

**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 quarter ended September 30, 2022

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

For the transition period from to

Commission file number: 001-38785

STRYVE FOODS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

87-1760117

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

**5801 Tennyson Parkway, Suite 275
Plano, TX 75024**
(Address of principal executive offices)

(972) 987-5130
(Issuer's telephone number)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock	SNAX	The NASDAQ Stock Market LLC
Warrants, each exercisable for one share of Class A common stock at an exercise price of \$11.50 per share	SNAXW	The NASDAQ Stock Market LLC

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 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

At November 14, 2022, 25,010,612 shares of the registrant's Class A common stock, \$0.0001 par value, and 7,093,711 shares of the registrant's Class V common stock, \$0.0001 par value, were issued and outstanding.

STRYVE FOODS, INC.
FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2022
TABLE OF CONTENTS

	Page
Part I. Financial Information	1
Item 1. Unaudited Condensed Consolidated Financial Statements	1
<u>Condensed Consolidated Balance Sheets</u>	1
<u>Condensed Consolidated Statements of Operations</u>	2
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity</u>	3
<u>Condensed Consolidated Statements of Cash Flows</u>	5
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3. Quantitative and Qualitative Disclosures Regarding Market Risk	35
Item 4. Controls and Procedures	36
Part II. Other Information	37
Item 1. Legal Proceedings	37
Item 1A. Risk Factors	37
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 3. Defaults Upon Senior Securities	37
Item 4. Mine Safety Disclosures	37
Item 5. Other Information	37
Item 6. Exhibits	38
Part III. Signatures	39

PART I - FINANCIAL INFORMATION
Item 1. Condensed Consolidated Financial Statements

STRYVE FOODS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2022 (Unaudited)	December 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalent	\$ 4,354,624	\$ 2,217,191
Accounts receivable, net	2,142,934	2,900,281
Inventory, net	8,927,055	7,215,981
Prepaid media spend, net of reserve	—	450,000
Prepaid expenses and other current assets	2,528,134	2,255,539
Total current assets	17,952,747	15,038,992
Property and equipment, net	7,896,559	6,825,895
Right of use asset, net	618,136	767,382
Goodwill	8,450,000	8,450,000
Intangible asset, net	4,422,608	4,604,359
Prepaid media spend, net of reserve and net of current portion	—	1,084,548
Other assets	—	4,192
TOTAL ASSETS	<u>\$ 39,340,050</u>	<u>\$ 36,775,368</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	2,543,373	\$ 3,097,516
Accrued expenses	2,635,204	1,634,978
Current portion of lease liability	215,127	168,482
Line of credit, net of debt issuance costs	123,191	3,500,000
Current portion of long-term debt	1,559,139	3,447,056
Total current liabilities	7,076,034	11,848,032
Long-term debt, net of current portion, net of debt issuance costs	3,470,968	119,542
Lease liability, net of current portion	436,351	598,900
Financing obligation - related party operating lease	7,500,000	7,500,000
Deferred tax liability, net	67,223	67,223
Deferred stock compensation liability	602,605	71,197
Warrant liability	28,421	128,375
TOTAL LIABILITIES	19,181,602	20,333,269
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock - \$0.0001 par value, 10,000,000 shares authorized, 0 shares issued and outstanding	—	—
Class A common stock - \$0.0001 par value, 400,000,000 shares authorized, 22,964,806 and 8,633,755 shares issued and outstanding, respectively	2,296	863
Class V common stock - \$0.0001 par value, 200,000,000 shares authorized, 7,488,343 and 11,502,355 shares issued and outstanding	749	1,150
Additional paid-in-capital	132,902,242	100,551,257
Accumulated deficit	(112,746,839)	(84,111,171)
TOTAL STOCKHOLDERS' EQUITY	20,158,448	16,442,099
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 39,340,050</u>	<u>\$ 36,775,368</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

STRYVE FOODS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2022	2021	2022	2021
SALES, net	\$ 6,170,468	\$ 9,061,770	\$ 24,537,180	\$ 23,247,568
COST OF GOODS SOLD (exclusive of depreciation shown separately below)	4,786,054	5,807,924	26,453,793	13,734,845
GROSS (LOSS) MARGIN	1,384,414	3,253,846	(1,916,613)	9,512,723
OPERATING EXPENSES				
Selling expenses	2,640,667	5,826,749	12,872,928	17,873,161
Operations expense	1,084,596	1,234,002	3,664,135	3,264,087
Salaries and wages	1,939,670	3,973,204	8,035,646	6,976,515
Depreciation and amortization expense	518,240	402,290	1,465,966	1,193,846
Gain on disposal of fixed assets	(50,280)	(13,250)	(74,292)	(21,828)
Total operating expenses	6,132,893	11,422,995	25,964,383	29,285,781
OPERATING LOSS	(4,748,479)	(8,169,149)	(27,880,996)	(19,773,058)
OTHER (EXPENSE) INCOME				
Interest expense	(189,794)	(757,811)	(558,825)	(2,715,068)
PPP loan forgiveness	—	—	—	1,669,552
Change in fair value of Private Warrants	14,644	213,300	99,954	213,300
Gain on debt extinguishment	—	—	—	545,200
Other (expense) income	(43,470)	2,577	(258,853)	27,124
Total other (expense) income	(218,620)	(541,934)	(717,724)	(259,892)
NET LOSS BEFORE INCOME TAXES	(4,967,099)	(8,711,083)	(28,598,720)	(20,032,950)
Income taxes	507	—	36,948	—
NET LOSS	\$ (4,967,606)	\$ (8,711,083)	\$ (28,635,668)	\$ (20,032,950)
Loss per common share:				
Basic and diluted	\$ (0.16)	\$ (0.48)	\$ (0.94)	\$ (1.56)
Weighted average shares outstanding:				
Basic and diluted	30,991,943	18,263,099	30,568,431	12,878,733

The accompanying notes are an integral part of these condensed consolidated financial statements.

STRYVE FOODS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
THREE AND NINE MONTHS ENDED, SEPTEMBER 30, 2022
(Unaudited)

	Common Stock Class A		Common Stock Class B/V		Additional Paid-in- Capital	Accumulate d Deficit	Total
	Shares	Amount	Shares	Amount			
BALANCE, JANUARY 1, 2022	8,633,755	\$ 863	11,502,355	\$ 1,150	\$ 100,551,257	\$ (84,111,171)	\$ 16,442,099
PIPE Investment	2,496,934	250	—	—	32,310,937	—	32,311,187
Prefunded Warrants converted into Common Stock Class A	1,443,557	144	—	—	(69)	—	75
Post closing adjustment of BCA	—	—	—	—	(238,089)	—	(238,089)
Issuance of Restricted Stock Awards	108,500	11	—	—	36,698	—	36,709
Net loss	—	—	—	—	—	(7,313,742)	(7,313,742)
BALANCE, MARCH 31, 2022	12,682,746	1,268	11,502,355	1,150	132,660,734	(91,424,913)	41,238,239
Prefunded Warrant converted into Common Stock Class A	3,553,589	356	—	—	(96)	—	260
Issuance of Restricted Stock Awards	501,125	50	—	—	172,802	—	172,852
Issuance of Restricted Stock Units	13,334	1	—	—	68,802	—	68,803
Net Loss	—	-	—	—	—	(16,354,319)	(16,354,319)
BALANCE, JUNE 30, 2022	16,750,794	1,675	11,502,355	1,150	132,902,242	(107,779,232)	25,125,835
Prefunded Warrant converted into Common Stock Class A	2,200,000	220	—	—	—	—	220
Exchanged BV for Class A shares	4,014,012	401	(4,014,012)	(401)	—	—	—
Net Loss	—	-	—	—	—	(4,967,606)	(4,967,606)
BALANCE, SEPTEMBER 30, 2022	<u>22,964,806</u>	<u>2,296</u>	<u>7,488,343</u>	<u>749</u>	<u>132,902,242</u>	<u>(112,746,839)</u>	<u>20,158,448</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

STRYVE FOODS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
THREE AND NINE MONTHS ENDED, SEPTEMBER 30, 2021
(Unaudited)

	Common Stock Class A		Common Stock Class B/V		Additional Paid-in- Capital	Retained Earnings	Total
	Shares	Amount	Shares	Amount			
BALANCE, JANUARY 1, 2021	—	—	10,152,020	\$ 1,015	\$ 42,783,367	\$ (52,121,249)	\$ (9,336,867)
Repurchase of member shares	—	—	(12,598)	(1)	(99,949)	—	(99,950)
Net loss	—	—				(5,761,150)	(5,761,150)
BALANCE, MARCH 31, 2021	—	—	10,139,422	1,014	42,683,418	(57,882,399)	(15,197,967)
Net loss	—	—				(5,560,717)	(5,560,717)
BALANCE, JUNE 30, 2021	—	—	10,139,422	1,014	42,683,418	(63,443,116)	(20,758,684)
Conversion of Convertible Notes & interest to Class V common stock	—	—	1,362,933	136	10,822,138	—	10,822,274
Recapitalization							
Recapitalization with Andina	3,409,949	341			11,571,705	—	11,572,046
PIPE raise	5,607,372	561			35,062,867	—	35,063,428
Pre-Funded Warrant	(800,000)	(80)			80	—	—
Net loss	—	—				(8,711,083)	(8,711,083)
BALANCE, SEPTEMBER 30, 2021	<u>8,217,321</u>	<u>\$ 822</u>	<u>11,502,355</u>	<u>\$ 1,150</u>	<u>\$ 100,140,208</u>	<u>\$ (72,154,199)</u>	<u>\$ 27,987,981</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

STRYVE FOODS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For The Nine Months Ended September 30, 2022	For The Nine Months Ended September 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (28,635,668)	\$ (20,032,950)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	1,284,215	1,009,192
Amortization of intangible assets	181,751	184,655
Amortization of debt issuance costs	—	546,264
Amortization of right-of-use asset	149,246	—
Gain on disposal of fixed assets	(74,292)	—
Gain on debt extinguishment	—	(545,200)
Prepaid media reserve	1,489,028	—
Obsolete inventory reserve	861,062	—
Interest income on members loan receivable	—	(27,124)
Bad debt expense	322,946	513,661
Forgiveness on paycheck protection program loan	—	(1,669,552)
Stock based compensation expense	809,773	—
Change in fair value of Private Warrants	(99,954)	(213,300)
Forgiveness of Notes Receivable	—	1,700,869
Changes in operating assets and liabilities:		
Accounts receivable	434,401	(4,331,314)
Inventory	(2,572,136)	(2,141,497)
Vendor deposits	4,193	—
Prepaid media spend	45,520	(170,633)
Prepaid expenses and other current assets	(63,883)	(2,236,168)
Accounts payable	(554,144)	(357,214)
Accrued liabilities	1,000,225	146,773
Operating lease payments	(115,904)	—
Net cash used in operating activities	(25,533,621)	(27,623,538)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchase of equipment	(2,321,587)	(897,837)
Cash received for sale of equipment	41,000	65,102
Net cash used in investing activities	(2,280,587)	(832,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Investment from Andina	—	36,135,517
PIPE capital raise	32,311,187	—
Exercise of Prefunded Warrants	555	—
Repurchase of member shares	—	(99,950)
Post closing adjustment of BCA	(238,089)	—
Borrowings on long-term debt	3,940,035	—
Repayments on long-term debt	(4,989,218)	(4,230,928)
Borrowings on related party debt	—	9,294,000
Repayments on related party debt	—	(7,889,681)
Borrowings on short-term debt	1,135,883	19,694,548
Repayments on short-term debt	(2,000,000)	(11,142,130)
Debt issuance costs	(208,712)	(507,166)
Net cash provided by financing activities	29,951,641	41,254,210
Net change in cash and cash equivalents	2,137,433	12,797,937
Cash and cash equivalents at beginning of period	2,217,191	591,634
Cash and cash equivalents at end of period	<u>\$ 4,354,624</u>	<u>\$ 13,389,571</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	<u>\$ 401,862</u>	<u>\$ 2,847,898</u>
NON-CASH INVESTING AND FINANCING ACTIVITY:		
Non-cash retirement of Bridge Notes	<u>\$ —</u>	<u>\$ 10,856,964</u>
Non-cash commercial premium finance borrowing	<u>\$ 1,012,693</u>	<u>\$ —</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

STRYVE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(Unaudited)

Note 1 - Organization and Description of Business

Stryve Foods, Inc. (f/k/a Andina Acquisition Corp. III) ("Stryve" or the "Company") is an emerging healthy snacking company which manufactures, markets and sells highly differentiated healthy snacking products. The Company offers convenient snacks that are lower in sugar and carbohydrates and higher in protein than other snacks. The Company is headquartered in Plano, Texas, with manufacturing operations in Madill, Oklahoma.

