the Company reclassified the amounts previously recorded in mezzanine equity to additional paid-in capital.

Subsequent to the Business Combination, the Company is authorized to issue 50 million shares of preferred stock with a par value of \$0.0001 per share. There were no shares of preferred stock issued and outstanding as of June 30, 2023.

19. OPERATING LEASES

The Company has entered into lease agreements for offices and warehouses located in California and Pennsylvania.

On January 1, 2022, the Company adopted ASU 2016-02 and all subsequent amendments, collectively codified in ASC 842, using the current period adjustment method. Accordingly, comparative period financial information was not restated for the effects of adopting ASC 842.

As of the date of adoption on January 1, 2022, the impact of ASC 842 resulted in the recognition of a ROU asset and lease liability for our operating leases on our consolidated balance sheets of approximately \$13.0 million and \$15.1 million, respectively.

Lease liabilities were recognized based on the present value of remaining lease payments over the remaining lease term. ROU assets were recognized utilizing the lease liability as of January 1, 2022 adjusted for certain ASC 840 operating lease related balances. As the Company's operating lease agreements do not provide a rate implicit in the lease, we discounted the remaining lease payments using an estimated incremental borrowing rate, which was based on the information available at the adoption date. Operating lease cost is recognized on a straight-line basis over the lease term. Variable lease costs such as common area costs and other operating costs are expensed as incurred. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The adoption of this new guidance did not have a material net impact on the Company's consolidated statements of operations or consolidated statements of cash flows.

Our operating leases primarily consist of office space, distribution centers and equipment used within our operations. Most of the leases have lease terms ranging from three to eight years, although the terms and conditions of our leases can vary significantly from lease to lease.

The following schedule represents the components of the Company's operating lease assets and liabilities as of June 30, 2023 (in thousands):

Leases	Classification	June 30, 2023
Assets		
Operating	<i>Operating lease right-of-use assets</i>	\$ 16,272
Liabilities		
Operating lease liabilities (current)	<i>Operating lease liabilities, current</i>	\$ 4,512
Operating lease liabilities (non-current)	<i>Operating lease liabilities, non-current</i>	13,637

The following schedule represents the components of lease expense for the fiscal year ended June 30, 2023 (in thousands):

	June 30, 2023
Lease Costs:	
Operating lease costs	\$ 3,010
Variable lease costs	460
Short-term lease costs	—
Sublease income	—
Total lease costs	<u>\$ 3,470</u>

As of June 30, 2023, the Company's maturity of operating lease liabilities for the next five years and thereafter are as follows (in thousands):

	Operating Leases
2023 (remaining payments)	\$ 2,664
2024	5,238
2025	5,310
2026	3,453
2027	2,222
Thereafter	899
Total lease payments	19,786
Less: imputed interest	(2,404)
Total operating lease payments	<u>\$ 17,382</u>

Other operating leases information:

Cash paid for amounts included in the measurement of lease liabilities	\$ 3,165
Right-of-use assets obtained in exchange for new lease liabilities	\$ 1,120
Weighted-average remaining term (in years)	3.9
Weighted-average discount rate	6.5 %

In accordance with ASC 840, the following is a schedule by years of future minimum lease payments required under the operating leases that have initial or noncancelable lease terms in excess of one year as of June 30, 2022.

As of June 30, 2022:	
2022 (remaining payments)	\$ 1,353
2023	1,272
2024	873
2025	900
2026	927
Thereafter	1,853
Total minimum lease payments	<u>\$ 7,178</u>

In July 2018, the Company assumed the operating lease for office space of the entity with which an asset purchase agreement was executed. The monthly lease payment was \$75 thousand and expired in May 2023. The future minimum lease payments are included

in the table above. The Company subleased the office space to a third-party in December 2018 for approximately \$87 thousand per month. The sublease agreement expired in May 2023. Future rental income is as follows: approximately \$1.0 million per year during 2022 and approximately \$435 thousand in 2023.

Rent expense for the six months ended June 30, 2022 was approximately \$2.7 million, and is included in general and administrative expenses in the condensed consolidated statements of operations.

20.SUBSEQUENT EVENTS

Notice of Noncompliance from Nasdaq

On July 10, 2023, the Company received a letter (the "Letter") from the Listing Qualifications Department of Nasdaq notifying the Company that, for the last 30 consecutive business days prior to the date of the Letter, the Company's Market Value of Publicly Held Shares ("MVPHS") was below the \$15 million minimum requirement for continued listing on the Nasdaq Global Market under Nasdaq Listing Rule 5450(b)(2)(C) (the "Listing Rule"). The Letter is only a notification of deficiency, not of imminent delisting, and has no current effect on the listing or trading of the Company's securities.

In accordance with Nasdaq Listing Rule 5810(c)(3)(D), the Company has 180 calendar days, or until January 8, 2024 (the "Compliance Date"), to regain compliance with the Listing Rule. To regain compliance with the Listing Rule, the Company's MVPHS must equal or exceed \$15 million for a minimum of 10 consecutive business days at any time prior to the Compliance Date. If the Company regains compliance with the Listing Rule, Nasdaq will provide the Company with written confirmation and will close the matter.

In the event that the Company does not regain compliance with the Listing Rule by the Compliance Date, it will receive written notification that its securities are subject to delisting. At that time, the Company may appeal the delisting determination to a Hearings Panel. The Company is monitoring its MVPHS and will consider its available options to regain compliance with the Listing Rule; however, there can be no assurance that the Company will be able to regain compliance with the Listing Rule.

Loan Refinancing

On July 25, 2023, the Company refinanced the February 2023 Loan (the "Refinanced February 2023 Loan"). The Refinanced February 2023 Loan has an annual interest rate of 34% and debt issuance cost of \$25 thousand, which are to be paid from future cash receipts. Weekly repayments on the Refinanced February 2023 Loan of \$74 thousand began at the end of July 2023 and will continue until the loan is fully paid in April 2024.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited consolidated financial statements and the related notes of Nogin, Inc. and its subsidiaries included elsewhere in this Report. Some of the information contained in this discussion and analysis contains forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth in the section captioned “Risk Factors” in our Annual Report on Form 10-K filed with the SEC on March 23, 2023 and elsewhere in this Report, actual results may differ materially from those anticipated in these forward-looking statements.

Unless the context otherwise requires, references in this subsection to “we,” “our,” “Nogin” and the “Company” refer to the business and operations of Branded Online, Inc. dba Nogin and its consolidated subsidiaries prior to the Business Combination and to Nogin, Inc. (formerly known as Software Acquisition Group Inc. III) and its consolidated subsidiaries following the consummation of the Business Combination (as defined below).

Company Overview

Nogin is an e-commerce, technology platform provider in the apparel and ancillary industry’s multichannel retailing, business-to-consumer and business-to-business domains. Nogin’s CaaS platform delivers full-stack enterprise-level capabilities to our clients enabling them to compete with large retailers. As clients grow their brand, they require additional capabilities beyond a simple online storefront. We provide the technology for these growing brands to manage complexities related to customer management, order optimization, returns, and fulfillment. The platform’s tools provide clients with capabilities around website development, photography, content management, customer service, marketing, warehousing, and fulfillment. The Company’s business model is based on providing a total e-commerce software solution to its partners on a revenue-sharing basis. The Company’s platform is used by online businesses whose needs are too complex for low-cost SaaS e-commerce platforms, yet require more flexibility and economic viability than provided by enterprise solutions.

Our platform helps brands develop relationships directly with their customers leading to accelerated revenue growth, improved customer engagement, and reduced costs related to re-platforming and third-party integrations.

Recent Developments

Registered Equity Offering

On April 6, 2023, the Company closed its public offering of 7,333,334 shares of Common Stock and 7,333,334 common warrants to purchase 7,333,334 shares of Common Stock at a combined price of \$3.00 per share and common warrant for aggregate gross proceeds of approximately \$22 million, before deducting placement agent fees and other offering expenses.

Notice of Noncompliance from Nasdaq

On July 10, 2023, the Company received the Letter from the Listing Qualifications Department of Nasdaq notifying the Company that, for the last 30 consecutive business days prior to the date of the Letter, the Company’s MVPHS was below the \$15 million minimum requirement for continued listing on the Nasdaq Global Market under the Listing Rule. The Letter is only a notification of deficiency, not of imminent delisting, and has no current effect on the listing or trading of the Company’s securities.

In accordance with Nasdaq Listing Rule 5810(c)(3)(D), the Company has 180 calendar days, or until January 8, 2024, to regain compliance with the Listing Rule. To regain compliance with the Listing Rule, the Company’s MVPHS must equal or exceed \$15 million for a minimum of 10 consecutive business days at any time prior to the Compliance Date. If the Company regains compliance with the Listing Rule, Nasdaq will provide the Company with written confirmation and will close the matter.

In the event that the Company does not regain compliance with the Listing Rule by the Compliance Date, it will receive written notification that its securities are subject to delisting. At that time, the Company may appeal the delisting determination to a Hearings Panel. The Company is monitoring its MVPHS and will consider its available options to regain compliance with the Listing Rule; however, there can be no assurance that the Company will be able to regain compliance with the Listing Rule.