On July 20, 2021 (the "Closing Date"), the Company completed a business combination (the "Business Combination") pursuant to that certain Business Combination Agreement (the "BCA") by and among the Company, Andina Holdings LLC, a Delaware limited liability company and a wholly-owned subsidiary of the Company ("Holdings"), B. Luke Weil, in the capacity from and after the closing of the transactions contemplated by the Business Combination Agreement (the "Closing") as the representative for the shareholders of the Company (other than the Seller), Stryve Foods, LLC, a Texas limited liability company, Stryve Foods Holdings, LLC, a Texas limited liability company (the "Seller"), and R. Alex Hawkins, in the capacity from and after the Closing as the representative for the members of the Seller. Notwithstanding the legal form of the Business Combination, pursuant to the Business Combination Agreement, the Business Combination has been accounted for as a reverse recapitalization in accordance with generally accepted accounting principles in the United States ("GAAP"). Under this method of accounting, Stryve Foods, LLC is treated as the acquirer and the Company is treated as the acquired company for financial statement reporting purposes.

In connection with the completion of the Business Combination and as contemplated by the Business Combination Agreement, the Company: (i) issued 4,250,000 shares of Class A common stock to private placement investors for aggregate consideration of \$42.5 million; (ii) issued 1,357,372 shares of Class A common stock, satisfied by the offset of \$10.9 million of principal and accrued interest under outstanding unsecured promissory notes (the "Bridge Notes") issued by Stryve Foods, LLC to certain investors in a private placement on the closing date of the Business Combination, and (iii) 11,502,355 newly issued non-voting Class B common units of Holdings (the "Seller Consideration Units") and voting (but non-economic) Class V common stock of the Company. In addition, the Company's ordinary shares outstanding prior to the Closing were converted into 3,409,949 shares of Class A common stock of the Company without any action of the holders. The Seller distributed the Seller Consideration Units to its members in accordance with its limited liability company agreement. On March 25, 2022, the Company finalized the post-closing adjustments under the Business Combination Agreement (the "Post-Closing Adjustment"), which resulted in the release of all 115,023 escrowed shares of Class V common stock, an equal number of Holdings Class B common units, and the net payment of approximately \$238,000 by the Company to the Seller.

Prior to July 20, 2021, Stryve Foods, LLC was a "pass-through" (limited liability company) entity for income tax purposes and had no material income tax accounting reflected in its financial statements for financial reporting purposes since taxable income and deductions were "passed through" to its members. Following the consummation of the Business Combination, the combined company is organized in an "Up-C" structure and is now a taxable C corporation in which the business of Stryve Foods, LLC and its subsidiaries is held by Holdings, which is a subsidiary of the Company. By virtue of the Up-C structure, the Company's only direct assets consist of its equity interests in Holdings, an entity of which the Company maintains 100% voting control. As the member of Holdings with voting control, the Company has full, exclusive and complete discretion to manage and control the business of Stryve Foods, LLC and to take all actions it deems necessary, appropriate, advisable, incidental, or convenient to accomplish the purposes of Stryve Foods, LLC and, accordingly, the financial statements are prepared on a consolidated basis. The financial statements of the Company now account for income taxes in accordance with Accounting Standards Codification ("ASC") 740, Income taxes. Stryve Foods, LLC has four wholly owned subsidiaries, Biltong Acquisition Company LLC, Braaitime LLC, Protein Brothers, LLC, and Kalahari Snacks, LLC.

The consolidated financial statements are under the name of the Company, the legal parent, but represent Stryve Foods, LLC, the legal subsidiary (accounting acquirer) with an adjustment to retrospectively adjust the legal capital to reflect the legal capital as earnings per share ("EPS"). EPS is calculated using the equity structure of the Company, including the equity interests issued to the Seller in the Business Combination. Prior to the Business Combination, EPS was based on Stryve Foods, LLC's net income and weighted average common shares outstanding on an as exchanged basis that were received in the Business Combination. Subsequent to the Business Combination, EPS is based on the actual number of common shares on an as exchanged basis of the Company outstanding during that period. For any periods prior to the Closing, basic and diluted net income/loss per share have been retroactively adjusted to reflect the reverse recapitalization of the Company utilizing the number of Seller Consideration Units (adjusted as necessary to reflect the capital activity of Stryve Foods, LLC prior to the Closing) as the weighted average shares outstanding for those periods and the actual shares outstanding for any periods after the Closing, all on an as exchanged basis.

Note 2 - Liquidity

The Company incurred net losses of approximately \$28.6 million during the nine months ended September 30, 2022. Cash used in operating activities was approximately \$25.5 million for the nine months ended September 30, 2022. We have historically funded our operations with cash flow from operations, equity capital raises, and note payable agreements from shareholders and private investors, in addition to bank loans. Our principal uses of cash have been debt service, capital expenditures, net losses and investment in working capital. As of September 30, 2022, we have working capital of \$10.9 million which compares favorably to the \$3.2 million working capital we maintained as of December 31, 2021 and have approximately \$5.2 million of indebtedness.

Late in the third quarter of 2022, we secured \$21 million of non-dilutive, committed borrowing capacity through a combination of facilities to augment our liquidity, as needed, through the execution of management's plan of which \$4.3 million had been drawn upon as of September 30, 2022.

We have examined every area of spending throughout our business and believe we identified ways to drive efficiencies, eliminate unnecessary expense, and focus on the highest and best use of each dollar. The resulting impact is a 46.3% reduction in total operating expenses leading to a \$3.7 million improvement in our pre-tax net loss despite lower sales when comparing to the prior year quarter. Further, we have instituted a continuous price action review process in which we look to protect our unit economics in light of the inflationary environment. This process has already resulted in two meaningful price increases this year. We have also sought to optimize our channel strategy and rationalize our customer and product portfolio to eliminate sales that detract from our profitability goals.

In the third quarter of 2022, we invested more heavily into our inventories than our sales volumes would indicate as being required. Given that prevailing beef prices are rising, this investment in inventory was driven in part by opportunistic commodity beef purchases made towards the end of the quarter to secure attractive pricing. We anticipate drawing down on these inventory levels in the coming quarters which would be a near-term source of liquidity.

The Company believes that cash from operations, our working capital, and our borrowing ability should be sufficient to fund the Company's base projections for at least the next twelve months from the date these financial statements are made available.

Note 3 - Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, these interim financial statements do not include all information and footnotes required under GAAP for complete financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of results of operations, balance sheet, cash flows, and shareholders' equity for the periods presented. The unaudited condensed consolidated results of operations for the interim periods presented are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report filed on Form 10-K for the year ended December 31, 2021. The Company's condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted.

Use of Estimates

The preparation of the condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and the accompanying notes. Accounting estimates and assumptions discussed herein are those that management considers to be the most critical to an understanding of the condensed consolidated financial statements because they inherently involve significant judgments and uncertainties. Estimates are used for, but not limited to revenue recognition, allowance for doubtful accounts and customer allowances, standard costs of inventory, provisions for inventory obsolescence, impairments of goodwill and long-lived assets, warrant liabilities and valuation allowances for deferred tax assets. All of these estimates reflect management's judgment about current economic and market conditions and their effects based on information available as of the date of these consolidated financial statements. If such conditions persist longer or deteriorate further than expected, it is reasonably possible that the judgments and estimates could change, which may result in future impairments of assets among other effects.

Accounts Receivable and Allowance for Doubtful Accounts, Returns, and Deductions

Accounts receivable are customer obligations due under normal trade terms. The Company records accounts receivable at their net realizable value, which requires management to estimate the collectability of the Company's receivables. Judgment is required in assessing the realization of these receivables, including the credit worthiness of each counterparty and the related aging of past due balances. Management provides for an allowance for doubtful accounts equal to the estimated uncollectable amounts, in addition to a general provision based on historical experience. As of September 30, 2022, and December 31, 2021, the allowance for doubtful accounts and returns and deductions totaled \$104,815 and \$1,236,497, respectively. Total bad debt expense for the nine months ended September 30, 2022 and 2021, was \$322,946 and \$513,661, respectively.

Concentration of Credit Risk

The balance sheet items that potentially subject the Company to concentrations of credit risk are primarily cash and accounts receivable. The Company continuously evaluates the credit worthiness of its customers' financial condition and generally does not require collateral. The Company maintains cash balances in bank accounts that may, at times, exceed Federal Deposit Insurance Corporation ("FDIC") limits of \$250,000 per institution. The Company incurred no losses from such accounts and management considers the risk of loss to be minimal.

For the nine months ended September 30, 2022 and 2021, customer concentrations in excess of 10% consolidated sales are as follows:

	Nine Months Ended Sept 30,		Period Ended September 30,	
	2022	2021	2022	2021
	Sales		Accounts Receivable	
Customer A	36%	—	—	—
Customer B	—	12%	10%	13%
Customer C	10%	10%	12%	11%
Customer D	—	—	12%	11%
Customer E	—	—	10%	—

Revenue Recognition Policy

The Company manufactures and markets a broad range of protein snack products through multiple distribution channels. The products are offered through branded and private label items. Generally, the Company considers all revenues as arising from contracts with customers. Revenue is recognized based on the five-step process outlined in the Accounting Standards Codification ("ASC") 606:

- (1) Identification of the contract with a customer
- (2) Identification of the performance obligations in the contract
- (3) Determination of the transaction price
- (4) Allocation of the transaction price to the performance obligations in the contract
- (5) Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company's revenue derived from the sale of branded and private label products is considered variable consideration as the contract includes discounts, rebates, incentives and other similar items. Generally, revenue is recognized at the point in time when the customer obtains control of the product, which may occur upon either shipment or delivery of the product. The payment terms of the Company's contracts are generally net thirty to sixty days, although early pay discounts are offered to customers.

The Company regularly experiences customer deductions from amounts invoiced due to product returns, product shortages, and delivery nonperformance penalty fees. This variable consideration is estimated using the expected value approach based on the Company's historical experience, and it is recognized as a reduction to the transaction price in the same period that the related product sale is recognized.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products to customers. Revenue is recognized when the Company satisfies its performance obligations under the contract by transferring the promised product to its customer.

The Company's contracts generally do not include any material significant financing components.

Performance Obligations

The Company has elected the following practical expedients provided for in Topic 606, *Revenue from Contracts with Customers*:

- (1)The Company has excluded from its transaction price all sales and similar taxes collected from its customers.
- (2)The Company has elected to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.
- (3)The Company has elected to account for shipping and handling activities that occur after control of the related good transfers as fulfillment activities instead of assessing such activities as performance obligations.
- (4)The portfolio approach has been elected by the Company as it expects any effects would not be materially different in application at the portfolio level compared with the application at an individual contract level.
- (5)The Company has elected not to disclose information about its remaining performance obligations for any contract that has an original expected duration of one year or less.

Neither the type of good sold nor the location of sale significantly impacts the nature, amount, timing, or uncertainty of revenue and cash flows.

Inventory

Inventories consist of raw materials, work in process, and finished goods, are stated at lower of cost or net realizable value determined using the standard cost method. The Company reviews the value of items in inventory and provides write-downs and write-offs of inventory for obsolete, damaged, or expired inventory. Write-downs and write-offs are included in cost of goods sold.

Debt Issuance Costs

Debt issuance costs are costs incurred to obtain new debt financing. Debt issuance costs are presented in the accompanying condensed consolidated balance sheet as a reduction in the carrying value of the debt and are accreted to interest expense using the effective interest method.

Stock Based Compensation

Stock-based compensation awards are accounted for in accordance with ASC Topic 718, *Compensation –Stock Compensation* (ASC 718). The Company expenses the fair value of stock awards granted to employees and members of the board of directors over the requisite service period, which is typically the vesting period. Compensation cost for stock-based awards issued to employees is measured using the estimated fair value at the grant date and is adjusted to reflect actual forfeitures.

Stock-based awards issued to non-employees, including directors for non-board-related services, are accounted for based on the fair value of such services received or the fair value of the awards granted on the grant date, whichever is more reliably measured. Stock-based awards subject to service-based vesting conditions are expensed on a straight-line basis over the vesting period.

Warrant Liability

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 Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 480, *Distinguishing Liabilities from Equity* ("ASC 480") and ASC 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 common stock and whether the warrant holders could potentially require "net cash settlement" in a circumstance outside of the Company's control, 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.

Accordingly, the Company classifies the private warrants issued to Andina's original stockholders (the "Private Warrants") as liabilities at their fair value and adjusts the warrants to fair value at each reporting period. This liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in the Company's statement of operations.

Earnings per Share

The Company reports both basic and diluted earnings per share. Basic earnings per share is calculated based on the weighted average number of shares of common stock outstanding and excludes the dilutive effect of warrants, stock options, and other types of convertible securities. However, certain pre-funded warrants are included in the calculation of basic earnings per share as the pre-funded warrants can be exercised for nominal value. Diluted earnings per share is calculated based on the weighted average number of shares of common stock outstanding and the dilutive effect of stock options, warrants and other types of convertible securities are included in the calculation. Dilutive securities are excluded from the diluted earnings per share calculation if their effect is anti-dilutive, such as in periods where the Company would report a net loss. For any periods prior to the closing of the Business Combination (the "Closing"), basic and diluted net income/loss per share have been retroactively adjusted to reflect the reverse recapitalization of the Company utilizing the Seller Consideration Units (adjusted as necessary to reflect the capital activity of the Company prior to the Closing) as the weighted average shares outstanding for those periods and the actual shares outstanding for any periods after the Closing all on an as exchanged basis.