2023 Annual Meeting

On July 26, 2023, the Company held its 2023 annual meeting of stockholders (the “2023 Annual Meeting”). At the 2023 Annual Meeting, the Company’s stockholders (i) elected Andrew Pancer, Geoffrey Van Haeren and Arthur Stark to serve as Class I directors of the Board for a term ending at the 2026 annual meeting of stockholders, (ii) approved an amendment (the “2022 Plan Amendment”) to the 2022 Plan to, among other things, (a) increase the number of shares of Common Stock available under the 2022 Plan by 4,442,943 shares reserved for issuance, (b) increase the number of shares of Common Stock which may be granted as incentive stock options, such that an aggregate of 5,199,298 shares of Common Stock may be granted as incentive stock options, (c) revised the formula for calculating the maximum annual increase in the number of shares of Common Stock available under the 2022 Plan and (d)

extended the right to grant awards under the Plan through June 15, 2033, and (iii) ratified the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2023.

Geoffrey Van Haeren Resignation

On July 28, 2023, Geoffrey Van Haeren, Chief Technologist and member of the Board, resigned as the Company's Chief Technologist and as a member of the Board, effective as of August 4, 2023.

Components of Our Results of Operations

Revenue

The Company's sources of revenue are summarized as follows:

•Product revenue

o Under certain licensee agreements, the Company is the owner of inventory and reseller of record. As a result, the Company is the principal in sales to end customers and records these revenues on a gross basis at a point in time.

•Service revenue

o **Commerce-as-a-Service**—The Company's main revenue stream is CaaS revenue in which it receives commission fees derived from contractually committed gross revenue processed by customers on the Company's e-commerce platform. Consideration for online sales is collected directly from the end customer by the Company and amounts not owed to the Company are remitted to the customer. Revenue is recognized on a net basis from maintaining e-commerce platforms and online orders, as the Company is engaged in an agency relationship with its customers and earns defined amounts based on the individual contractual terms for the customer and the Company does not take possession of the customers' inventories or any credit risks relating to the products sold.

o **Fulfillment service revenue**—Revenue for B2B fulfillment services is recognized on a gross basis either at a point in time or over a point in time. For example, inbound and outbound services are recognized when the service is complete, while monthly storage services are recognized over the service period.

o **Marketing service revenue**—Revenue for marketing services is recognized on a gross basis as marketing services are completed. Performance obligations include providing marketing and program management such as procurement and implementation.

o **Shipping service revenue**—Revenue for shipping services is recognized on a gross basis as shipments are completed and products are shipped to end customers.

o **Other service revenue**—Revenue for other services such as photography, B2C fulfillment, customer service, development and web design are reimbursable costs and recognized on the gross basis, and are services rendered as part of the performance obligations to clients for which an online platform and online orders are managed. All reimbursable costs are the responsibility of the Company as the Company uses such services to fulfill its performance obligations.

o **Set up and implementation service revenue**—The Company provides set up and implementation services for new clients. The revenue is recognized on a gross basis at the completion of the service, with the unearned amounts received for incomplete services recorded as deferred revenue, if any.

The Company recognizes revenue when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services. The Company determines revenue recognition through the following steps:

- Identification of a contract with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract;
- Recognition of revenue when or as the performance obligations are satisfied.

A performance obligation is a promise in a contract to transfer a distinct product. Performance obligations promised in a contract are identified based on the goods that will be transferred that are both capable of being distinct and are distinct in the context of the contract, whereby the transfer of the goods is separately identifiable from other promises in the contract. Performance obligations include establishing and maintaining customer online stores, providing access to the Company's e-commerce platform, customer service support, photography services, warehousing, and fulfillment. Most of the contracts of the Company with customers contain

multiple promises, which may result in multiple performance obligations, while others are combined into one performance obligation. For contracts with customers, the Company accounts for individual promises separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The Company determines the standalone selling prices based on its overall pricing objectives, taking into consideration market conditions and other factors.

The Company has concluded the sale of goods and related shipping and handling on behalf of our customers are accounted for as a single performance obligation, while the expenses incurred for actual shipping charges are included in cost of sales.

The Company's revenue is mainly commission fees derived from contractually committed gross revenue processed by customers on the Company's e-commerce platform. The Company is acting as an agent in these arrangements and customers do not have the contractual right to take possession of the Company's software. Revenue is recognized in an amount that reflects the consideration that the Company expects to ultimately receive in exchange for those promised goods, net of expected discounts for sales promotions and customary allowances.

CaaS revenue is recognized on a net basis from maintaining e-commerce platforms and online orders, as the Company is engaged primarily in an agency relationship with its customers and earns defined amounts based on the individual contractual terms for the customer and the Company does not take possession of the customers' inventory or any credit risks related to the products sold.

Variable consideration is included in revenue for potential product returns. The Company uses an estimate to constrain revenue for the expected variable consideration at each period end. The Company reviews and updates its estimates and related accruals of variable consideration each period based on the terms of the agreements, historical experience, and expected levels of returns. Any uncertainties in the ultimate resolution of variable consideration due to factors outside of the Company's influence are typically resolved within a short timeframe therefore not requiring any additional constraint on the variable consideration. The estimated reserve for returns is included on the balance sheet in accrued expenses with changes to the reserve in revenue on the accompanying statement of operations.

In most cases the Company acts as the merchant of record, resulting in a due to client liability (discussed below). However, in some instances, the Company may perform services without being the merchant of record in which case there is a receivable from the customer.

Payment terms and conditions are generally consistent for customers, including credit terms to customers ranging from seven days to 60 days, and the Company's contracts do not include any significant financing component. The Company performs credit evaluations of customers and evaluates the need for allowances for potential credit losses based on historical experience, as well as current and expected general economic conditions.

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and, therefore, are excluded from net revenue in the condensed consolidated statements of operations.

Operating Expenses

We classify our operating expenses into the following categories:

- *Cost of services.* Cost of services reflects costs directly related to providing services under the master service agreements with customers, which primarily includes service provider costs directly related to processing revenue transactions, marketing expenses and shipping and handling expenses which correspond to marketing and shipping revenues, as well as credit card merchant fees. Cost of services is exclusive of depreciation and amortization and general salaries and related expenses.
- *Cost of product revenue.* Cost of product revenue reflects costs directly related to selling inventory acquired from select clients, which primarily includes product cost, warehousing costs, fulfillment costs, credit card merchant fees and third-party royalty costs. Cost of product revenue is exclusive of depreciation and amortization and general salaries and related expenses.
- *Sales and marketing.* Sales and marketing expense consists primarily of salaries associated with selling across all our revenue streams.
- *Research and development.* Research and development expense consists primarily of salaries and contractors' costs associated with research and development of the Company's technology platform.
- *General, and administrative.* General and administrative expense consists primarily of lease expense, materials and equipment, dues and subscriptions, professional services, and acquisition costs incurred.
- *Depreciation and amortization.* Depreciation and amortization expenses are primarily attributable to our capital investment and consist of fixed asset depreciation and amortization of intangibles considered to have finite lives.

Interest Expense

Interest expense primarily consists of interest incurred under our Convertible Notes.

Change in Fair Value of Unconsolidated Affiliates

Change in fair value of unconsolidated affiliates represents the fair value adjustments associated with the Company's joint venture investments for which the Company elected to use the fair value option of accounting.

Other Income (Expense)

Other income (expense) is mainly related to change in fair value of deferred cash consideration, change in fair value of warrant, debt issuance cost expensed under the fair value option, offset by sublease rental income derived from the sublease of property by the Company as well as gain from settlement of deferred revenue.

Provision (Benefit) for Income Taxes

The provision (benefit) for income taxes consist primarily of U.S. federal, state, and foreign income taxes. Deferred tax assets and liabilities are recognized with respect to the tax consequences attributable to differences between the financial statement carrying values and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. A valuation allowance is established, when necessary, to reduce deferred tax assets if it is more likely than not that some portion or all the deferred tax assets will not be realized.

Realization of our deferred tax assets is dependent primarily on the generation of future taxable income. In considering the need for a valuation allowance, we consider our historical, as well as future, projected taxable income along with other objectively verifiable evidence. Objectively verifiable evidence includes our realization of tax attributes, assessment of tax credits and utilization of net operating loss carryforwards during the year.