As of September 30, 2022, the Company excluded the common stock equivalents summarized below, which entitle the holders thereof to ultimately acquire shares of common stock, from its calculation of earnings per share, as their effect would have been anti-dilutive.

	2022	September 30,	2021
Private Warrants	197,500		197,500
Public Warrants	10,800,000		10,800,000
Warrants - January Offering	10,294,118		—
Restricted Stock Awards - unvested	825,750		—
	<u>22,117,368</u>		<u>10,997,500</u>

The weighted average number of shares outstanding for purposes of per share calculations includes the pre-funded warrants as if they had been exercised as well as the BV shares on as-exchanged basis.

Income Taxes

The Company accounts for income taxes pursuant to the asset and liability method of ASC 740, Income Taxes, which requires the Company to recognize current tax liabilities or receivables for the amount of taxes as estimated are payable or refundable for the current year, and deferred tax assets and liabilities for the expected future tax consequences attributable to temporary differences between the financial statement carrying amounts and their respective tax bases of assets and liabilities and the expected benefits of net operating loss and credit carryforwards. 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 operations in the period enacted. A valuation allowance is provided when it is more likely than not that a portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of deferred tax liabilities during the period in which related temporary differences become deductible.

Under the terms of a Tax Receivable Agreement (the "TRA") as part of the Business Combination Agreement, the Company generally will be required to pay to the Seller 85% of the applicable cash savings, if any, in U.S. federal and state income tax based on its ownership in Andina Holdings, LLC that the Company is deemed to realize in certain circumstances as a result of the increases in tax basis and certain tax attributes resulting from the Business Combination as described below. This is accounted for in conjunction with the methods used to record income tax described above.

The Company follows the provisions of ASC 740-10 related to the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC 740-10 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns.

The benefit of tax positions taken or expected to be taken in the Company income tax returns is recognized in the financial statements if such positions are more likely than not of being sustained upon examination by taxing authorities. Differences between tax positions taken or expected to be taken in a tax return and the benefit recognized and measured pursuant to the interpretation are referred to as

“unrecognized benefits”. A liability is recognized (or amount of net operating loss carryover or amount of tax refundable is reduced) for an unrecognized tax benefit because it represents an enterprise’s potential future obligation to the taxing authority for a tax position that was not recognized as a result of applying the provisions of ASC 740-10. Interest costs and related penalties related to unrecognized tax benefits are required to be calculated, if applicable. The Company’s policy is to classify assessments, if any, for tax related interest and penalties as a component of income tax expense. As of September 30, 2022, no liability for unrecognized tax benefits was required to be reported. We do not expect any significant changes in our unrecognized tax benefits in the next year.

Tax Receivable Agreement

In conjunction with the Business Combination, the Company entered into the TRA with Seller and Holdings. Pursuant to the TRA, the Company is required to pay Seller 85% of the amount of savings, if any, in U.S. federal, state, local and foreign income tax that the Company actually realizes as a result of (A) tax basis adjustments resulting from taxable exchanges of Class B common units of Holdings and Class V common stock of the Company acquired by the Company in exchange for Class A common stock of the Company and (B) tax deductions in respect of portions of certain payments made under the TRA. All such payments to the Seller are the obligations of the Company. As of September 30, 2022, there have been shares of Class B common units of Holdings and Class V common stock of the Company exchanged for Class A common stock of the Company. The Company has not recognized any change to the deferred tax asset for changes in tax basis, as the asset is not more-likely-than-not to be realized. Additionally, the company has not recognized the TRA liability as it is not probably that the TRA payments would be paid based on the Company’s historical loss position and would not be payable until the company realizes tax benefit.

Fair Value of Financial Instruments

The Company’s financial instruments consist primarily of cash, accounts receivable, and accounts payable. The carrying amounts of cash, accounts receivable, and accounts payable approximate their respective fair values because of the short-term maturities or expected settlement date of these instruments. The Company believes the current carrying value of long-term debt approximates its fair value because the terms are comparable to similar lending arrangements in the marketplace.

Derivative Financial Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives in accordance with ASC Topic 815, “Derivatives and Hedging”. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value on the grant date and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date.

Note 4 - Inventory

As of September 30, 2022, and December 31, 2021, inventory consisted of the following:

	As of September 30, 2022	As of December 31, 2021
Raw materials	\$ 1,430,116	\$ 2,188,284
Work in process	1,342,963	2,128,894
Finished goods	6,153,976	2,898,803
Total Inventory, net	<u>\$ 8,927,055</u>	<u>\$ 7,215,981</u>

Reserves for inventory obsolescence are recorded as necessary to reduce obsolete inventory to estimated net realizable value or to specifically reserve for obsolete inventory. As of September 30, 2022 and December 31, 2021 inventory reserves were \$1,031,544 and \$170,482 respectively.

Note 5 - Line of Credit

The Company’s prior line of credit (the "Line of Credit") of \$3,500,000 was paid off and terminated in January 2022.

On September 28, 2022, the Company entered into an Invoice Purchase and Security Agreement (together with an Inventory Finance Rider thereto, the "PSA") with Alterna Capital Solutions LLC ("ACS"). The ACS line of credit is for a term of 2 years, provides for borrowings of up to \$15 million, which may be increased to an amount up to \$20 million.

Pursuant to the Inventory Finance Rider to the RSA, the Company may request advances from time to time based upon the value of the Company's inventory. Such advances bear interest of prime plus 2.25% and are required to be repaid at any time the aggregate outstanding amount of such advances exceed a designated percentage of the value of such inventory. The Company has granted the Lender a security interest in all of their respective personal property to secure their obligations under the PSA; provided that the Lender has a first priority security interest in the Company's accounts receivable, payment intangibles and inventory. The PSA provides for an initial twenty-four (24) month term, followed by automatic annual renewal terms unless the Company provides written notice pursuant to the PSA prior to the end of any term. The foregoing summary of the PSA and Inventory Finance Rider do not purport to be complete and are qualified in their entirety by reference to the text of the PSA. On September 30, 2022, \$271,749 was borrowed under the financing agreement and is shown net of debt issuance costs of \$148,558.

Note 6 - Debt

As of September 30, 2022 and December 31, 2021, debt consisted of the following:

	As of September 30 2022	As of December 31 2021
Long-term debt	\$ 4,077,380	\$ 1,566,598
Short-term debt	1,012,692	2,000,000
Line of credit	271,903	3,500,000
Total notes payable	5,361,975	7,066,598
Less: current portion	(1,559,139)	(3,447,056)
Less: debt issuance costs	(208,677)	—
Less: line of credit	(123,191)	(3,500,000)
Total notes payable, net of current portion	<u>\$ 3,470,968</u>	<u>\$ 119,542</u>

Outstanding as of September 30, 2022

On March 12, 2021, the Company entered into a note payable agreement ("Broken Stone Agreement") with Broken Stone Investments, LLC. for the principal amount of \$200,000, bearing interest at 5% per annum, with all principal and accrued interest thereon due and payable at maturity of June 1, 2023. The Broken Stone Agreement calls for monthly principal and interest payments of \$8,774 to commence on July 1, 2021, through maturity on June 1, 2023. As of September 30, 2022, the balance on this loan was \$77,380.

In July 2022 the Company entered into two Commercial Premium Finance Agreements ("the Agreement") totaling \$1.17 million for an eleven-month term with interest rates of 4.64% and 5.25%. The proceeds from these transactions were used to partially fund the premiums due under some of the Company's insurance policies. The amounts payable are secured by the Company's rights under such policies. As of September 30, 2022, the combined remaining balance totaled \$1,037,942, and the Company recognized \$2,696 in interest expense during the three months ended September 30, 2022.

On September 28, 2022, the Company entered into a Revenue Loan and Security Agreement, ("RLSA"), in the amount of \$4 million with Decathlon Alpha IV, L.P., ("Decathlon") providing for a loan facility of up to a maximum of \$6 million. The RLSA requires monthly payments, calculated as a percentage of the Company's net revenue from the month preceding the immediately preceding month (subject to an annual payment cap) with all outstanding advances and the Interest (as defined in the Loan Agreement) being due at maturity on June 13, 2027 (unless accelerated upon a change of control or the occurrence of other events of default). There are no prepayment penalties under the Loan Agreement, but any payoff would be subject to the Minimum Interest (as defined in the Loan Agreement). The Company has accounted for the loan facility as debt in accordance with ASC 470-10-25-2 and uses the effective interest rate method to estimate the timing and amount of future cash flows in accordance with ASC 835-30. Interest does not accrue on advance(s) pursuant to the Loan Agreement, rather a minimum amount of Interest (as defined in the Loan Agreement) is due pursuant to the terms of the Loan Agreement. The advances are secured by all property of the Borrower and are guaranteed by the Company and certain of the Company's Subsidiaries.

Future minimum principal payments on the notes payable are, as of September 30, 2022:

2022 (for the remainder of)	\$	412,690
2023		1,532,927
2024		730,398
2025		1,061,858
2026		1,624,102
	<u>\$</u>	<u>5,361,975</u>

Retired debt during the nine months ended September 30, 2022

The Company repaid approximately \$6,842,000 debt with Origin bank on January 28, 2022 and \$40,000 debt with First United Bank on May 6, 2022.

The Company held various vehicle financing and lease obligations which were paid off during the three months ended September 30, 2022.

Note 7 - Income Taxes

The Company's sole material asset is Andina Holdings, LLC, which is treated as a partnership for U.S. federal income tax purposes and for purposes of certain state and local income taxes. Andina Holdings, LLC owns 100% of Stryve Foods, LLC which is treated as a disregarded entity for the U.S. federal income tax purposes. Stryve Foods Holdings, LLC's net taxable income and any related tax credits are passed through to its members and are included in the members' tax returns, even though such net taxable income or tax credits may not have actually been distributed. The income tax burden on the earnings taxed to the non-controlling interests is not reported by the Company in its condensed consolidated financial statements under GAAP. As a result, the Company's effective tax rate is expected to differ materially from the statutory rate.

ASC Topic 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. As of September 30, 2022 and December 31, 2021, no liability for unrecognized tax benefits was required to be reported and no amounts accrued for interest and penalties. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position over the next twelve months.

The Company currently estimates its annual effective income tax rate to be -0.0555%, which differs from the federal rate of 21% primarily due to tax benefit related to income passed through to non-controlling interest, increase in valuation allowances, and state and local income taxes. The Company has reported income tax expense of \$507 and \$36,948 for the three and nine months ended September 30, 2022 and no income tax expense in the three and nine months ended September 30, 2021.

Tax Receivable Agreement Liability

In conjunction with the BCA, the Company also entered into a TRA with Seller and Holdings. Pursuant to the TRA, the Company is required to pay the Seller 85% of the amount of savings, if any, in United States federal, state, local and foreign income tax that the Company actually realizes as a result of (A) tax basis adjustments resulting from taxable exchanges of Class B common units of Holdings and Class V common stock of the Company acquired by the Company in exchange for Class A common stock of the Company and (B) tax deductions in respect of portions of certain payments made under the TRA. All such payments to the Seller are the obligations of the Company.

As of September 30, 2022, there have been shares of Class B common units of Holdings and Class V common stock of the Company exchanged for Class A common stock of the Company. The estimation of liability under the TRA is by its nature imprecise and subject to significant assumptions regarding the amount and timing of future taxable income.

As of September 30, 2022, the Company has recorded a full valuation allowance against its net deferred tax assets as the realizability of the tax benefit is not at the more likely than not threshold. Since the benefit has not been recorded, the Company has determined that the TRA liability is not probable and therefore no TRA liability existed as of September 30, 2022.

Note 8 - Shareholders' Equity

The Company's Amended and Restated Certificate of Incorporation ("Charter") authorizes the issuance of 610,000,000 shares, of which 400,000,000 shares are Class A common stock, par value \$0.0001 per share, 200,000,000 shares of Class V common stock, par value \$0.0001 per share, and 10,000,000 shares of preferred stock, par value \$0.0001 per share.

Warrants

Public Warrants

The Company has outstanding 10,997,500 warrants that were issued prior to the Business Combination, of which 10,800,000 are referred to as public warrants and 197,500 are Private Warrants. Each warrant represents the right to purchase an equal number of shares of the Company's Class A common stock. Each warrant entitles the registered holder to purchase one share of Class A common stock at a price of \$11.50. The warrants expire on July 20, 2026.

The Company may call the public warrants for redemption (but not the Private Warrants), in whole and not in part, at a price of \$.01 per Public Warrant:

- at any time while the public warrants are exercisable,
- upon not less than 30 days' prior written notice of redemption to each public warrant holder,
- if, and only if, the reported last sale price of shares of Class A common stock equals or exceeds \$18.00 per share, for any 20 trading days within a 30-trading day period ending on the third business day prior to the notice of redemption to public warrant holders, and
- if, and only if, there is a current registration statement in effect with respect to shares of Class A common stock underlying such public warrants at the time of redemption and for the entire 30-day trading period referred to above and continuing each day thereafter until the date of redemption.

The right to exercise will be forfeited unless the warrants are exercised prior to the date specified in the notice of redemption.

Private Warrants

The Company has agreed that so long as the Private Warrants are still held by our initial shareholders or their affiliates, it will not redeem such Private Warrants and will allow the holders to exercise such Private Warrants on a cashless basis (even if a registration statement covering shares of Class A common stock issuable upon exercise of such warrants is not effective). As of September 30, 2022, there were 197,500 Private Warrants outstanding.

September 2021 Pre-Funded Warrants

On September 15, 2021, the Company entered into a Share Repurchase Agreement with various entities (collectively, the “Investors”) whereby the Company repurchased an aggregate of 800,000 shares of Class A common stock (the “Repurchase Shares”) from the Investors. The purchase price for the Repurchase Shares was the issuance of an aggregate of 800,000 pre-funded warrants to acquire an equal number of shares of Class A common stock (the “Pre-Funded Warrants”).

During May 2022, the Pre-Funded Warrants were exercised in full.

January 2022 Warrants

On January 6, 2022, the Company sold 2,496,934 shares of the Company’s Class A common stock, and, in lieu of common stock, pre-funded warrants to purchase 7,797,184 shares of common stock and accompanying warrants to purchase up to 10,294,118 shares of common stock (the “January Offering”). The common stock and warrants were sold at a combined purchase price of \$3.40 per share (less \$0.0001 per share for pre-funded warrants). Each warrant has an exercise price per share of common stock equal to \$3.60 and will expire five years from the date of issuance and may be exercised on a cashless basis if a registration statement registering the shares issuable upon exercise is not effective. The Company received gross proceeds from the offering of approximately \$35 million before deducting estimated offering expenses.

During the nine months ended September 30, 2022, 6,397,146 pre-funded warrants issued in the January Offering were exercised for an aggregate of 6,397,146 shares of Class A common stock by virtue of a portion of the pre-funded warrants being exercised on a cashless basis. The exercised pre-funded warrants do not affect the weighted average share calculation as pre-funded warrants are already included in the weighted average share calculation as if they have been exercised.

Stryve Foods, Inc. 2021 Omnibus Incentive Plan (the “Incentive Plan”)

The Incentive Plan allows the Company to grant stock options, restricted stock unit awards and other awards at levels determined appropriate by its board of directors and/or compensation committee. The Incentive Plan also allows the Company to use a broad array of equity incentives and performance cash incentives in order to secure and retain the services of its employees, directors and consultants, and to provide long-term incentives that align the interests of its employees, directors and consultants with the interests of its stockholders. The Incentive Plan is administered by the Company’s board of directors or its compensation committee, or any other committee or subcommittee or one or more of its officers to whom authority has been delegated (collectively, the “Administrator”). The Administrator has the authority to interpret the Incentive Plan and award agreements entered into with respect to the Incentive Plan; to make, change and rescind rules and regulations relating to the Incentive Plan; to make changes to, or reconcile any inconsistency in, the Incentive Plan or any award agreement covering an award; and to take any other actions needed to administer the Incentive Plan.

The Incentive Plan permits the Administrator to grant stock options, stock appreciation rights (“SARs”), performance shares, performance units, shares of Class A common stock, restricted stock, restricted stock units (“RSUs”), cash incentive awards, dividend equivalent units, or any other type of award permitted under the Incentive Plan. The Administrator may grant any type of award to any participant it selects, but only employees of the Company or its subsidiaries may receive grants of incentive stock options within the meaning of Section 422 of the Internal Revenue Code. Awards may be granted alone or in addition to, in tandem with, or (subject to the repricing prohibition described below) in substitution for any other award (or any other award granted under another plan of the Company or any affiliate, including the plan of an acquired entity).

The Company has reserved a total of 2,564,960 shares of Class A common stock for issuance pursuant to the Incentive Plan. The number of shares reserved for issuance under the Incentive Plan will be reduced on the date of the grant of any award by the maximum number of shares, if any, with respect to which such award is granted. However, an award that may be settled solely in cash will not deplete the Incentive Plan’s share reserve at the time the award is granted. If (a) an award expires, is canceled, or terminates without issuance of shares or is settled in cash, (b) the Administrator determines that the shares granted under an award will not be issuable because the

conditions for issuance will not be satisfied, (c) shares are forfeited under an award, (d) shares are issued under any award and the Company reacquires them pursuant to its reserved rights upon the issuance of the shares, (e) shares are tendered or withheld in payment of the exercise price of an option or as a result of the net settlement of outstanding stock appreciation rights or (f) shares are tendered or withheld to satisfy federal, state or local tax withholding obligations, then those shares are added back to the reserve and may again be used for new awards under the Incentive Plan. However, shares added back to the reserve pursuant to clauses (d), (e) or (f) in the preceding sentence may not be issued pursuant to incentive stock options.

Note 9 - Stock Based Compensation

The Company's stock-based awards that result in compensation expense consist of restricted stock units (RSUs) and restricted stock awards (RSAs). As of September 30, 2022, the Company had 1,335,067 shares available for grant under its stock plans. As of September 30, 2022, the total unrecognized compensation cost related to all unvested stock-based compensation awards was \$2.8 million and is expected to be recognized over the next four years. RSUs generally vest over three years and RSAs generally vest from one to four years.

Restricted Stock Units (RSUs)

The following table summarizes the Company's RSU activity:

Nonvested Restricted Stock Units

	Restricted Stock Units		Weighted Average Award Date Fair Value Per Share
Restricted Stock at January 1, 2022	399,000	\$	5.20
Added	95,000		0.68
Forfeiture	(195,166)		5.21
Vested	(13,334)		5.16
Restricted Stock at September 30, 2022	<u>285,500</u>	<u>\$</u>	<u>3.69</u>

The fair value of RSUs is determined based on the closing market price of the Company's stock on the grant date.

Restricted Stock Awards (RSAs)

The following table summarizes the Company's RSA activity:

Nonvested Restricted Stock Awards

	Restricted Stock Awards	Weighted Average Award Date Fair Value Per Share	Director Stock Awards	Weighted Average Award Date Fair Value Per Share
Restricted Stock at January 1, 2022	328,500	\$	5.31	—
Added	550,000	\$	1.29	59,625 \$ 2.48
Forfeiture	—		—	—
Vested	(65,625)	\$	5.43	(46,750) \$ 2.47
Restricted Stock at September 30, 2022	<u>812,875</u>	<u>\$</u>	<u>2.90</u>	<u>12,875 \$ 2.51</u>

The fair value of RSAs is determined based on the closing market price of the Company's stock on the grant date.

Stock Based Compensation Expense

Share based compensation costs associated with RSUs and RSAs grants are recorded as a separate component of Selling Expenses on the consolidated statements of income. Share-based compensation expense for service-based awards that contain a graded vesting schedule is recognized net of estimated forfeitures for plan participants on a straight-line basis.

Note 10 - Fair Value Measurements

The Company follows the guidance in ASC 820 for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually.

The fair value of the Company's financial assets and liabilities reflects management's estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities). The following fair value hierarchy is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities:

- Level 1: Observable inputs such as quoted prices (unadjusted), for identical instruments in active markets.
- Level 2: Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. In some circumstances, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

The following table presents information about the Company's liability measured at fair value on a recurring basis at September 30, 2022 and December 31, 2021 and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

Description	Level	September 30, 2022		December 31, 2021	
Liabilities:					
Warrant liability - Private Warrants	3	\$	28,421	\$	128,375

Private Warrants

The Private Warrants were accounted for as liabilities in accordance with ASC 815-40 and are presented within warrant liabilities on the Company's consolidated balance sheet. The warrant liabilities are measured at fair value at inception and on a recurring basis, with changes in fair value presented within change in fair value of warrant liabilities in the consolidated statement of operations.

On September 30, 2022, the Private Warrants were determined to have a fair value of \$0.06 per warrant for an aggregate fair value of \$28,421.

The following table presents the change in the fair value of warrant liabilities for the period:

Warrant Fair Values	Private
Fair value as of December 31, 2021	\$ 128,375
Change in fair value	(99,954)
Fair value as of September 30, 2022	<u>\$ 28,421</u>

Note 11 - Related Party Transactions

Sale and Leaseback. On May 26, 2021, the Company entered into a Purchase and Sale Agreement with OK Biltong Facility, LLC ("Buyer"), an entity controlled by a member of the Company's board of directors, pursuant to which the parties consummated a sale and leaseback transaction (the "Sale and Leaseback Transaction") of the Company's manufacturing facility and the surrounding property in Madill, Oklahoma (the "Real Property") for a total purchase price of \$7,500 thousand.

In connection with the consummation of the Sale and Leaseback Transaction, the Company entered into a lease agreement (the "Lease Agreement") with Buyer pursuant to which the Company leased back the Real Property from Buyer for an initial term of twelve (12) years unless earlier terminated or extended in accordance with the terms of the Lease Agreement. Under the Lease Agreement, the Company's financial obligations include base rent of approximately \$60,000 per month, which rent will increase on an annual basis at two percent (2%) over the initial term and two-and-a-half percent (2.5%) during any extension term. The Company is also responsible for all monthly expenses related to the leased facility, including insurance premiums, taxes and other expenses, such as utilities. Under the Lease Agreement, the Company has three (3) options to extend the term of the lease by five (5) years for each such option and a one-time right and option to purchase the Real Property at a price that escalates over time and, if Buyer decides to sell the Real Property, the Company has a right of first refusal to purchase the Real Property on the same terms offered to any third party.

Management determined that the sale and leaseback transaction contained continuing involvement and thus used the financing method consistent with ASC 842. The transfer did not qualify as a sale; hence it is considered a "failed" sale and both parties account for it as a financing transaction. Accordingly, a financing obligation related to the operating lease in the amount of the sale price (\$7,500 thousand) has been booked and the corresponding assets on the balance sheet are maintained. Under the finance method, rental payments are applied as amortization and/or interest expense on the financing obligation as appropriate using an assumed interest rate. The Company is accounting for these as interest only payments because the Company's incremental cost to borrow when applied to the financing obligation is greater than the rental payments under the Lease Agreement. The Company recognized interest expense of \$543,578 during the nine months ended September 30, 2022.

Note 12 - Commitments and Contingencies

Litigation

On March 29, 2022, one of the investors in Stryve's January 2022 private offering sent the Company a letter alleging that the Company has breached "the representations and warranties the Company" made to investors in the definitive agreement. Although Stryve intends to vigorously defend itself against these allegations, Stryve cannot at this time predict whether any litigation will be filed, predict the likely outcome of any future litigation, reasonably determine either the probability of a material adverse result or any estimated range of potential exposure, or reasonably determine how this matter or any future matters might impact our business, our financial condition, or our results of operations, although such impact, including the costs of defense, as well as any judgments or indemnification obligations, among other things, could be materially adverse to us.

Stryve has received a letter from a person purporting to be counsel to certain investors in Stryve LLC and the Seller, which letter alleges claims against Stryve, Stryve LLC, and the Seller concerning the distribution of Stryve's equity by the Seller in connection with the Business Combination Agreement by which Stryve acquired Stryve LLC. Stryve believes that such allegations are without merit and intends to defend against any claims that may be filed on account of such allegations. Stryve is not able at this time to quantify its exposure for any possible damages arising out of any such claims that may arise from these allegations.

The Company may be a party to routine claims brought against it in the ordinary course of business. After consulting with legal counsel, the Company does not believe that the outcome of any such pending or threatened litigation will have a material adverse effect on its financial condition or results of operations. However, as is inherent in legal proceedings, there is a risk that an unpredictable decision adverse to the Company could be reached. The Company records legal costs associated with loss contingencies as incurred. Settlements are accrued when, and if, they become probable and estimable.

Registration Rights Agreements

The Company is a party to various registration rights agreements with certain stockholders where it may be required to register securities for such stockholders in certain circumstances.