Results of Operations

The following tables set forth our consolidated results of operations and our consolidated results of operations as a percentage of revenue for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net service revenue	\$ 7,543	\$ 9,254	\$ 16,461	\$ 17,787
Net product revenue	4,739	7,834	11,284	20,756
Net revenue from related parties	460	3,262	1,674	7,005
Total net revenue	12,742	20,350	29,419	45,548
Operating costs and expenses:				
Cost of services ⁽¹⁾	3,277	5,757	8,807	11,192
Cost of product revenue ⁽¹⁾	1,972	5,156	5,913	15,407
Sales and marketing	715	620	1,417	1,186
Research and development	1,163	1,250	2,126	2,827
General and administrative	15,814	13,140	33,139	30,362
Depreciation and amortization	235	219	437	420
Total operating costs and expenses	23,176	26,142	51,839	61,394
Operating loss	(10,434)	(5,792)	(22,420)	(15,846)
Interest expense	(2,777)	(1,464)	(4,791)	(2,117)
Change in fair value of promissory notes	(259)	(2,566)	(418)	(2,566)
Change in fair value of derivative instruments	3,462	—	4,309	—
Change in fair value of unconsolidated affiliates	(293)	(949)	(938)	(1,982)
Change in fair value of convertible notes	(1,296)	—	3,295	—
Debt extinguishment gain	63	—	63	—
Other (loss) income, net	(259)	(292)	(818)	1,661
Loss before income taxes	(11,793)	(11,063)	(21,718)	(20,850)
(Benefit) Provision for income taxes	39	(93)	13	65
Net loss	<u>\$ (11,832)</u>	<u>\$ (10,970)</u>	<u>\$ (21,732)</u>	<u>\$ (20,915)</u>

(as a percentage of total revenue*)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net service revenue	59.2 %	45.5 %	56.0 %	39.1 %
Net product revenue	37.2 %	38.5 %	38.4 %	45.6 %
Net revenue from related parties	3.6 %	16.0 %	5.7 %	15.4 %
Total net revenue	100.0 %	100.0 %	100.0 %	100.0 %
Operating costs and expenses:				
Cost of services ⁽¹⁾	25.7 %	28.3 %	29.9 %	24.6 %
Cost of product revenue ⁽¹⁾	15.5 %	25.3 %	20.1 %	33.8 %
Sales and marketing	5.6 %	3.0 %	4.8 %	2.6 %
Research and development	9.1 %	6.1 %	7.2 %	6.2 %
General and administrative	124.1 %	64.6 %	112.6 %	66.7 %
Depreciation and amortization	1.8 %	1.1 %	1.5 %	0.9 %
Total operating costs and expenses	181.9 %	128.5 %	176.2 %	134.8 %
Operating loss	-81.9 %	-28.5 %	-76.2 %	-34.8 %
Interest expense	-21.8 %	-7.2 %	-16.3 %	-4.6 %
Change in fair value of promissory notes	-2.0 %	-12.6 %	-1.4 %	-5.6 %
Change in fair value of derivative instruments	27.2 %	0.0 %	14.6 %	0.0 %
Change in fair value of unconsolidated affiliates	-2.3 %	-4.7 %	-3.2 %	-4.4 %
Change in fair value of convertible notes	-10.2 %	0.0 %	11.2 %	0.0 %
Debt extinguishment gain	0.5 %	0.0 %	0.2 %	0.0 %
Other (loss) income, net	-2.0 %	-1.4 %	-2.8 %	3.6 %
Loss before income taxes	-92.6 %	-54.4 %	-73.8 %	-45.8 %
(Benefit) Provision for income taxes	0.3 %	-0.5 %	0.0 %	0.1 %
Net loss	-92.9 %	-53.9 %	-73.9 %	-45.9 %

* Percentages may not sum due to rounding

(1) Exclusive of depreciation and amortization shown separately.

Comparison of the Six Months Ended June 30, 2023 and 2022

Net service revenue

	Six Months Ended June 30,		\$ Change	% Change
	2023	2022		
	(in thousands, except percentages)			
Net service revenue	\$ 16,461	\$ 17,787	\$ (1,326)	(7.5)%
Percent of total revenue	56.0 %	39.1 %		

Net service revenue decreased by \$1.3 million, or 7.5%, to \$16.5 million for the six months ended June 30, 2023, as compared to \$17.8 million for the six months ended June 30, 2022. The decrease in service revenue is primarily due to (i) lower sales, (ii) lowered service percentage charged to certain clients, and (iii) clients offboarding. Net service revenue as a percentage of total revenue was 56.0% for the six months ended June 30, 2023 compared to 39.1% for the six months ended June 30, 2022.

Net product revenue

	Six Months Ended June 30,		\$ Change	% Change
	2023	2022		
	(in thousands, except percentages)			
Net product revenue	\$ 11,284	\$ 20,756	\$ (9,472)	(45.6)%
Percent of total revenue	38.4 %	45.6 %		

Net product revenue decreased by \$9.5 million, or 45.6%, to \$11.3 million for the six months ended June 30, 2023, as compared to \$20.8 million for the six months ended June 30, 2022. The decrease in product revenue is primarily due to the closing of one product line and lower sales in the other product lines. Net product revenue as a percentage of total revenue was 38.4% for the six months ended June 30, 2023, compared to 45.6% for the six months ended June 30, 2022.

Net revenue from related parties

	Six Months Ended June 30,		\$ Change	% Change
	2023	2022		
	(in thousands, except percentages)			
Net revenue from related parties	\$ 1,674	\$ 7,005	\$ (5,331)	(76.1)%
Percent of total revenue	5.7 %	15.4 %		

Net revenue from related parties decreased by \$5.3 million, or 76.1%, to \$1.7 million for the six months ended June 30, 2023, as compared to \$7.0 million for the six months ended June 30, 2022. The Company provides services to its joint ventures under Master Services Agreements that are classified as related party revenue. On December 1, 2022, the Company acquired the remaining 50% equity interest in ModCloth; as a result, ModCloth became a wholly owned consolidated subsidiary of the Company, and the results of ModCloth are consolidated into the results of the Company. As such, the decrease in revenue from related parties is due to ModCloth's revenue being recorded in product revenue starting in the first quarter of 2023, as compared to being recorded in revenue from related parties in the same quarters last year. Net service revenue from related parties as a percentage of total revenue was 5.7% for the six months ended June 30, 2023, compared to 15.4% for the six months ended June 30, 2022.

Cost of services

	Six Months Ended June 30,		\$ Change	% Change
	2023	2022		
	(in thousands, except percentages)			
Cost of services	\$ 8,807	\$ 11,192	\$ (2,385)	(21.3)%
Percent of total revenue	29.9%	24.6%		

Cost of services decreased by \$2.4 million, or 21.3%, to \$8.8 million for the six months ended June 30, 2023, as compared to \$11.2 million for the six months ended June 30, 2022. The decrease in cost of services followed the similar trend of the decrease in service revenue for the same period. Service revenue, including revenue from related parties, decreased 26.9% while the cost of services decreased 21.3%. Cost of services as a percentage of total revenue was 29.9% for the six months ended June 30, 2023, compared to 24.6% for the six months ended June 30, 2022.

Cost of product revenue

	Six Months Ended June 30,		\$ Change	% Change
	2023	2022		
	(in thousands, except percentages)			
Cost of product revenue	\$ 5,913	\$ 15,407	\$ (9,494)	(61.6)%
Percent of total revenue	20.1%	33.8%		

Cost of product revenue decreased by \$9.5 million, or 61.6%, to \$5.9 million for the six months ended June 30, 2023, as compared to \$15.4 million for the six months ended June 30, 2022. The decrease is in line with the decrease in product revenue. Sales of our top two product lines decreased 69.0% while the associated cost decreased 72.1%. Cost of product revenue as a percentage of total revenue was 20.1% for the six months ended June 30, 2023, compared to 33.8% for the six months ended June 30, 2022.

Sales and Marketing

	Six Months Ended June 30,		\$ Change	% Change
	2023	2022		
	(in thousands, except percentages)			
Sales and marketing	\$ 1,417	\$ 1,186	\$ 231	19.5%
Percent of total revenue	4.8%	2.6%		

Sales and marketing expense increased by \$231 thousand, or 19.5%, to \$1.4 million for the six months ended June 30, 2023, as compared to \$1.2 million for the six months ended June 30, 2022. The increase in sales and marketing expense was primarily due to rebuilding of the sales team to support the Company's growth initiatives.

Research and development

	Six Months Ended June 30,		\$ Change	% Change
	2023	2022		
	(in thousands, except percentages)			
Research and development	\$ 2,126	\$ 2,827	\$ (701)	(24.8)%
Percent of total revenue	7.2%	6.2%		

Research and development expense decreased by \$701 thousand, or 24.8%, to \$2.1 million for the six months ended June 30, 2023, as compared to \$2.8 million for the six months ended June 30, 2022. The decrease in research and development expense was primarily due to rebalancing of the technology team.

General and administrative

	Six Months Ended June 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
General and administrative	\$ 33,139	\$ 30,362	\$ 2,777	9.1 %
Percent of total revenue	112.6 %	66.7 %		

General and administrative expense increased by \$2.8 million, or 9.1%, to \$33.1 million for the six months ended June 30, 2023, as compared to \$30.4 million for the six months ended June 30, 2022. General and administrative expenses increased as a percentage of revenue from 66.7% for the six months ended June 30, 2022, to 112.6% for the six months ended June 30, 2023, which was primarily due to severance expense of \$1.5 million, increase in directors and officer insurance of \$0.9 million, increase in stock compensation expense of \$0.2 million and director fees of \$0.2 million in the current fiscal period compared to the prior period.

Depreciation and amortization

	Six Months Ended June 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
Depreciation and amortization	\$ 437	\$ 420	\$ 17	4.0 %
Percent of total revenue	1.5 %	0.9 %		

Depreciation and amortization expense remained relatively flat at \$437 thousand and \$420 thousand for the six months ended June 30, 2023, and June 30, 2022, respectively.

Interest expense

	Six Months Ended June 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
Interest expense	\$ 4,791	\$ 2,117	\$ 2,674	126.3 %
Percent of total revenue	16.3 %	4.6 %		

Interest expense increased by \$2.7 million, or 126.3%, to \$4.8 million for the six months ended June 30, 2023, as compared to \$2.1 million for the six months ended June 30, 2022. The increase in interest expense was primarily due to interest on the Convertible Notes entered into in the third quarter of 2022, and the two loans entered into in the first quarter of 2023, as compared to interest on the notes payable in the first half of 2022. The notes payable were fully repaid at closing of the Business Combination.

Change in fair value of promissory notes

	Six Months Ended June 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
Change in fair value of promissory notes	\$ 418	\$ 2,566	\$ (2,148)	(83.7)%
Percent of total revenue	1.4 %	5.6 %		

Change in fair value of promissory notes was \$2.1 million for the six months ended June 30, 2023. The Company recognized a loss of \$418 thousand for the six months ended June 30, 2023 that were related to the 2023 Promissory Notes and 2023 Convertible Promissory Notes in connection with the amendments to the Convertible Notes. The Company engaged a third party specialist to assist with the valuation of such notes.

Change in fair value of derivatives

	Six Months Ended June 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
Change in fair value of derivatives	\$ (4,309)	\$ —	\$ (4,309)	100.0%
Percent of total revenue	(14.6)%	— %		

Change in fair value of derivatives notes was a gain of \$4.3 million for the six months ended June 30, 2023. The Company recognized a change in fair value of derivatives notes in connection with the Standby Agreement and April 2023 Offering. All shares from the Standby Agreement were resold as of June 30, 2023.

Change in fair value of unconsolidated affiliate

	Six Months Ended June 30,		\$ Change	% Change
	2023	2022		
	(in thousands, except percentages)			
Change in fair value of unconsolidated affiliates	\$ 938	\$ 1,982	\$ (1,044)	(52.7)%
Percent of total revenue	3.2%	4.4%		

Change in fair value of unconsolidated affiliates decreased by \$1.0 million, or 52.7%, to a loss of \$938 thousand for the six months ended June 30, 2023, as compared to a loss of \$2.0 million for the six months ended June 30, 2022. The decrease in the first half of 2023 is attributable to the Company's consolidation of ModCloth. On December 1, 2022, the Company acquired the remaining 50% equity interest in ModCloth; as a result, ModCloth became a wholly owned consolidated subsidiary of the Company, and the results of ModCloth are consolidated into the results of the Company and no longer valued at fair value. The Company elected to apply the fair value option of accounting to the joint venture. The Company engaged a third-party valuation specialist to assist with the fair value assessment. As a result, the Company recorded a fair value adjustment for the investment in connection with its 50% interest on IPCO during the six months ended June 30, 2023 and recorded a fair value adjustment for the investment in connection with its 50% interest on IPCO and ModCloth during the six months ended June 30, 2022.

Change in fair value of convertible notes

	Six Months Ended June 30,		\$ Change	% Change
	2023	2022		
	(in thousands, except percentages)			
Change in fair value of convertible notes	\$ (3,295)	\$ —	\$ (3,295)	100.0%
Percent of total revenue	(11.2)%	—%		

Change in fair value of the Convertible Notes was a gain of \$3.3 million for the six months ended June 30, 2023. The change is attributable to fair value of the Convertible Notes, which the Company engaged a third-party valuation specialist to assist with the fair value assessment.

Debt extinguishment gain

	Six Months Ended June 30,		\$ Change	% Change
	2023	2022		
	(in thousands, except percentages)			
Debt extinguishment gain	\$ 63	\$ —	\$ 63	100.0%
Percent of total revenue	0.2%	—%		

Debt extinguishment was a gain of \$63 thousand for the six months ended June 30, 2023. The debt extinguishment gain is attributable to the payment plan agreement entered into in June 2023 with an existing vendor.

Other (loss) income

	Six Months Ended June 30,		\$ Change	% Change
	2023	2022		
	(in thousands, except percentages)			
Other (loss) income	\$ (818)	\$ 1,661	\$ (2,479)	(149.2)%
Percent of total revenue	(2.8)%	3.6%		

Other (loss) income decreased by \$2.5 million, or 149.2%, to a loss of \$818 thousand for the six months ended June 30, 2023, as compared to a gain of \$1.7 million for the six months ended June 30, 2022. The other income during the six months ended June 30, 2022, included IPCO inventory sale in the amount of \$1.6 million. The other income during the six months ended June 30, 2023, included the fair value changes of the deferred cash consideration in the amount of \$460 thousand, and the fair value adjustment of the PIPE warrants due to the PIPE amendment in the amount of \$430 thousand.

Provision for income tax

	Six Months Ended June 30,		\$ Change	% Change
	2023	2022		
	(in thousands, except percentages)			
Provision for income tax	\$ 13	\$ 65	\$ (52)	(80.0)%
Percent of total revenue	0.0%	0.1%		

The provision for income tax decreased \$52 thousand, or 80.0%, to a benefit of \$13 thousand during the six months ended June 30, 2023, as compared to an expense of \$65 thousand for the six months ended June 30, 2022. The increase was primarily due to a full valuation allowance for differences related to GAAP and tax income related to the Company's joint ventures due to election of accounting for the joint ventures using the equity method fair value option.

Comparison of the Three Months Ended June 30, 2023 and 2022

Net service revenue

	Three Months Ended June 30,		\$ Change	% Change
	2023	2022		
	(in thousands, except percentages)			
Net service revenue	\$ 7,543	\$ 9,254	\$ (1,711)	(18.5)%
Percent of total revenue	59.2 %	45.5 %		

Net service revenue decreased by \$1.7 million, or 18.5%, to \$7.5 million for the three months ended June 30, 2023, as compared to \$9.3 million for the three months ended June 30, 2022. The decrease in service revenue is primarily due to (i) lower sales, (ii) lowered service percentage charged to certain clients, and (iii) clients offboarding. Net service revenue as a percentage of total revenue was 59.2% for the three months ended June 30, 2023 compared to 45.5% for the three months ended June 30, 2022.

Net product revenue

	Three Months Ended June 30,		\$ Change	% Change
	2023	2022		
	(in thousands, except percentages)			
Net product revenue	\$ 4,739	\$ 7,834	\$ (3,095)	(39.5)%
Percent of total revenue	37.2 %	38.5 %		

Net product revenue decreased by \$3.1 million, or 39.5%, to \$4.7 million for the three months ended June 30, 2023, as compared to \$7.8 million for the three months ended June 30, 2022. The decrease in product revenue is primarily due to the closing of one product line and lower sales in the other product lines. Net product revenue as a percentage of total revenue was 37.2% for the three months ended June 30, 2023, compared to 38.5% for the three months ended June 30, 2022.

Net revenue from related parties

	Three Months Ended June 30,		\$ Change	% Change
	2023	2022		
	(in thousands, except percentages)			
Net revenue from related parties	\$ 460	\$ 3,262	\$ (2,802)	(85.9)%
Percent of total revenue	3.6 %	16.0 %		

Net revenue from related parties decreased by \$2.8 million, or 85.9%, to \$460 thousand for the three months ended June 30, 2023, as compared to \$3.3 million for the three months ended June 30, 2022. The Company provides services to its joint ventures under Master Services Agreements that are classified as related party revenue. On December 1, 2022, the Company acquired the remaining 50% equity interest in ModCloth; as a result, ModCloth became a wholly owned consolidated subsidiary of the Company, and the results of ModCloth are consolidated into the results of the Company. As such, the decrease in revenue from related parties is due to ModCloth's revenue being recorded in product revenue starting in the first quarter of 2023, as compared to being recorded in revenue from related parties in the same quarters last year. Net service revenue from related parties as a percentage of total revenue was 3.6% for the three months ended June 30, 2023, compared to 16.0% for the three months ended June 30, 2022.

Cost of services

	Three Months Ended June 30,		\$ Change	% Change
	2023	2022		
	(in thousands, except percentages)			
Cost of services	\$ 3,277	\$ 5,757	\$ (2,480)	(43.1)%
Percent of total revenue	25.7 %	28.3 %		

Cost of services decreased by \$2.5 million, or 43.1%, to \$3.3 million for the three months ended June 30, 2023, as compared to \$5.8 million for the three months ended June 30, 2022. The decrease in cost of services followed the similar trend of the decrease in service revenue for the same period. The service revenue, including revenue from related parties, decreased 36.1% while the cost of services decreased 43.1%. Cost of services as a percentage of total revenue was 29.9% for the three months ended June 30, 2023, compared to 24.6% for the three months ended June 30, 2022.

Cost of product revenue

	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
Cost of product revenue	\$ 1,972	\$ 5,156	\$ (3,184)	(61.8)%
Percent of total revenue	15.5%	25.3%		

Cost of product revenue decreased by \$3.2 million, or 61.8%, to \$2.0 million for the three months ended June 30, 2023, as compared to \$5.2 million for the three months ended June 30, 2022. The decrease is in line with the decrease in product revenue. The sales of the top two product lines decreased 78.9% while the associated cost decreased 74.9%. During the three months ended June 30, 2022, the Company also faced supply chain issues, which caused the higher shipping costs. Cost of product revenue as a percentage of total revenue was 15.5% for the three months ended June 30, 2023, compared to 25.3% for the three months ended June 30, 2022.

Sales and Marketing

	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
Sales and marketing	\$ 715	\$ 620	\$ 95	15.3%
Percent of total revenue	5.6%	3.0%		

Sales and marketing expense increased by \$95 thousand, or 15.3%, to \$715 thousand for the three months ended June 30, 2023, as compared to \$620 thousand for the three months ended June 30, 2022. The increase in sales and marketing expense was primarily due to rebuilding of the sales team to support the Company's growth initiatives.