Note 13 - Subsequent Events

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the condensed financial statements were issued. Based upon this review, other than as described below, the Company did not identify any subsequent events that would have required adjustment or disclosure in the condensed financial statements.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Company has based these forward-looking statements on the Company’s current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “continue,” or the negative of such terms or other similar expressions. These risks, uncertainties, assumptions and other important factors, which could cause actual results to differ materially from those described in these forward-looking statements, include: (i) the inability to achieve profitability due to commodity prices, inflation, supply chain interruption, transportation costs and/or labor shortages; (ii) the ability to meet financial and strategic goals, which may be affected by, among other things, competition, supply chain interruptions, the ability to pursue a growth strategy and manage growth profitability, maintain relationships with customers, suppliers and retailers and retain its management and key employees; (iii) the risk that retailers will choose to limit or decrease the number of retail locations in which Stryve’s products are carried or will choose not to carry or not to continue to carry Stryve’s products; (iv) the possibility that Stryve may be adversely affected by other economic, business, and/or competitive factors; (v) the effect of the COVID-19 pandemic on Stryve; (vi) the possibility that Stryve may not achieve its financial outlook (vii) Stryve’s ability to maintain its listing on the Nasdaq Capital market; (viii) Stryve’s ability to maintain its liquidity position and implement cost savings measures; and (ix) other risks and uncertainties described herein and in other filings with the Securities and Exchange Commission (“SEC”) filings.

Unless the context otherwise requires, all references in this report to “Stryve,” the “Company,” “we,” “us” and “our” herein refer to the parent entity formerly named Andina Acquisition Corp. III, after giving effect to the Business Combination, and as renamed Stryve Foods, Inc., and where appropriate, our consolidated subsidiaries, and references in this report to “Andina” refer to Andina Acquisition Corp. III before giving effect to the Business Combination.

The following discussion should be read in conjunction with our condensed consolidated financial statements and related notes thereto included elsewhere in this report. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

Overview

Stryve is an emerging healthy snacking company which manufactures, markets and sells highly differentiated healthy snacking products that Stryve believes can disrupt traditional snacking categories. Stryve’s mission is “to help Americans snack better and live happier, better lives.” Stryve offers convenient snacks that are lower in sugar and carbohydrates and higher in protein than other snacks. Stryve offers all-natural, delicious snacks which it believes are nutritious and offer consumers a convenient healthy snacking option for their on-the-go lives.

Stryve’s current product portfolio consists primarily of air-dried meat snack products marketed under the Stryve®, Kalahari®, Braaitime®, and Vacadillos® brand names. Biltong is a process for preserving meat through air drying that originated centuries ago in South Africa. Unlike beef jerky, Stryve’s all-natural air-dried meat snack products are made of beef and spices, are never cooked, most contain zero grams of sugar, and are free of monosodium glutamate (MSG), gluten, nitrates, nitrites, and preservatives. As a result, Stryve’s products are Keto and Paleo diet friendly. Further, based on protein density and sugar content, Stryve believes that its air-dried meat snack products are some of the healthiest shelf-stable snacks available today.

Stryve distributes its products in major retail channels, primarily in North America, including grocery, club stores, e-retailers, and other retail outlets, as well as directly to consumers through its e-commerce websites.

Stryve believes increased consumer focus in the U.S. on health and wellness will continue to drive growth of the healthy snacking category and increase demand for Stryve’s products. Stryve has shown strong sales growth since its inception in 2017. Stryve has made substantial investments since its inception in product development, establishing its manufacturing facility, and building its marketing, sales and operations infrastructure to grow its business. As a result, Stryve has reported net losses since its inception. Stryve intends to continue to invest in product innovation, improving its supply chain, enhancing and expanding its manufacturing capabilities, and expanding its marketing and sales initiatives to drive continued growth. Additionally, moving forward management anticipates additional expenses not previously experienced related to internal controls, regulatory compliance, and other expenses relating to its go-forward operations as a public company.

Comparability of Financial Information

The Company's results of operations and statements of assets and liabilities may not be comparable between periods as a result of the Business Combination and becoming a public company.

January 2022 PIPE Transaction

On January 6, 2022, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with select accredited investors (the "2022 PIPE Investors"), relating to the issuance and sale of 2,496,934 shares of the Company's Class A common stock and, in lieu of Class A Common Stock, pre-funded warrants to purchase 7,797,184 shares of Class A common stock (the "PIPE Pre-Funded Warrants"), and accompanying warrants (the "PIPE Warrants") to purchase up to 10,294,118 shares of Class A common stock with an exercise price equal to \$3.60 and a term of five years (the "Offering"). The Offering closed on January 11, 2022. The Class A common stock and PIPE Warrants were sold at a combined purchase price of \$3.40 per share (less \$0.0001 per share for PIPE Pre-Funded Warrants). The Company received net proceeds from the Offering of \$32.3 million. The securities were issued in reliance on the exemption from registration provided by Section 4(a)(2) under the Securities Act of 1933, as amended, and/or Regulation D promulgated thereunder.

Business Combination

On July 20, 2021 (the "Closing Date"), Andina completed the business combination (the "Business Combination") pursuant to that certain Business Combination Agreement (the "Business Combination Agreement") by and among the Company, Andina Holdings LLC, a Delaware limited liability company and a wholly-owned subsidiary of the Company ("Holdings"), B. Luke Weil, in the capacity from and after the closing of the transactions contemplated by the Business Combination Agreement (the "Closing") as the representative for the shareholders of the Company (other than the Seller), Stryve Foods, LLC, a Texas limited liability company, Stryve Foods Holdings, LLC, a Texas limited liability company (the "Seller"), and R. Alex Hawkins, in the capacity from and after the Closing as the representative for the members of the Seller.

As contemplated by the Business Combination Agreement, on or before the Closing Date, the following occurred: (i) the Seller and Stryve Foods, LLC ("Stryve LLC") conducted a reorganization via a merger pursuant to which the Seller became a holding company for Stryve LLC, the former owners of Stryve LLC became the owners of the Seller, and the former holders of convertible notes of Stryve LLC became holders of convertible notes of the Seller, and pursuant to which Stryve LLC retained all of its subsidiaries, business, assets and liabilities, and became a wholly-owned subsidiary of the Seller (the "Merger"), (ii) the Company was transferred by way of continuation out of the Cayman Islands and domesticated as a corporation in the State of Delaware, (iii) the Seller contributed to Holdings all of the issued and outstanding equity interests of Stryve LLC in exchange for 11,502,355 newly issued non-voting Class B common units of Holdings (the "Seller Consideration Units") and voting (but non-economic) Class V common stock of the Company (that was previously subject to a post-Closing working capital true-up), (iv) the Company contributed all of its cash and cash equivalents to Holdings, approximately \$37.9 million, after the payment of approximately \$7.8 million to the Company's shareholders that elected to have their shares redeemed in connection with the Closing (the "Redemption") and the payment of approximately \$10.4 million of the Company's expenses and other liabilities due at the Closing, in exchange for newly issued voting Class A common units of Holdings and (v) the Company issued \$10.9 million of Class A common stock, satisfied by the offset of principal and accrued interest under \$10.6 million of outstanding unsecured promissory notes (the "Bridge Notes") issued by Stryve LLC to certain investors in a private placement on the Closing Date (the "Bridge Investors"); and (vi) the Company changed its name to "Stryve Foods, Inc." In addition, the Company's ordinary shares converted into shares of Class A common stock, par value of \$0.0001 per share, without any action of the holder. On March 25, 2022, the Company finalized the post-closing adjustments under the Business Combination Agreement (the "Post-Closing Adjustment"), which resulted in the release of all 115,023 escrowed shares of Class V common stock, an equal number of Holdings Class B common units, and the net payment of approximately \$238,000 by the Company to the Seller. As a result, no additional Post-Closing Adjustment remains outstanding.

Following the consummation of the Business Combination, the combined company is organized in an "Up-C" structure in which the business of Stryve LLC and its subsidiaries is held by Holdings, which is a subsidiary of the Company. By virtue of the "Up-C" structure, the Company's only direct assets consist of its equity interests in Holdings, an entity of which the Company maintains 100% voting control. As the sole voting member of Holdings, the Company has full, exclusive and complete discretion to manage and control the business of Stryve LLC and to take all action it deems necessary, appropriate, advisable, incidental, or convenient to accomplish the purposes of Stryve LLC and, accordingly, the financial statements are prepared on a consolidated basis.

On July 20, 2021, in connection with the completion of the Business Combination and as contemplated by the Business Combination Agreement, the Company: (i) issued 4,250,000 shares of Class A common stock to private placement investors for aggregate consideration of \$42.5 million; and (ii) the Company issued 1,357,372 shares of Class A common stock to the Bridge Investors satisfied by the offset of \$10.9 million of principal and accrued interest under outstanding Bridge Notes issued by Stryve LLC, as part of the Business Combination.

The Business Combination is accounted for as a reverse capitalization in accordance with generally accepted accounting principles in the United States ("GAAP"). Under this method of accounting, Stryve LLC is treated as the acquirer and Andina is treated as the acquired company for financial statement reporting purposes. Because Stryve LLC was deemed the accounting acquirer, the historical financial statements of Stryve LLC became the historical financial statements of the combined company, upon the consummation of the Business Combination.

Supply Chain Challenges & Increased Cost Environment

Through the beginning of the COVID-19 pandemic, we had been successful at avoiding disruptions to our supply chain and operations through these measures and maintained continuity of supply for its customers. However, beginning in the second half of 2021, we experienced certain supply chain challenges that negatively affected our ability to supply the demands to all of our channels of trade and negatively impacted our gross margins. While our efforts to mitigate these challenges are beginning to show positive signs, these challenges nonetheless continued to have an impact on the first three quarters of 2022. We believe that many of the supply chain disruptions we experienced in our operations are temporary but may persist in the near term.

In the first three quarters of 2022, we experienced a more expensive operating environment throughout the business, including higher prices for raw materials, packaging, beef, transportation, storage, services, labor, and advertising than the comparable periods in 2021. We expect these inflationary pressures to continue throughout at least 2022, which may continue to negatively impact our gross margins. We continue to track new developments affecting these inflationary pressures as we execute on our mitigating strategies to lessen the impact of these challenges and cost increases including but not limited to, price increases, improving our manufacturing yields through capacity enhancements, investing in further automation, and rationalizing and optimizing marketing spend to drive greater returns and retail velocities.

Strengthen Liquidity and Investments to Grow Asset Base

During the third quarter of 2022, we strengthened our liquidity position by closing on a combination of debt facilities with \$21.0 million of committed capacity at closing and the ability to expand to committed capacity to up to \$26.0 million. Not only do we believe these facilities will provide us with the near-term liquidity we need to execute against our plan, we are pleased with the flexibility they offer given their covenant-lite nature and flexible amortization. Since the consummation of the Business Combination in July 2021, we have made considerable investments to strengthen our balance sheet in light of the uncertain macroeconomic environment. Meaningful investments made to reduce debt, grow working capital, acquire capital equipment, and expand facilities. These investments have augmented our capacities so that we can more efficiently flex our run-rate production levels, if needed, to satisfy outsized new distribution lay-in orders and/or national programs without materially straining our ordinary course day-to-day production. Additionally, considerable investments have been made in our inventory and current assets to help service our expanded distribution base moving forward.

Strong Consumption Despite Prior Quarter's Execution Challenges

From a tonnage perspective, the second quarter of 2022 was by far the largest in the Company's history. These outsized production and fulfillment volumes in Q2 2022 were primarily attributable to a limited time retailer specific savings event which placed our products in chain-wide distribution for a limited period of time tied to the event.

We faced several challenges in our execution of this brief, yet outsized, demand spike which led to short-term supply gaps in our wider distribution network which resulted in lower than target in-stock percentages at other retailers. We believe that the out-of-stocks experienced in late Q2 created some delays affecting the ordering patterns of our customers in the third quarter as their distribution pipelines were refilled. While the deleterious effects of these execution challenges have been significant, we believe they are temporary in nature as our consumption data showed strong recovery on-shelf. With the non-normal demand spike behind us, we have been able to quickly return to a more normalized production cadence allowing for improved yields and quickly recovering in-stock percentages at retail.

Change in Management and Solidifying Strategy

Earlier this year, Stryve announced a leadership change with Chris Boever stepping in as the new Chief Executive Officer of the Company. With this change in leadership, management has thoughtfully reviewed the business, strategy, near-term prospects, and its previously discussed path to profitability. From this, management has identified certain one-time write-downs for assets that are non-core to the go-forward plan as well as identified necessary accruals related to actions to be taken to reorganize the business and its objectives in line with the strategic direction that Mr. Boever has for the enterprise. These charges began in the second quarter, and we anticipate a tapering effect on these types of charges throughout the balance of the year. For comparability of the financial statements, we have identified many of these charges as non-GAAP pro-forma adjustments in calculating Adjusted EBITDA and Adjusted Earnings per Share, which are reconciled to the nearest GAAP figure below.