Research and development

	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
Research and development	\$ 1,163	\$ 1,250	\$ (87)	(7.0)%
Percent of total revenue	9.1%	6.1%		

Research and development expense remained relatively flat at \$1.2 million and \$1.3 million for the three months ended June 30, 2023, and June 30, 2022, respectively.

General and administrative

	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
General and administrative	\$ 15,814	\$ 13,140	\$ 2,674	20.4%
Percent of total revenue	124.1%	64.6%		

General and administrative expense increased by \$2.7 million, or 20.4%, to \$15.8 million for the three months ended June 30, 2023, as compared to \$13.1 million for the three months ended June 30, 2022. General and administrative expenses increased as a percentage of revenue from 64.6% for the six months ended June 30, 2022, to 124.1% for the three months ended June 30, 2023, which was primarily due to legal expense of \$2.3 million, public filing expense \$260 thousand, increase in directors and officer insurance of \$448 thousand, increase in stock compensation expense of \$93 thousand and director fees of \$83 thousand in the current fiscal period compared to the prior period.

Depreciation and amortization

	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
Depreciation and amortization	\$ 235	\$ 219	\$ 16	7.3%
Percent of total revenue	1.8%	1.1%		

Depreciation and amortization expense remained relatively flat at \$235 thousand and \$219 thousand for the three months ended June 30, 2023, and June 30, 2022, respectively.

Interest expense

	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
Interest expense	\$ 2,777	\$ 1,464	\$ 1,313	89.7 %
Percent of total revenue	21.8 %	7.2 %		

Interest expense increased by \$1.3 million, or 89.7%, to \$2.8 million for the three months ended June 30, 2023, as compared to \$1.5 million for the three months ended June 30, 2022. The increase in interest expense was primarily due to the interest on the Convertible Notes entered into in the third quarter of 2022, and the two loans entered into in the first quarter of 2023, as compared to interest on the notes payable in the three months ended June 30, 2022. The notes payable were fully repaid at closing of the Business Combination.

Change in fair value of promissory notes

	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
Change in fair value of promissory notes	\$ 259	\$ 2,566	\$ (2,307)	(89.9) %
Percent of total revenue	2.0 %	12.6 %		

Change in fair value of promissory notes was \$2.3 million for the three months ended June 30, 2023. For the three months ended June 30, 2023, the Company recognized a loss of \$259 thousand related to the 2023 Promissory Notes and 2023 Convertible Promissory Notes in connection with the amendments to the Convertible Notes. The Company engaged a third party specialist to assist with the valuation of such notes.

Change in fair value of derivatives

	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
Change in fair value of derivatives	\$ (3,462)	\$ —	\$ (3,462)	100.0 %
Percent of total revenue	(27.2) %	— %		

Change in fair value of derivatives notes was a gain of \$3.5 million for the three months ended June 30, 2023. The Company recognized a change in fair value of derivatives notes in connection with the April 2023 Offering.

Change in fair value of unconsolidated affiliate

	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
Change in fair value of unconsolidated affiliates	\$ (293)	\$ (949)	\$ 656	(69.1) %
Percent of total revenue	(2.3) %	(4.7) %		

Change in fair value of unconsolidated affiliates decreased by \$656 thousand, or 69.1%, to a gain of \$293 thousand for the three months ended June 30, 2023, as compared to a gain of \$949 thousand for the three months ended June 30, 2022. The decrease is attributable to the Company's consolidation of ModCloth. On December 1, 2022, the Company acquired the remaining 50% equity interest in ModCloth; as a result, ModCloth became a wholly owned consolidated subsidiary of the Company, and the results of ModCloth are consolidated into the results of the Company and no longer valued at fair value. The Company elected to apply the fair value option of accounting to the joint venture. The Company engaged a third-party valuation specialist to assist with the fair value assessment. As a result, the Company recorded a fair value adjustment for the investment in connection with its 50% interest on IPCO during the three months ended June 30, 2023 and recorded a fair value adjustment for the investment in connection with its 50% interest on IPCO and ModCloth during the six months ended June 30, 2022.

Change in fair value of convertible notes

	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
Change in fair value of convertible notes	\$ 1,296	\$ —	\$ 1,296	100.0 %
Percent of total revenue	10.2 %	— %		

Change in fair value of the Convertible Notes was a loss of \$1.3 million for the three months ended June 30, 2023. The change is attributable to fair value of the Convertible Notes, which the Company engaged a third-party valuation specialist to assist with the fair value assessment.

Debt extinguishment gain

	Three Months Ended June 30,		\$ Change	% Change
	2023	2022	(in thousands, except percentages)	
Debt extinguishment gain	\$ 63	\$ —	\$ 63	100.0%
Percent of total revenue	0.5%	—%		

Debt extinguishment was a gain of \$63 thousand for the three months ended June 30, 2023. The debt extinguishment gain is attributable to the payment plan agreement entered into in June 2023 with an existing vendor.

Other (loss) income

	Three Months Ended June 30,		\$ Change	% Change
	2023	2022	(in thousands, except percentages)	
Other (loss) income	\$ (259)	\$ (292)	\$ 33	(11.3)%
Percent of total revenue	(2.0)%	(1.4)%		

Other (loss) income decreased by \$33 thousand, or 11.3%, to a loss of \$259 thousand for the three months ended June 30, 2023, as compared to a loss of \$292 thousand for the three months ended June 30, 2022. The other income during the three months ended June 30, 2022 included the income from the warehouse sublease, offset by the fair value changes on the Legacy Nogen Warrants. The other income during the three months ended June 30, 2023 included the fair value changes of the deferred cash consideration in the amount of \$259 thousand.

Provision for income tax

	Three Months Ended June 30,		\$ Change	% Change
	2023	2022	(in thousands, except percentages)	
Provision for income tax	\$ 39	\$ (93)	\$ 132	(141.9)%
Percent of total revenue	0.3%	(0.5)%		

The provision for income tax increased \$132 thousand, or 141.9%, to a benefit of \$39 thousand during the three months ended June 30, 2023, as compared to an expense of \$93 thousand for the three months ended June 30, 2022. The increase was primarily due to a full valuation allowance for differences related to GAAP and tax income related to the Company's joint ventures due to election of accounting for the joint ventures using the equity method fair value option.

Non-GAAP Financial Measures

We prepare and present our consolidated financial statements in accordance with U.S. GAAP. However, management believes that Adjusted EBITDA, a non-GAAP financial measure, provides investors with additional useful information in evaluating our performance, as these measures are regularly used by security analysts, institutional investors and other interested parties in analyzing operating performance and prospects. This non-GAAP measure is not intended to be a substitute for any U.S. GAAP financial measure and, as calculated, may not be comparable to other similarly titled measures of performance of other companies in other industries or within the same industry.

We calculate and define Adjusted EBITDA as net loss, adjusted to exclude: (1) interest expense, (2) income tax expense, (3) depreciation and amortization, (4) severance pay, (5) stock based compensation, (6) facility consolidation expenses, and (7) restructuring cost.

Adjusted EBITDA is a financial measure that is not required by or presented in accordance with U.S. GAAP. We believe that Adjusted EBITDA, when taken together with our financial results presented in accordance with U.S. GAAP, provides meaningful supplemental information regarding our operating performance and facilitates internal comparisons of our historical operating performance on a more consistent basis by excluding certain items that may not be indicative of our business, results of operations, or outlook. In particular, we believe that the use of Adjusted EBITDA is helpful to our investors as it is a measure used by management in assessing the health of our business and evaluating our operating performance, as well as for internal planning and forecasting purposes.

Adjusted EBITDA is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with U.S. GAAP. Some of the limitations of Adjusted EBITDA include that (1) it does not reflect capital commitments to be paid in the future, (2) although depreciation and amortization are non-cash charges, the underlying assets may need to be replaced and adjusted EBITDA does not reflect these capital expenditures, (3) it does not reflect tax payments that may represent a reduction in cash available to us and (4) does not include certain non-recurring cash expenses that we do not believe are representative of our business on a steady-state basis. In addition, our use of Adjusted EBITDA may not be comparable to similarly titled measures of other companies because they may not calculate Adjusted EBITDA in the same manner, limiting its usefulness as a comparative measure. Because of these limitations, when evaluating our performance, you should consider Adjusted EBITDA alongside other financial measures, including our net loss and other results stated in accordance with U.S. GAAP.

The following table presents a reconciliation of net loss, the most directly comparable financial measure stated in accordance with U.S. GAAP, to Adjusted EBITDA, for each of the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net Loss	\$ (11,832)	\$ (10,970)	\$ (21,732)	\$ (20,915)
Interest expense	2,777	1,464	4,791	2,117
(Benefit) Provision for income taxes	39	(93)	13	65
Depreciation and amortization	235	219	437	420
Severance pay	108	105	1,548	117
Stock based compensation	117	25	370	83
Facility consolidation expenses	864	—	864	—
Restructuring cost	163	—	163	—
Adjusted EBITDA	<u>\$ (7,529)</u>	<u>\$ (9,250)</u>	<u>\$ (13,546)</u>	<u>\$ (18,113)</u>

Liquidity and Capital Resources

Our primary requirements for short-term liquidity and capital are working capital, inventory management, capital expenditures, public company costs and general corporate needs. We expect these needs to continue as we develop and grow our business. Our future capital requirements will depend on many factors, including our levels of revenue, the expansion of sales and marketing activities, successful customer acquisitions, the results of business initiatives, the timing of new product introductions and overall economic conditions.