Optimizing Spend and Reducing Losses

Our third quarter results are a testament to the progress we've made on our cost mitigation strategies. We have examined every area of spending throughout our business and believe we identified ways to drive efficiencies, eliminate unnecessary expense, and focus on the highest and best use of each dollar. The resulting impact is a 46.9% reduction in total operating expenses leading to a \$4.5 million improvement in our pre-tax net loss despite lower sales when comparing to the prior year quarter. When compared to our second quarter results, the third quarter shows a \$5.4 million reduction in total operating expenses and a \$11.4 million improvement in our pre-tax net loss. Moving forward, we believe our optimized spending plan will begin to materially benefit from portfolio-wide price increases and productivity initiatives throughout our supply chain. While we intend to continue to invest to drive meaningful growth in net sales, we are doing so in a more disciplined manner that acknowledges the fundamental changes in direct-to-consumer advertising markets. By monitoring our unit economics closely, maintaining an optimized spending profile, and seeking to meaningfully grow net sales, we believe we will be able to drive further reductions in our net losses moving forward.

Improving Quality of Revenue

As an extension of the restructuring plans, we have closely evaluated our revenue base and have taken steps to improve or eliminate low-quality revenue sources and drive long-term value-creating growth. Key considerations in these rationalization decisions included assessments of strategic alignment, complexity, and profitability. And with respect to assessing the profitability of a particular revenue stream specifically, we evaluated our revenues on a gross margin basis, a net margin basis, and a cash conversion basis. Accordingly, we acknowledge that meaningful portion of net sales in the prior year quarter came from products, customers, and/or channels that have been rationalized. Despite the pullback in net sales as seen on the face of the financials, our most valuable revenues are growing meaningfully, and retail consumption of our products is strong.

Results of Operations –Three Months Ended September 30, 2022 Compared to Three Months Ended September 30, 2021

The following table sets forth selected items in our consolidated financial data in dollar amounts and as a percentage of net sales for the three months ended September 30, 2022 compared to the three months ended September 30, 2021.

(In thousands)	Three Months Ended Sept 30, 2022 (unaudited)		Three Months Ended Sept 30, 2021 (unaudited)	
		% of sales		% of sales
Net sales	\$ 6,170	100.0 %	\$ 9,062	100.0 %
Cost of goods sold (exclusive of depreciation shown separately below)	4,786	77.6 %	5,808	64.1 %
Gross profit (loss)	\$ 1,384	22.4 %	\$ 3,254	35.9 %
Operating expenses				
Selling and marketing expenses	\$ 2,641	42.8 %	\$ 5,827	64.3 %
Operations expense	1,084	17.6 %	1,234	13.6 %
Salaries and wages	1,940	31.4 %	3,973	43.8 %
Depreciation and amortization expense	518	8.4 %	402	4.4 %
Gain on disposal of fixed assets	(50)	(0.8) %	(13)	(0.1) %
Total operating expenses	6,133	99.4 %	11,423	126.1 %
Operating loss	(4,749)	(77.0) %	(8,169)	(90.1) %
Other income (expense):				
Interest expense	(190)	(3.1) %	(758)	(8.4) %
Change in fair value of Private Warrants	15	0.2 %	213	2.4 %
Other income	(43)	(0.7) %	3	0.0 %
Total other income (expense)	(218)	(3.5) %	(542)	(6.0) %
Net loss before income taxes	<u>\$ (4,967)</u>	<u>(80.5) %</u>	<u>\$ (8,711)</u>	<u>(96.1) %</u>

Net sales. Net sales decreased by \$2.9 million from \$9.1 million during the three months ended September 30, 2021 to \$6.2 million during the three months ended September 30, 2022, representing a reduction of 31.9% for the comparable periods. The primary driver of the decrease in net sales was the rationalization of low-quality revenue that occurred in the prior year period.

Cost of Goods Sold. Cost of goods sold decreased by \$1.0 million from \$5.8 million in the three months ended September 30, 2021 to \$4.8 million in the three months ended September 30, 2022, which was driven primarily by decreased sales volume. However, inflationary pressures on inputs, and production yields have negatively affected our cost of goods on a variable basis. Overall commodity

beef prices have trended unfavorably throughout the third quarter of 2022, compared to prior recent quarters, but are generally in line with what we experienced the prior year period.

Gross Profit (Loss). Gross profit (loss) decreased \$1.9 million from \$3.3 million in the three months ended September 30, 2021 to \$1.4 million in the three months ended September 30, 2022. As a percent of net sales, gross profit was 22.4% in the third quarter of 2022, compared to 35.9% in the third quarter of 2021. A few primary factors contribute to this performance:

- The pull back in DTC e-commerce paired with greater volume from traditional retail channels than in the prior year has resulted in an unfavorable price mix shift. While we acknowledge the growth prospects of brick and mortar distribution, we recognize that any mix shift away from higher margin DTC e-commerce will likely negatively influence our gross margin profile.
- As 2021 progressed, we experienced increasing pressure on direct labor wage rates. These inflationary pressures necessitated several increases to our direct labor rates throughout 2021 and again during nine months ended September 30, 2022.

Operating Expenses.

•**Selling and marketing expenses.** Selling and marketing expenses decreased by \$3.2 million from \$5.8 million in the three months ended September 30, 2021 to \$2.6 million in the three months ended September 30, 2022. Stryve decreased its spend with respect to its marketing efforts including digital media advertising and paid search in the third quarter of 2022 compared to the same period in 2021. We intend to temper this type of marketing spending for the foreseeable future in favor of increasing our focus on strategies to support retail velocities. Further, management anticipates experiencing operating leverage on its marketing expenses as the Company continues to add points of retail distribution, which has the potential to facilitate more efficient marketing spend.

•**Operations expenses.** Operations expenses decreased by \$0.1 million for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021. Despite the increase in overall transportation rates, our sales mix in three months ended September 30, 2022 allowed us to utilize more favorable modes of transportation relative to the prior year period.

•**Salaries and wages.** Salaries and wages decreased \$2.1 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021, decreasing from \$4.0 million to \$1.9 million. This decrease is in part attributable to the restructuring and productivity efforts of the Company and the non-recurrence of approximately \$1.7 million of non-cash compensation expense that was incurred in the prior year period. Additionally, the Company incurred \$0.1 million of non-cash, stock-based compensation expense in the third quarter of 2022 which was not present in the third quarter of 2021.

•**Depreciation and amortization.** Depreciation and amortization increased \$0.1 million from \$0.4 million in the three months ended September 30, 2021 to \$0.5 million compared to the three months ended September 30, 2022.

Operating Loss. Operating loss decreased by \$3.5 million from \$8.2 million in the three months ended September 30, 2021 to \$4.7 million in the three months ended September 30, 2022 and is primarily attributable to a material decrease in total operating expenses.

Interest Expense. Interest expense decreased by \$0.6 million from \$0.8 million in the three months ended September 30, 2021 to \$0.2 million in the three months ended September 30, 2022. While we relied, in part, on debt capital to support the business throughout 2021, we significantly deleveraged the business in the first half of 2022 as well as upon the consummation of the Business Combination in the third quarter of 2021 thus reducing the overall interest expense of the business year-over-year.

Net Loss. Net loss decreased \$3.7 million from \$8.7 million in three months ended September 30, 2021 to \$5.0 million in the three months ended September 30, 2022, with the decrease primarily attributable to a decrease in operating expenses.

Results of Operations –nine months ended September 30, 2022 Compared to nine months ended September 30, 2021

The following table sets forth selected items in our consolidated financial data in dollar amounts and as a percentage of net sales for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021.

(In thousands)	Nine Months Ended Sept 30, 2022 (unaudited)		Nine Months Ended Sept 30, 2021 (unaudited)	
		% of sales		% of sales
Net sales	\$ 24,537	100.0 %	\$ 23,248	100.0 %
Cost of goods sold (exclusive of depreciation shown separately below)	26,454	107.8 %	13,735	59.1 %
Gross profit (loss)	\$ (1,917)	(7.8)%	\$ 9,513	40.9 %
Operating expenses				
Selling and marketing expenses	\$ 12,873	52.5 %	\$ 17,873	76.9 %
Operations expense	3,664	14.9 %	3,264	14.0 %
Salaries and wages	8,035	32.7 %	6,977	30.0 %
Depreciation and amortization expense	1,466	6.0 %	1,194	5.1 %
Gain on disposal of fixed assets	(74)	(0.3)%	(22)	(0.1)%
Total operating expenses	25,964	105.8 %	29,286	126.0 %
Operating loss	(27,881)	(113.6)%	(19,773)	(85.1)%
Other income (expense):				
Interest expense	(559)	(2.3)%	(2,715)	(11.7)%
PPP loan forgiveness	—	—	1,670	7.2 %
Change in fair value of Private Warrants	100	0.4 %	213	0.9 %
Gain on debt extinguishment	—	—	545	2.3 %
Other income	(259)	(1.1)%	27	0.1 %
Other income (expense)	(718)	(2.9)%	(260)	(1.1)%
Net loss before income taxes	\$ (28,599)	(116.6)%	\$ (20,033)	(86.2)%

Net sales. Net sales increased by \$1.3 million from \$23.2 million during the nine months ended September 30, 2021 to \$24.5 million during the nine months ended September 30, 2022 representing growth of 5.5% for the comparable periods. The primary drivers of the increased sales of Stryve's products to existing accounts, and net new sales related to additional distribution secured by Stryve in 2021 at a number of key retailers. Overall, the largest contributor of growth stems from the limited-time savings event which resulted in significant in-and-out sales volume in the second quarter of 2022. This growth has been partially offset by a pullback in our e-commerce sales stemming from our reduction in digital media spending. Further, supply chain and execution challenges in the first half of 2022 have hindered our ability to effectively service several retail and private label accounts leaving unmet demand in the period.

(In thousands)	Nine Month Period Ended Sept 30, 2022 (unaudited)		Nine Month Period Ended Sept 30, 2021 (unaudited)	
Gross Sales	\$	30,697	\$	25,332
Trade Promotions/Discounts & Credits		(6,159)		(2,084)
Net Sales		24,538	\$	23,248

Cost of Goods Sold. Cost of goods sold increased by \$12.8 million from \$13.7 million in the nine months ended September 30, 2021, to \$26.5 million in the nine months ended September 30, 2022, which was primarily driven by increased sales volume followed by increased direct labor and commodity input costs, primarily beef. On the whole, overall commodity beef prices have increased significantly year-over-year. However, in the aggregate we have experienced favorable meat prices in the nine-month period ending September 30, 2022, relative to their peak in the second half of 2021. Notwithstanding this trend in beef pricing, the aforementioned execution related yield challenges largely muted the impact of this improvement.

Gross Profit (Loss). Gross profit (loss) fell \$11.4 million from a \$9.5 million profit in the nine months of 2021 to a \$(1.9) million loss in the first nine months of 2022. As a percent of net sales, gross profit (loss) for the first nine months of 2022 was (7.8)% which represents a significant decline from 40.9% in the first nine months of 2021. A few primary factors contribute to this performance:

- The pull back in DTC e-commerce paired with greater volume from other channels, particularly to club retailers, than in the prior year has resulted in an unfavorable mix shift. While we acknowledge the growth prospects of brick-and-mortar distribution, we recognize that any mix shift away from DTC e-commerce will likely negatively influence our gross margin profile.
- As 2021 progressed, we experienced increasing pressure on direct labor wage rates. These inflationary pressures necessitated several increases to our direct labor rates throughout 2021 and again during nine months ended September 30, 2022. We are hopeful that our investments in automation and process improvements will help to offset some of these pressures moving forward.
- The inflationary pressures in the commodity markets were significant in 2021 reaching their peak for the year during the second half of 2021. While we experienced considerable relief in beef input prices during the first half of 2022 relative to the prior year peaks, in the third quarter of 2022 we are seeing a return to rising prices.
- There were over \$6.2 million in coupons, promotions, deductions, and credits incurred in the first half of 2022. This gross-to-net dilution of 20.1% exceeds the prior year period's dilution of 8.2%. This increase is primarily attributable to the limited-time event which led to over \$3.0 million in coupons and deductions alone in the first half of 2022 which negatively influenced the average net price of our products.

Operating Expenses.

•**Selling expenses.** Selling and marketing expenses fell by \$5.0 million from \$17.9 million in the nine months ended September 30, 2021, to \$12.9 million in the nine months ended September 30, 2022. Stryve decreased its spend with respect to its marketing efforts including digital media, advertising, and paid search in the first nine months of 2022 compared to the same period in 2021. We intend to temper this type of marketing spending for the foreseeable future in favor of increasing our focus on strategies to support retail velocities. Further, management anticipates experiencing operating leverage on these expenses as the Company continues to add points of retail distribution, which has the potential to facilitate more efficient marketing spend.

•**Operations expenses.** Operations expenses increased by \$0.4 million from the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2022. The primary driver of this was increased fulfillment and logistics expense due to the increased volumes in the first nine months of 2022 as compared to the first nine months of 2021.