Prior to the Business Combination, the Company's available liquidity and operations were financed through equity contributions, a line of credit, promissory notes and cash flow from operations. Moving forward, the Company expects to fund operations through equity contributions and cash flow from operations.

Because we are in the growth stage of our business and operate in an emerging field of technology, we expect to continue to invest in research and development and expand our sales and marketing teams worldwide. We are likely to require additional capital to respond to technological advancements, competitive dynamics or technologies, customer demands, business opportunities, challenges, acquisitions or unforeseen circumstances and in either the short-term or long-term may determine to engage in equity or debt financings or enter into credit facilities for other reasons. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited.

The accompanying consolidated financial statements as of and for the six months ended June 30, 2023 have been prepared assuming the Company will continue to operate as a going concern. The Company has sustained recurring losses, negative working capital, and negative cash flows from operations and had a cash balance of \$3.1 million as of June 30, 2023. These conditions provide substantial doubt about our ability to continue as a going concern for at least twelve months from the date that these consolidated financial statements are issued.

In March 2023, the Company did not timely make the payment of the accrued interest on the Convertible Notes due on March 1, 2023 of \$2.3 million, resulting in a default. On March 26, 2023, the Company, the Notes Guarantors and Holders entered into the Waivers pursuant to which, among other things, each Holder agreed to (i) waive the Specified Default and any payment obligation of the Company under the Indenture with respect to the March Interest Payment, (ii) in lieu of the Interest Payments, (a) receive a promissory note or convertible promissory note, as applicable, and (b) amend the Warrant Agreement to reduce the exercise price of the warrants governed thereby from \$11.50 to \$0.01, and (iii) consent to the entry into the Supplemental Indenture. The Supplemental Indenture, among other things, lowered the minimum amounts of liquidity the Company must maintain on a consolidated basis for each quarter in 2023 and the first quarter of 2024.

On April 4, 2023, the Company entered into the Purchase Agreements with the Investors pursuant to which the Company agreed to sell, issue, and deliver to Investors, in the April 2023 Offering (i) 7,333,334 shares of Common Stock and (ii) 7,333,334 Common Warrants. Under the terms of the Purchase Agreements, the Company agreed to sell its Common Stock and accompanying Common Warrants at a combined offering price of \$3.00 per share of Common Stock and accompanying Common Warrant. On April 6, 2023, the Company consummated the April 2023 Offering and received gross proceeds of approximately \$22 million in connection with the offering before deducting placement agent fees and other offering expenses.

In addition, the Company is currently executing on various strategies to improve available cash balances, liquidity and cash generated from operations, including strategic growth plans, ongoing comprehensive cost reduction and performance improvement programs, reduced headcount and elimination of certain discretionary and general and administrative expenses, and taking steps to improve the operational efficiency of our fulfillment operations. However, our failure to obtain financing as and when needed could have significant negative consequences for our business, financial condition and results of operations. Our future capital requirements and the adequacy of available funds will depend on many factors, many of which are beyond our control.

Indebtedness

Convertible Notes and Indenture

On April 19, 2022, the Company, the Notes Guarantors and the Subscribers entered into the PIPE Subscription Agreements pursuant to which the Company agreed to issue and sell to the Subscribers immediately prior to the closing of the Business Combination (i) up to an aggregate principal amount of \$75.0 million of Convertible Notes at the par value of the notes and (ii) up to an aggregate of 1.5 million PIPE Warrants with each whole PIPE Warrant entitling the holder thereof to purchase one share of Common Stock.

On August 26, 2022, immediately prior to the Closing, the Company issued \$65.5 million aggregate principal amount of Convertible Notes and, as contemplated by the PIPE Subscription Agreements, the Company, the Note Guarantors and U.S. Bank Trust Company, National Association, as trustee, entered into the Indenture. The Convertible Notes were offered in a private placement under the Securities Act, pursuant to the PIPE Subscription Agreements. The Convertible Notes will mature on September 1, 2026, unless earlier repurchased, redeemed or converted in accordance with their terms, and will accrue interest at a rate of 7.00% per annum, payable in cash. The Convertible Notes may be converted at any time (in whole or in part) into shares of Common Stock, at the option of the holder of such Convertible Note, based on the applicable conversion rate at such time. The conversion price is approximately \$230.00 per share of Common Stock, based on conversion rate of 4.3478 shares of Common Stock per \$1,000 principal amount of Convertible Notes. For conversions with a conversion date on or after the first anniversary of the closing of the Transactions and prior to the regular record date immediately preceding the Maturity Date, the conversion consideration will also include an interest make-whole payment equal to the remaining scheduled payments of interest on the Convertible Note being converted through the Maturity Date. The Company will be able to elect to make such interest make-whole payment in cash or in Common Stock, subject to certain conditions. The conversion rate is subject to adjustments set forth in the Indenture, including conversion rate resets (x) on August 27, 2023, September 26, 2023 and September 26, 2024 and (y) following the consummation of certain equity and equity-linked offerings by the Company and sales of certain equity and equity-linked securities by certain shareholders of the Company. Each holder of a Convertible Note has the right to cause the Company to repurchase for cash all or a portion of the Convertible Notes held by such holder upon the occurrence of a “Fundamental Change” (as defined in the Indenture) at a price equal to (i) on or before September 26, 2023, 100% of the original principal amount of such Convertible Note, and (ii) from and after September 26, 2023, 100% of the accreted principal amount applicable at such time pursuant to the terms of the Indenture, in each case, plus accrued and unpaid interest.

The Indenture includes restrictive covenants that, among other things, require the Company to maintain a minimum level of liquidity on a consolidated basis and limit the ability of the Company and its subsidiaries to incur indebtedness above certain thresholds or to issue preferred stock, to make certain restricted payments, to dispose of certain material assets and engage in other asset sales, subject to reinvestment rights, to pay certain advisory fees in connection to the Transactions and the transactions contemplated by the PIPE Subscription Agreements above a certain threshold, and other customary covenants with respect to the collateral securing the obligations created by the Convertible Notes and the Indenture, including the entry into security documents (in each case, subject to certain exceptions set forth in the Indenture); provided that the covenants with respect to (i) the making of restricted payments, (ii) the incurrence of indebtedness, (iii) the disposition of certain material assets and asset sales, (iv) liquidity, (v) the payment of advisory fees and (vi) the collateral securing the obligations created by the Convertible Notes and the Indenture shall terminate once less than 15% of the aggregate principal amount of the Convertible Notes are outstanding. The liquidity covenant would terminate if the Company achieves \$175 million in consolidated revenue in the preceding four fiscal quarters. Certain of the Company’s subsidiaries will serve as Notes Guarantors that jointly and severally, fully and unconditionally guarantee the obligations under the Convertible Notes and the Indenture. The Indenture also requires certain future subsidiaries of the Company, if any, to become Notes Guarantors. This covenant will terminate once less than 15% of the aggregate principal amount of the Convertible Notes are outstanding. The Indenture also includes customary events of default and related provisions for potential acceleration of the Convertible Notes.

The Company did not timely make the payment of the accrued interest on the Convertible Notes due on March 1, 2023, resulting in a default. Such default for thirty (30) consecutive days of the payment on interest due constitutes an Event of Default (as defined in the Indenture).

On March 26, 2023, the Company, the Notes Guarantors and Holders entered into limited waivers and consents pursuant to which each holder agreed to (i) waive the Specified Default and any payment obligation of the Company under the Indenture with respect to the March Interest Payment, (ii) in lieu of the Interest Payments, (a) receive a promissory note and (b) amend the Warrant Agreement (as defined below) to reduce the exercise price of the warrants governed thereby from \$11.50 to \$0.01, and (iii) consent to the entry into the Supplemental Indenture.

The Supplemental Indenture, among other things, (i) lowered the minimum amounts of liquidity the Company must maintain on a consolidated basis for each quarter in 2023 and the first quarter of 2024, (ii) added restrictions on the Company's ability to make payments relating to certain restricted investments, (iii) decreased the maximum amount of equity interests that the Company may repurchase, redeem, acquire or retire, (iv) removed the Company's ability to issue preferred stock or incur certain unsecured indebtedness or junior lien indebtedness, (v) decreased other permitted debt baskets, (vi) decreased the threshold for a cross-default for purposes of determining an Event of Default and (vii) added a new Event of Default in the event the Company does not consummate an underwritten primary equity offering providing at least \$10 million of proceeds to the Company by April 30, 2023.

On March 26, 2023, the Company, the Notes Guarantors and each holder of the Convertible Notes executed unsecured promissory notes, with each 2023 Promissory Note having an aggregate principal amount equal to such holder's interest payments. The 2023 Promissory Notes mature on March 26, 2025 and accrue interest at seven percent per annum (7.0%).

In addition, the 2023 Promissory Notes provide that, in the event the Company consummates the April 2023 Offering by April 30, 2023, the holder of each 2023 Promissory Note has the option to require the Company to prepay a portion of the principal balance of the 2023 Promissory Note in an amount equal to or less than the gross proceeds to the Company from any purchases by the Holder of the Company's securities in the April 2023 Offering. Each holder may exercise its Put Option within ten business days following the closing and funding of the April 2023 Offering. In addition, certain of the 2023 Promissory Notes provide such holders with the right to convert the 2023 Promissory Note into Unregistered Securities on the same terms as the securities offered in the April 2023 Offering in the event such offering takes place.

In April 2023, upon consummation of the April 2023 Offering, all holders of the 2023 Promissory Notes exercised their Put Options and the holder of the 2023 Convertible Promissory Note converted the note into Unregistered Securities. As of June 30, 2023, the 2023 Promissory Notes and 2023 Convertible Promissory Notes were repaid in full.

Notes Payable

On August 11, 2021, the Company entered into a loan and security agreement (the "Note Agreement") with a financial institution that provided for a borrowing commitment of \$15 million in the form of promissory notes. In August 2021, the Company borrowed \$10 million under the first tranche ("First Tranche Notes"). The Note Agreement had a commitment for additional second tranche borrowings of \$5 million through June 30, 2022 ("Second Tranche Notes"). In October 2021 the Company borrowed the remaining \$5 million committed under the Note Agreement. The borrowings under the Note Agreement were secured by substantially all assets of the Company.

The First Tranche Notes and Second Tranche Notes were due to mature on September 1, 2026 and November 1, 2026, respectively, and bore interest at a rate per annum of 6.25% plus the greater of 3.25% or the prime rate as published by the Wall Street Journal. The Company was required to make interest-only payments on the first of each month beginning October 1, 2021 and December 1, 2021, respectively. Beginning October 1, 2023 and December 1, 2023, respectively, the Company would have been required to make principal payments of \$278 thousand and \$139 thousand, respectively, plus accrued interest on the first of each month through maturity. Upon payment in full of the First Tranche Notes and Second Tranche Notes, the Company was required to pay exit fees of \$600 thousand and \$300 thousand, respectively.

In December 2021, the Company borrowed an additional \$1 million from the same financial institution, which was repaid in full on December 31, 2021. In addition, the Company borrowed an additional \$5 million that bore interest at a rate per annum of 6.25% plus the greater of 3.25% or the prime rate as published by the Wall Street Journal. The Company was required to make interest-only payments on the first of each month beginning February 1, 2022, with the full principal amount due on July 1, 2023. Upon payment in full, the Company is required to pay exit fees of \$50 thousand.

In connection with the Note Agreement, the Company issued warrants to purchase up to 33,357 shares of Common Stock (the "Legacy Liability Warrants") at an exercise price of \$0.01 per share (Note 8). On the date of issuance, the Company recorded the fair value of the Legacy Liability Warrants as a discount to the First Tranche Notes which was being amortized into interest expense over the term of the First Tranche Notes using the effective interest method. The issuance costs were deferred over the repayment term of the debt. Deferred issuance costs relate to the Company's debt instruments, the short-term and long-term portions are reflected as a deduction from the carrying amount of the related debt.

In addition, the Company issued additional notes payable in July 2022 for proceeds of \$3.0 million. Such notes payable matured on the earlier of (a) December 31, 2022 or (b) the close of the Business Combination. The amount due at maturity was \$4.5 million. The Company elected to account for the additional notes payable under the fair value option of accounting.

The notes payable were repaid at the closing of the Business Combination.

2022 Promissory Notes

During the second quarter of 2022, the Company entered into the 2022 Promissory Notes with various individuals, including current investors, members of management and other unrelated parties in exchange for cash in an amount equal to \$7.0 million. The 2022 Promissory Notes were due to mature on the earlier of (a) one year from issuance or (b) the closing of the Business Combination (Note 1) and bore per annum interest at the rate of 7.75% plus the greater of 3.50% or the prime rate as published by the Wall Street Journal. The Company was required to make nine interest-only payments, followed by three principal and interest payments. In connection with the 2022 Promissory Notes, the Company issued warrants (“the 2022 Promissory Note Warrants”) to purchase up to 31,024 shares of Common Stock at an exercise price of \$0.01 per share (Note 8). Upon payment in full of the 2022 Promissory Notes, the Company was required to make an additional final payment of \$3.5 million.

The Company elected to account for the 2022 Promissory Notes under the fair value option of accounting upon issuance of each of the 2022 Promissory Notes. At issuance the Company recognized the fair value of the 2022 Promissory Notes of \$6.3 million with the remaining \$0.7 million of proceeds received allocated to the 2022 Promissory Note Warrants.

The 2022 Promissory Notes were repaid at the closing of the Business Combination.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Six Months Ended June 30,	
	2023	2022
Cash flow used in operating activities	\$ (30,215)	\$ (13,193)
Cash flow used in investing activities	(609)	(226)
Cash flow provided by financing activities	18,582	11,555

Operating Activities

Our cash flows from operating activities are primarily driven by the activities associated with our CaaS revenue stream, offset by the cash cost of operations, and are significantly influenced by the timing of and fluctuations in receipts from buyers and related payments to our clients. We typically receive cash from the end users of products sold prior to remitting back to our clients. Our collection and payment cycles can vary from period to period. In addition, seasonality may impact cash flows from operating activities on a sequential quarterly basis during the year.

During the six months ended June 30, 2023, net cash used in operating activities increased by \$17.0 million to \$30.2 million, compared to net cash used in operating activities of \$13.2 million during the six months ended June 30, 2022. The primary drivers of the change were the timing of payment for clients and vendors. Due to clients decreased by \$7.3 million, from \$10.9 million as of December 31, 2022, to \$3.6 million as of June 30, 2023. Accounts payable decreased by \$5.7 million, from \$19.6 million as of December 31, 2022, to \$13.9 million as of June 30, 2023. Among the \$5.7 million decrease, \$3.7 million was attributed to the changes in operating activities.

Investing Activities

Our primary investing activities have consisted of purchases of property and equipment and software.

During the six months ended June 30, 2023, net cash used in investing activities increased by \$383 thousand to \$609 thousand compared to net cash used in investing activities of \$226 thousand during the six months ended June 30, 2022. The primary driver of the increase was cash used in the investment on the warehouse improvement and software development.

Financing Activities

Our financing activities consisted primarily of borrowings and repayments of debt as well as activity related to the Business Combination.

During the six months ended June 30, 2023, net cash provided by financing activities increased by \$7.0 million to \$18.6 million, compared to net cash provided by financing activities of \$11.6 million for the six months ended June 30, 2022. The change was primarily driven by the proceeds from the April 2023 Offering.

Off-Balance Sheet Arrangements

We do not have any relationships with other entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities that have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We did not have any other off-balance sheet arrangements as of June 30, 2023.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Our Financial Condition and Results of Operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses as well as the disclosure of contingent assets and liabilities. We regularly review our estimates and assumptions. These estimates and assumptions, which are based upon historical experience and on various other factors believed to be reasonable under the circumstances, form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Reported amounts and disclosures may have been different had management used different estimates and assumptions or if different conditions had occurred in the periods presented. Below is a discussion of the policies that we believe may involve a high degree of judgment and complexity.

We believe that the accounting policies disclosed below include estimates and assumptions critical to our business and their application could have a material impact on our consolidated financial statements. In addition to these critical policies, our significant accounting policies are included within Note 2 of our "Notes to Consolidated Financial Statements" included elsewhere in this filing.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount, do not bear interest, and primarily represent receivables from consumers and credit card receivables from merchant processors, after performance obligations have been fulfilled. Amounts collected on accounts receivable are included in operating activities in the statements of cash flows.

The Company maintains an allowance for credit losses, as deemed necessary, for estimated losses inherent in its accounts receivable portfolio. In estimating this reserve, management considers historical losses adjusted to take into account current market conditions and customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any customers with off-balance-sheet credit exposure. The Company writes off accounts receivable balances once the receivables are no longer deemed collectible.

Fair value measurements

Joint Ventures

The Company accounts for joint ventures in accordance with ASC 810-10, "Consolidations," ASC 323-10, "Investments-Equity Method and Joint Ventures" and ASC 825-10, "Financial Instruments," under which the Company's joint ventures meet the criteria to be accounted for as an equity method investment using the fair value method. As such, the difference between fair value and cash contribution is recorded as a gain to other income in the Company's consolidated statement of operations. The joint ventures are subject to fair value assessment each reporting period and the changes in fair value is booked to the Company's consolidated statement of operations. In valuing joint venture investments, we utilized the valuation from an independent third-party specialist, with input from management, which used a combination of net income and market approaches, with 50% weight to the discounted cash flow method and 25% weigh to each of the guideline public company and transaction methods. Changes in these estimates and assumptions or the relationship between those assumptions impact our valuation as of the valuation date and may have a material impact on the valuation.

Convertible notes

The Company accounts for the Convertible Notes in accordance with ASC 825-10, "Financial Instruments," under which the Convertible Notes meet the criteria to be accounted for using the fair value method. The Convertible Notes are subject to fair value assessment each reporting period. As such, changes to fair value are recorded in the consolidated income statements to change in fair value of the Convertible Notes. In valuing the Convertible Notes, we utilized the valuation from an independent third-party specialist, which uses a binomial lattice valuation model. Changes in these estimates and assumptions or the relationship between those assumptions impact our valuation as of the valuation date and may have a material impact on the valuation.