•**Salaries and wages.** Salaries and wages increased \$1.0 million from the nine months ended September 30, 2021, compared to the nine months ended September 30, 2022, increasing from \$7.0 million to \$8.0 million. This increase is in part attributable to certain non-recurring retention bonus compensation related to a prior acquisition as well as to key contributors within the organization incurred in the first half of 2022. Further, the second quarter results include an accrual of approximately \$1.0 million of non-recurring compensation expense that relate to the Company's Business Combination. Additionally, the Company incurred \$0.8 million of non-cash, stock-based compensation expense in the nine months ended September 30, 2022 which wasn't present in the comparable period of 2021 when Stryve was still a private company. Despite these increases year-over-year, through our restructuring efforts under new leadership, we anticipate that these expenses will be further optimized to align with the Company's go forward strategy to maximize productivity.

•**Depreciation and amortization.** Depreciation and amortization increased \$0.3 million from the nine months ended September 30, 2021, compared to the nine months ended September 30, 2022 and is primarily attributable to the timing of capital expenditures and dispositions of assets.

•**Prepaid media reserve.** As part of management's go-forward plan, certain non-core assets have been written down or reserved against. This includes fully reserving against approximately \$1.5 million of prepaid media assets on the balance sheet.

Operating Loss. Operating loss increased by \$8.1 million from (\$19.8) million through the first nine months of 2021 to (\$27.9) million through the first nine months of 2022 and is primarily attributable to decreased gross profit on sales and certain significant one-time restructuring charges occurring in the first half of 2022, as described above.

Interest Expense. Interest expense decreased by \$2.1 million from (\$2.7) million through the first nine months of 2021 to (\$0.6) million through the first nine months of 2022. While we relied, in part, on debt capital to support the business throughout 2021, we significantly deleveraged the business in the first quarter of 2022 as well as upon the consummation of the Business Combination in the third quarter of 2021 thus reducing the overall interest expense of the business year-over-year for the comparable periods.

Net Loss. Net loss increased \$8.6 million from \$20.0 million in the nine months ended September 30, 2021 to \$28.6 million in the nine months ended September 30, 2022 and is primarily attributable to a decrease in gross profit on sales and certain significant one-time restructuring charges occurring in the first half of 2022, as described above.

Non-GAAP Financial Measures

We use non-GAAP financial measures and believe it is useful to investors as it provides additional information to facilitate comparisons of historical operating results, identify trends in operating results, and provide additional insight on how the management team evaluates the business. Our management team uses EBITDA, Adjusted EBITDA, and Adjusted Earnings per Share to make operating and strategic decisions, evaluate performance and comply with indebtedness related reporting requirements. Below are details on these non-GAAP measures and the non-GAAP adjustments that the management team makes in the definition of EBITDA, Adjusted EBITDA, and Adjusted Earnings per Share. We believe these non-GAAP measure should be considered along with net income (loss), the most closely related GAAP financial measure. Reconciliations between EBITDA, Adjusted EBITDA, Adjusted Earnings per Share, and net income (loss) are below, and discussion regarding underlying GAAP results throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations. The presentation of non-GAAP financial information should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

EBITDA. Stryve defines EBITDA as net income (loss) before interest expense, income tax expense (benefit), and depreciation and amortization.

Adjusted EBITDA. Stryve defines Adjusted EBITDA as EBITDA adjusted as necessary for certain items listed below in the table.

The table below provides a reconciliation of EBITDA and Adjusted EBITDA to their most directly comparable GAAP measure, which is net income (loss) before taxes, for the three and nine months ended September 30, 2022 and 2021.

	Three Month Period Ended Sept 30, 2022 <i>(unaudited)</i>	Three Month Period Ended Sept 30, 2021 <i>(unaudited)</i>	Nine Month Period Ended Sept 30, 2022 <i>(unaudited)</i>	Nine Month Period Ended Sept 30, 2021 <i>(unaudited)</i>
(In thousands)				
Net loss before income taxes	\$ (4,967)	\$ (8,711)	\$ (28,599)	\$ (20,033)
Interest expense	190	758	559	2,715
Depreciation and amortization	518	402	1,466	1,194
EBITDA	\$ (4,259)	\$ (7,551)	\$ (26,574)	\$ (16,124)
Additional Adjustments*:				
PPP loan forgiveness	—	—	—	(1,670)
Severances and One-Time Employee Related Costs	285	—	1,631	—
One-Time Reserves and Write Downs	—	—	2,562	—
Business combination expenses	—	(1,077)	—	—
Stock based compensation expense	98	—	810	—
Non-cash compensation expense	—	1,701	—	1,701
Comparability adjustment - Public vs. Private	—	—	—	(1,049)
Adjusted EBITDA	\$ (3,876)	\$ (6,926)	\$ (21,572)	\$ (17,142)

Adjusted EBITDA. The Company reduced its negative Adjusted EBITDA by 44% when comparing the three months ended September 30, 2022 and 2021 with a \$3.1 million improvement year-over-year driving by the Company's improved gross margins and rationalized spending. Stryve increased its negative Adjusted EBITDA during the nine months ended September 30, 2022, from \$(17.1) million to \$(21.6) million. The presentation of non-GAAP financial information should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

***Additional Adjustments to EBITDA:**

PPP Loan Forgiveness: The Company secured a Paycheck Protection Program loan in April of 2020 which was fully forgiven in the first quarter of 2021. The forgiveness of \$1.6 million of principal and interest resulted in a gain during the nine months ended September 30, 2021. This item is one-time and has been adjusted out of Other Income (Expense) to provide better comparability of results.

Severances and One-Time Employee Related Costs: The Company incurred certain one-time charges related to employees, including severances, one-time payments, and recruiting fees, in the second and third quarters of 2022.

One-Time Reserves and Write Downs: As part of management's go-forward plan, certain non-core assets have been written down or reserved against. This includes the write down of approximately \$1.5M of pre-paid media, reserves for non-core SKUs, and other non-recurring items. These non-recurring expenses have been adjusted out to provide better comparability of results.

Business Combination Expenses: The Company signed the Business Combination Agreement on January 28, 2021, and prepared an S-4 and S-1 filing in furtherance of the Business Combination. In doing so, the Company incurred significant legal and professional services fees over the course of the year which were later capitalized to Additional Paid-in Capital upon the consummation of the Business Combination which was reflected in the three months ended September 30, 2021 financial results. The impact on the statement of operations that the capitalization of these expenses had during the three months ended September 30, 2021 has been adjusted out to show better comparability with the current year quarter.

Non-Cash Compensation Expense: The Company incurred significant one-time non-cash compensation expense in the three and nine months ended September 30, 2021 stemming from notes receivable which were forgiven in conjunction with the Business Combination. These charges have been adjusted out of the comparable periods to improve the comparability of results.

Comparability Adjustment - Public vs Private: For the duration of the six-month period ended June 30, 2021, Stryve was a private company. The Company consummated the Business Combination on July 20, 2021. As a public company, the Company incurs significant expenses by virtue of being public. These public company expenses affect the comparability of results between the periods shown. Accordingly, these public company expenses have been added to the nine months ended September 30, 2021, to adjust for comparative purposes. These expenses include public filing fees and preparation services, the extra cost of directors & officers insurance for public companies, and board fees.

Adjusted Earnings per Share. Stryve defines Adjusted Earnings per Share as its Basic/Diluted Net Income (Loss) per Share adjusted as necessary for certain items listed below in the table.

The table below provides a reconciliation of Adjusted Earnings per Share to its most directly comparable GAAP measure, which is Basic/Diluted Net Income (Loss) per Share, for the three and nine months ended September 30, 2022 and 2021.

	Three Month Period Ended Sept 30, 2022 <i>(unaudited)</i>	Three Month Period Ended Sept 30, 2021 <i>(unaudited)</i>	Nine Month Period Ended Sept 30, 2022 <i>(unaudited)</i>	Nine Month Period Ended Sept 30, 2021 <i>(unaudited)</i>
(In thousands except share and per share information)				
Net loss	\$ (4,968)	\$ (8,711)	\$ (28,636)	\$ (20,033)
Weighted average shares outstanding	30,991,943	18,263,099	30,568,431	12,878,733
Basic & Diluted Net Loss per Share	\$ (0.16)	\$ (0.48)	\$ (0.94)	\$ (1.56)
Additional Adjustments*:				
PPP loan forgiveness	—	—	—	(0.13)
Severances and One-Time Employee Related Costs	0.01	—	0.05	—
One-Time Reserves and Write Downs	—	—	0.08	—
Business combination expenses	—	(0.06)	—	—
Stock based compensation expense	0.00	—	0.03	—
Non-cash compensation expense	—	0.09	—	0.13
Comparability adjustment - Public vs. Private	—	—	—	(0.08)
Adjusted Earnings per Share	\$ (0.15)	\$ (0.44)	\$ (0.77)	\$ (1.63)

* Information regarding these adjustments can be found in the Additional Adjustments to EBITDA section above.

Liquidity and Capital Resources

Overview. We have historically funded our operations with cash flow from operations, equity capital raises, and note payable agreements from shareholders and private investors, in addition to bank loans. Our principal uses of cash have been debt service, capital expenditures, net losses and investment in working capital. For the nine months ended September 30, 2022, we incurred an operating loss of \$27.9 million and used cash in operations of \$25.5 million. As of September 30, 2022, we have working capital of \$10.9 million which compares favorably to the \$3.2 million working capital we maintained as of December 31, 2021, and have only approximately \$5.2 million of indebtedness.

Late in the third quarter of 2022, we secured \$21 million of non-dilutive, committed borrowing capacity through a combination of facilities to augment our liquidity, as needed, through the execution of management's plan of which \$4.3 million had been drawn upon as of September 30th, 2022.

We have examined every area of spending throughout our business and believe we identified ways to drive efficiencies, eliminate unnecessary expense, and focus on the highest and best use of each dollar. The resulting impact is a 46.9% reduction in total operating expenses leading to a \$4.5 million improvement in our pre-tax net loss despite lower sales when comparing to the prior year quarter. Further, we have instituted a continuous price action review process in which we look to protect our unit economics in light of the inflationary environment. This process has already resulted in two meaningful price increases this year. We have also sought to optimize our channel strategy and rationalize our customer and product portfolio to eliminate sales that detract from our profitability goals.

In the third quarter of 2022, we invested more heavily into our inventories than our sales volumes would indicate as being required. Given that prevailing beef prices are rising, this investment in inventory was driven in part by opportunistic commodity beef purchases made towards the end of the quarter to secure attractive pricing. We anticipate drawing down on these inventory levels in the coming quarters which would be a near-term source of liquidity.

The Company believes that cash from operations, our working capital, and our borrowing ability should be sufficient to fund the Company's base projections for at least the next twelve months from the date these financial statements are made available.

Cash Flows. The following tables show summary cash flows information for the nine months ended September 30, 2022 and 2021.

(In thousands)	Nine Months Ending Sept 30, 2022 (unaudited)	Nine Months Ending Sept 30, 2021 (unaudited)
Net cash used in operating activities	\$ (25,534)	\$ (27,624)
Net cash used in investing activities	(2,281)	(833)
Net cash provided by financing activities	29,952	41,254
Net increase in cash and cash equivalents	<u>\$ 2,137</u>	<u>\$ 12,797</u>

Net Cash used in Operating Activities. Net cash used in operating activities increased \$(2.1) million from \$27.6 million through the nine months ended September 30, 2021 compared to \$25.5 million through the nine months ended September 30, 2022. This increase is primarily attributable to the increase in net losses paired with an investment in net working capital during the nine months ended September 30, 2022, as compared to the prior year period.

Net Cash used in Investing Activities. Net cash used in investing activities increased from \$0.8 million in the nine months ended September 30, 2021, to \$2.3 million in the nine months ended September 30, 2022, representing a \$1.5 million increase when comparing the same period year over year. We anticipate increased investment in manufacturing and fulfillment assets moving forward, in order to ensure we have adequate run rate capacities to meet the potential demand for our products.

Net Cash provided by Financing Activities. Net cash provided by financing activities generated \$(11.3) million more cash for the Company in the nine months ended September 30, 2022, compared to the comparable period a year ago. In the nine months ended September 30, 2022, we generated cash from financing activities of \$30.0 million.

Debt and credit facilities. The information below represents an overview of the Company's debt and prior credit facilities. The Company's outstanding indebtedness as of September 30, 2022, and December 31, 2021, is as follows:

(In thousands)	As of Sept 30, 2022	As of December 31, 2021
Long term debt	\$ 4,077	\$ 1,567
Short term debt	1,013	2,000
Line of credit (Note 5)	272	3,500
Total notes payable	5,362	7,067
Less: current portion	(1,559)	(3,447)
Less: debt issuance costs	(209)	—
Less: line of credit	(123)	—
Total notes payable, net of current portion	<u>\$ 3,471</u>	<u>\$ 3,620</u>

Future minimum principal payments on the notes payable as of September 30, 2022, are as follows:

(In thousands)	
2022 (for the remainder of)	\$ 413
2023	1,533
2024	730
2025	1,062
2026	1,624
	<u>\$ 5,362</u>

On January 28, 2022, we paid off approximately \$6.8 million of outstanding principal and interest owed to Origin.