Standby Agreement

The Company has entered into a Standby Agreement and the Equity PIPE Subscription Agreement with a Financial Institution (Note 8) which is accounted for as a derivative in its entirety in accordance with ASC 815-10, and the structured payments within the Equity PIPE Subscription Agreement was considered an embedded feature in the Equity PIPE Subscription Agreement that met the definition of a derivative and required bifurcation from the Equity PIPE Subscription Agreement, as it is not clearly and closely related to the Equity PIPE Subscription Agreement and would be accounted for in accordance with ASC 815-10. The Company accounted for the

Standby Agreement Derivative acquired at fair value upon the closing of the Business Combination. The Company will continue to account for the Standby Agreement Derivative at fair value each reporting period in accordance with ASC 815-10. The Company engages a third-party valuation specialist to assist with the fair value assessment. The fair value changes is recorded in change in fair value of derivatives on the consolidated statements of operations.

Warrants

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in FASB ASC 480 and ASC 815. The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own shares of Common Stock, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding. For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter until settlement. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the condensed consolidated statements of operations.

Revenue

Revenue is accounted for using ASC Topic 606, Revenue from Contracts with Customers.

In accordance with ASC Topic 606, the Company recognizes revenue when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services. The Company determines revenue recognition through the following steps:

- Identification of a contract with a customer,
- Identification of the performance obligations in the contract,
- Determination of the transaction price,
- Allocation of the transaction price to the performance obligations in the contract, and
- Recognition of revenue when or as the performance obligations are satisfied.

A performance obligation is a promise in a contract to transfer a distinct product. Performance obligations promised in a contract are identified based on the goods that will be transferred that are both capable of being distinct and are distinct in the context of the contract, whereby the transfer of the goods is separately identifiable from other promises in the contract. Performance obligations include establishing and maintaining customer online stores, providing access to the Company's e-commerce platform, customer service support, photography services, warehousing, and fulfillment. The Company has concluded the sale of goods and related shipping and handling on behalf of our customers are accounted for as a single performance obligation, while the expenses incurred for actual shipping charges are included in cost of sales.

The Company's revenue is mainly commission fees derived from contractually committed gross revenue processed by customers on the Company's e-commerce platform. Customers do not have the contractual right to take possession of the Company's software. Revenue is recognized in an amount that reflects the consideration that the Company expects to ultimately receive in exchange for those promised goods, net of expected discounts for sales promotions and customary allowances.

CaaS revenue is recognized on a net basis from maintaining e-commerce platforms and online orders, as the Company is engaged primarily in an agency relationship with its customers and earns defined amounts based on the individual contractual terms for the customer and the Company does not take possession of the customers' inventory or any credit risks relating to the products sold.

Variable consideration is included in revenue for potential product returns. The Company uses a reserve to constrain revenue for the expected variable consideration at each period end. The Company reviews and updates its estimates and related accruals of variable consideration each period based on the terms of the agreements, historical experience, and expected levels of returns. Any uncertainties in the ultimate resolution of variable consideration due to factors outside of the Company's influence are typically resolved within a short timeframe therefore not requiring any additional constraint on the variable consideration.

Payment terms and conditions are generally consistent for customers, including credit terms to customers ranging from seven days to 60 days, and the Company's contracts do not include any significant financing component. The Company performs credit evaluations of customers and evaluates the need for allowances for potential credit losses based on historical experience, as well as current and expected general economic conditions.

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and, therefore, are excluded from net sales in the statements of operations.

Commerce-as-a-Service

The Company's main revenue stream is CaaS revenue in which they receive commission fees derived from contractually committed gross revenue processed by customers on the Company's e-commerce platform. Consideration for online sales is collected directly from the shopper by the Company and amounts not owed to the Company are remitted to the client. Revenue is recognized on a net basis from maintaining e-commerce platforms and online orders, as the Company is engaged in an agency relationship with its customers and earns defined amounts based on the individual contractual terms for the customer and the Company does not take possession of the customers' inventory or any credit risks relating to the products sold.

Product revenue

Under one of the Company's Master Services Agreements, the Company is the owner of inventory and reseller of record. As a result, the Company is the principal in sales to end customers and records these revenues on a gross basis a point in time.

Fulfillment

Revenue for B2B fulfillment services is recognized on a gross basis either at a point in time or over a point in time. For example, inbound and outbound services are recognized when the service is complete, while monthly storage services are recognized over the service period.

Marketing

Revenue for marketing services is recognized on a gross basis as marketing services are complete. Performance obligations include providing marketing and program management such as procurement and implementation.

Shipping

Revenue for shipping services is recognized on a gross basis as shipments are completed and products are shipped to end customers.

Other services

Revenue for other services such as photography, B2C fulfillment, customer service, development and web design are reimbursable costs and recognized on the gross basis, and are services rendered as part of the performance obligations to clients for which an online platform and online orders are managed. All reimbursable costs are the responsibility of the Company as the Company uses such services to fulfill its performance obligations.

Set up and implementation

The Company provides set up and implementation services for new clients. The revenue is recognized on a gross basis at the completion of the service, with the unearned amounts received for incomplete services recorded as deferred revenue, if any.

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and, therefore, are excluded from net sales in the statements of operations.

Recently Issued Accounting Pronouncements

We discuss the potential impact of recent accounting pronouncements in Note 2 to our "Notes to Consolidated Financial Statements" under the caption "Summary of Significant Accounting Policies".

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures***Evaluation of Disclosure Controls and Procedures***

Our management has established and maintains a system of disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, such as this Report, is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. The disclosure controls and procedures are also designed to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this Report, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) of the Exchange Act, as such disclosure controls and procedures are defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based on this evaluation, Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2023, our disclosure controls and procedures were effective to provide reasonable assurance of achieving their objectives.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter to which this Report relates 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

We are and may become, from time to time, involved in legal actions in the ordinary course of business, including governmental and administrative investigations, inquiries and proceedings concerning employment, labor, environmental and other claims. Although management is unable to predict with certainty the eventual outcome of any legal action, management believes the ultimate liability arising from such actions, individually and in the aggregate, which existed at June 30, 2023, will not materially affect the Company's consolidated results of operations, financial position or cash flows. Given the inherent unpredictability of these types of proceedings, however, it is possible that future adverse outcomes could have a material effect on our financial results.

Item 1A. Risk Factors

We are subject to various risks and uncertainties in the course of our business. For a discussion of such risks and uncertainties, please see the section in our Annual Report on Form 10-K filed with the SEC on March 23, 2023 titled "Risk Factors." There have been no material changes to the risk factors disclosed therein.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of Nogin, Inc.	8-K	3.1	9/01/2022
3.2	Amended and Restated Bylaws of Nogin, Inc.	8-K	3.2	9/01/2022
3.3	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Nogin, Inc.	8-K	3.1	3/28/2023
4.1	Form of Common Warrant.	8-K	4.1	4/4/2023
10.1	Form of Purchase Agreement.	8-K	10.1	4/4/2023
10.2	Placement Agency Agreement, dated as of April 4, 2023, by and among Nogin, Inc. and A.G.P./Alliance Global.	8-K	10.2	4/4/2023
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).			
31.2	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).			
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 (furnished herewith).			
32.2	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 (furnished herewith).			
99.1	Recast Financial Statements Originally Included in the Annual Report on Form 10-K of Nogin, Inc. for the year ended December 31, 2022.	8-K	99.1	4/3/2023
101	The following financial information from Nogin, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, formatted in Inline XBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets - Unaudited, (ii) the Condensed Consolidated Statement of Operations - Unaudited, (iii) the Condensed Consolidated Statements of Convertible Redeemable Preferred Stock and Stockholders' Deficit - Unaudited, (iv) the Condensed Consolidated Statement of Cash Flows - Unaudited and (v) the Notes to Condensed Consolidated Financial Statements - Unaudited (submitted electronically herewith).			
104	Cover Page Interactive Data File, formatted in Inline XBRL (included as Exhibit 101).			

* Certain of the exhibits and schedules to this Exhibit have been omitted in accordance with Regulation S-K Item 601(a)(5). The Company agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon its request.

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:

NOGIN, INC.

By: /s/ Jonathan S. Huberman

Jonathan S. Huberman

Chief Executive Officer, President and Chairman of the Board of Directors (Principal Executive Officer)

August 14, 2023

By: /s/ Shahriyar Rahmati

Shahriyar Rahmati

Chief Financial Officer and Chief Operating Officer (Principal Financial and Accounting Officer)

August 14, 2023

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jonathan S. Huberman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nogin, Inc. for the quarter ended June 30, 2023;
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: August 14, 2023

By:

/s/ Jonathan S. Huberman
Jonathan S. Huberman
Chief Executive Officer, President and
Chairman of the Board of Directors
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Shahriyar Rahmati, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nogin, Inc. for the quarter ended June 30, 2023;
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: August 14, 2023

By:

/s/ Shahriyar Rahmati
Shahriyar Rahmati
Chief Financial Officer and Chief Operating Officer (Principal Financial and
Accounting Officer)

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

In connection with the Quarterly Report of Nogin, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 14, 2023

By:

/s/ Jonathan S. Huberman
Jonathan S. Huberman
Chief Executive Officer, President
and Chairman of the Board of Directors
(Principal Executive Officer)

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

In connection with the Quarterly Report of Nogin, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 14, 2023

By:

/s/ Shahriyar Rahmati
Shahriyar Rahmati
Chief Financial Officer and Chief Operating Officer (Principal Financial and
Accounting Officer)