Certain Factors Affecting Our Performance

Strive's management believes that the Company's future performance will depend on many factors, including the following:

Ability to Expand Distribution in both Online and Traditional Retail Channels. Stryve is currently growing its consumer base through paid and organic means both online as well as by expanding its presence in a variety of physical retail distribution channels. Online consumer acquisitions typically occur through the Company's portfolio of DTC e-commerce websites and Amazon.com. The Company's online consumer acquisition program includes paid and unpaid social media, search, and display media. Stryve's products are also sold through a growing number of traditional retail channels where the Company has an opportunity to acquire new consumers. Traditional retail channels include grocery chains, natural food outlets, club stores, convenience stores, and drug stores, all either direct or through distribution partners.

Ability to Acquire and Retain Consumers at a Reasonable Cost. Stryve's management believes an ability to consistently acquire and retain consumers at a reasonable cost relative to projected life-time value will be a key factor affecting future performance. To accomplish this goal, Stryve intends to strategically allocate advertising spend between online and offline channels favoring digital media, as well as emphasizing more targeted and measurable "direct response" digital marketing spend with advertising focused on increasing consumer awareness and driving trial of our products. Further, we acknowledge that changes to third-party algorithms that may be utilized directly, or indirectly, by Stryve in its advertising efforts may impact the effectiveness of Stryve's advertising which may increase its overall cost to acquire and retain consumers.

Ability to Drive Repeat Usage of Our Products. Stryve accrues substantial economic value from repeat consumers who consistently purchase its products either online or in traditional retail. The pace of Stryve's growth rate will be affected by the repeat usage dynamics of existing and newly acquired customers. The Company utilizes a number of methods to drive repeat behavior including intelligent e-mail and text campaigns, targeted digital media, and subscribe and save incentives.

Ability to Expand Gross Margins. Stryve's overall profitability will be impacted by its ability to expand gross margins through effective sourcing of raw materials, managing production yields and drying times, controlling labor and shipping costs, as well as spreading other production-related costs over greater manufacturing volumes. Additionally, Stryve's ability to expand gross margins will be influenced by its revenue channel and customer mix as well as by Stryve's ability to pass price increases to its customers.

Ability to Expand Operating Margins. The Company's ability to expand operating margins will be impacted by its ability to effectively manage its fixed and variable operating expenses as net sales increase.

Ability to Manage Supply Chain and Expand Production In-line with Demand. Stryve's ability to grow and meet future demand will be affected by its ability to effectively plan for and source inventory from a variety of suppliers located inside and outside the United States. Additionally, efficiently scaling production capacity ahead of growth in net sales will be critical to the Company's ability to meet future demand without disruption.

Ability to Optimize Key Components of Working Capital. Stryve's ability to reduce cash burn in the near-term and eventually generate positive cash flow will be partially impacted by the Company's ability to effectively manage the key components of working capital which have a direct impact on the cash conversion cycle.

Seasonality. Because Stryve is so early in its lifecycle of growth, it is difficult to discern the exact magnitude of seasonality affecting its business. Any evidence of seasonality is not clearly discernable from the Company's historical growth. However, understanding potential trends in seasonality will be key in Stryve's management of its expenses, liquidity, and working capital.

Off-Balance Sheet Arrangements

We have no obligations, assets or liabilities which would be considered off-balance sheet arrangements as of September 30, 2022. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. We have not entered into any off-balance sheet financing arrangements, established any special purpose entities, guaranteed any debt or commitments of other entities, or purchased any non-financial assets.

Critical Accounting Estimates

Our management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements which have been prepared in accordance with GAAP. In preparing our financial statements, we make estimates, assumptions, and judgments that can have a significant impact on our reported revenue, results of operations, and comprehensive net income or loss, as well as on the value of certain assets and liabilities on our balance sheet during, and as of, the reporting periods. These estimates, assumptions, and judgments are necessary and are made based on our historical experience, market trends and on other assumptions and factors that we believe to be reasonable under the circumstances because future events and their effects on our results of operations and value of our assets cannot be determined with certainty. These estimates may change as new events occur or additional information is obtained. We may periodically be faced with uncertainties, the outcomes of which are not within our control and may not be known for

a prolonged period of time. Because the use of estimates is inherent in the financial reporting process, actual results could differ from those estimates or assumptions.

The critical accounting estimates, assumptions, and judgments that we believe have the most significant impact on our consolidated financial statements are described below. Our significant accounting policies are more fully described in Note 3 to our consolidated financial statements.

Accounts Receivable and Allowance for Doubtful Accounts, Returns, and Deductions. Accounts receivable are customer obligations due under normal trade terms. The Company records accounts receivable at their net realizable value, which requires management to estimate the collectability of the Company's receivables. Judgment is required in assessing the realization of these receivables, including the credit worthiness of each counterparty and the related aging of past due balances. Management provides for an allowance for doubtful accounts equal to the estimated uncollectable amounts, in addition to a general provision based on historical experience. Management provides for the customer accommodations based upon a general provision of sales in addition to known deductions. The estimates are based on collection experience and a review of trade accounts. As of September 30, 2022 and December 31, 2021, the allowance for doubtful accounts and returns and deductions totaled \$104,815 and \$1,236,497, respectively. Total bad debt expense for the three months ended September 30, 2022 and 2021 was \$322,946 and \$513,661, respectively.

(In thousands)	As of Sept 30,		As of December 31,	
	2022	2021	2021	2020
Beginning balance	\$ 1,236	\$ 1,603	\$ 1,603	\$ 688
Provisions	703	420	1,154	915
Write-offs/ reversals	(1,835)	(1,087)	(1,521)	—
Ending balance	\$ 104	\$ 936	\$ 1,236	\$ 1,603

Reporting Unit Analysis

The Company presents a single segment for purposes of financial reporting and prepared its consolidated financial statements upon that basis. The Company considered ASC 350-20-35-35 related to reporting unit determination and the aggregation of components into one reporting unit.

The economic characteristics considered were whether:

- 1) The nature of the products and services are similar
- 2) The type of class of customer for products and services are similar
- 3) The methods used to distribute the products or provide the services are similar
- 4) The manner in which an entity operates, and the nature of those operations is similar

Currently, the Company has one reporting unit due to the similarity of its components when evaluated against the aforementioned economic characteristics.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Stryve's future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates.

Concentration of credit risk. The balance sheet items that potentially subject the Company to concentrations of credit risk are primarily cash, accounts receivable, and accounts payable. The Company continuously evaluates the credit worthiness of its customers' financial condition and generally does not require collateral. The Company maintains cash balances in bank accounts that may, at times, exceed Federal Deposit Insurance Corporation ("FDIC") limits of \$250,000 per institution. The Company incurred no losses from such accounts and management considers the risk of loss to be minimal.

As of and for the nine months ended September 30, 2022, customer and vendor concentrations in excess of 10% consolidated sales, purchases accounts receivable, and accounts payable are as follows:

	Sales	Purchases	Accounts Receivable	Accounts Payable
Customer A	36%	—	—	—
Customer B	—	—	10%	—
Customer C	10%	—	12%	—
Customer D	—	—	12%	—
Customer E	—	—	10%	—
Vendor A	—	10%	—	—
Vendor B	—	10%	—	—
Vendor C	—	—	—	13%

Interest rate risk. Stryve is subject to interest rate risk in connection with borrowing based on a variable interest rate. Derivative financial instruments, such as interest rate swap agreements and interest rate cap agreements, are not currently but may be used for the purpose of managing fluctuating interest rate exposures that exist from Stryve's variable rate debt obligations that are expected to remain outstanding. Interest rate changes do not affect the market value of such debt, but could impact the amount of Stryve's interest payments, and accordingly, Stryve's future earnings and cash flows, assuming other factors are held constant. Additionally, changes in prevailing market interest rates may affect Stryve's ability to refinance existing debt or secure new debt financing. Notwithstanding the foregoing, management acknowledges that both foreign and domestic central bank actions as well as geopolitical uncertainty and conflict, such as Russia's recent invasion of Ukraine, may have unpredictable effects on the Company's exposure to interest rate risk either directly or indirectly.

Foreign currency risk. Stryve is exposed to changes in currency rates as a result of its revenue generated in currencies other than U.S. dollars. Revenue and profit generated by international operations will increase or decrease compared to prior periods as a result of changes in foreign currency exchange rates. However, the operations that are impacted by foreign currency risk are less than 5% of Stryve's net income (loss) for the nine months ended September 30, 2022 and the 52-week period ended December 31, 2021 and therefore, the risk of this is insignificant. Notwithstanding the foregoing, management acknowledges that both foreign and domestic

central bank actions as well as geopolitical uncertainty and conflict, such as Russia's recent invasion of Ukraine, may have unpredictable effects on the Company's exposure to foreign currency risk either directly or indirectly.

Raw material risk. Stryve's profitability depends, among other things, on its ability to anticipate and react to raw material costs, primarily beef. The price of beef and other raw materials are subject to many factors beyond Stryve's control, including general economic conditions, inflation, processing labor shortages, cost of feed, demand, natural disasters, weather and other factors that may affect beef supply chain participants. Changes in the prices of beef and other raw materials have already negatively affected Stryve's results of operations, and any continued or further changes could have a material impact on Stryve's business, financial condition and results of operations. Notwithstanding the foregoing, management acknowledges that both foreign and domestic central bank actions as well as geopolitical uncertainty and conflict, such as Russia's recent invasion of Ukraine, may have unpredictable effects on the Company's exposure to raw material commodity risks.

Inflation risk. Inflation may impact Stryve's revenue and cost of services and products, Stryve believes the effects of inflation, if any, on its business, financial condition and results of operations have been material to date which management hopes to alleviate through mitigating strategies. However, there can be no assurance that any mitigation strategies management employs will be effective or that its business, financial condition and results of operations will not be materially impacted by continued inflation in the future. Notwithstanding the foregoing, management acknowledges that both foreign and domestic central bank actions as well as geopolitical uncertainty and conflict, such as Russia's recent invasion of Ukraine, may have unpredictable effects on the Company's exposure to inflation risk either directly or indirectly.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains a system of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act") designed to ensure that the information required to be disclosed by the Company in the reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and is accumulated and communicated to our management, including our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), as appropriate, to allow timely decisions regarding required disclosure.

The Company's management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures under the Exchange Act as of September 30, 2022, the end of the period covered by this report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting, as identified in connection with the evaluation required by Rule 13a-15(d) and Rule 15d-15(d) of the Exchange Act, that occurred during the three months ended September 30, 2022 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.

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of its business. We are not currently a party to any material legal proceedings. Regardless of outcome, such proceedings or claims can have an adverse impact on us because of defense and settlement costs, diversion of resources and other factors and there can be no assurances that favorable outcomes will be obtained.

Item 1A. Risk Factors

There have been no material changes to the factors disclosed in Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

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

During the three-months ended September 30, 2022, 2,200,000 pre-funded warrants were exercised for an aggregate of 2,200,000 shares of Class A common stock. The exercised pre-funded warrants do not affect the EPS calculation as pre-funded warrants are included in the weighted EPS calculation. During the three-months ended September 30, 2022, 4,014,012 share of Class V common stock and 4,014,012 B units of Andina Holdings, LLC were exchanged for 4,014,012 shares of Class A common stock. This exchange has no impact on the EPS calculation as it already included and presented on an as-exchanged basis. The securities were issued in reliance on the exemption from registration provided by Section 4(a)(2) under the Securities Act of 1933, as amended, and/or Regulation D promulgated thereunder.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Exhibit No.	Document
31.1*	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Furnished.

SIGNATURES

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

STRYVE FOODS, INC. (f/k/a ANDINA ACQUISITION CORP. III)

Date: November 14, 2022

By: /s/ Christopher Boever
Name: Christopher Boever
Title: Chief Executive Officer
(Principal Executive Officer)

By: /s/ R. Alex Hawkins
Name: R. Alex Hawkins
Title: Chief Financial Officer
(Principal Financial Officer)

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

I, Joe Oblas, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Stryve Foods, Inc. (f/k/a Andina Acquisition Corp. III);
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)) for the registrant 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 my supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my 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; and
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 16, 2022

/s/ Joe Oblas

Joe Oblas
Chief Executive Officer
(Principal Executive Officer)

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

I, R. Alex Hawkins, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Stryve Foods, Inc. (f/k/a Andina Acquisition Corp. III);
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)) for the registrant 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 my supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my 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; and
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 16, 2022

/s/ R. Alex Hawkins
R. Alex Hawkins
Chief Financial Officer
(Principal Financial 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 Stryve Foods, Inc. (f/k/a Andina Acquisition Corp. III) (the "Company") on Form 10-Q for the quarter ended September 30, 2022 as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- a)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- b)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: May 16, 2022

By: /s/ Joe Oblas
Name: Joe Oblas
Title: Chief Executive Officer
(Principal Executive Officer)

By: /s/ R. Alex Hawkins
Name: R. Alex Hawkins
Title: Chief Financial Officer
(Principal Financial Officer)

