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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023
OR

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

For transition period from to
Commission File Number 001-40963

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

Delaware	**47-3999983**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

730 Montgomery Street
San Francisco, CA 94111
(628) 225-4848
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, $0.0001 par value per share	BIRD	The Nasdaq Global Select Market

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

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

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

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

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

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

As of November 1, 2023, the number of shares of the registrant’s Class A common stock outstanding was 100,303,748 and the number of shares of the registrant’s Class B common stock outstanding was 52,547,761.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which statements involve substantial risk and uncertainties. All statements other than statements of historical facts contained in this quarterly report, including statements regarding our future results of operations, financial condition, business strategy and plans, strategic transformation plan, business models, and objectives of management for future operations, and statements regarding the benefits and timing of the roll-out of new products and technology, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” or “would” or the negative of these words or other similar terms or expressions.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, and results of operations. The outcome of the events described in these forward-looking statements is subject to risks and uncertainties, including the factors described in “Part II, Item 1A. Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events, and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe that such information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements contained in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in or expressed by, and you should not place undue reliance on, our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments.

Additional Information

Unless the context otherwise requires, all references in this Quarterly Report on Form 10-Q to “we,” “us,” “our,” “our company,” and “Allbirds” refer to Allbirds, Inc. and its subsidiaries. The Allbirds design logo, “Allbirds,” and our other registered or common law trademarks, service marks, or trade names appearing in this Quarterly Report on Form 10-Q are the property of Allbirds, Inc. Other trade names, trademarks, and service marks used in this Quarterly Report on Form 10-Q are the property of their respective owners. Solely for convenience, we

have omitted the ® and ™ designations, as applicable, for the trademarks we name in this Quarterly Report on Form 10-Q.

We announce material information to the public through a variety of means, including filings with the Securities and Exchange Commission, press releases, public conference calls, our website (allbirds.com), the investor relations section of our website (ir.allbirds.com), our Instagram account (@allbirds), our X account (@allbirds), our LinkedIn account (linkedin.com/company/allbirds), and our Facebook page (@weareallbirds). We use these channels to communicate with investors and the public about our company, our products, and other matters. Therefore, we encourage investors, the media and others interested in our company to review the information we make public in these locations, as such information could be deemed to be material information.

RISK FACTORS SUMMARY

Investing in our Class A common stock involves a high degree of risk because our business is subject to numerous risks and uncertainties, as more fully described in “Part II, Item 1A. Risk Factors” of this Quarterly Report on Form 10-Q. Below are some of these risks, any one of which could materially adversely affect our business, financial condition, results of operations, and prospects:

- We may be unable to successfully execute on our strategic transformation plans, simplification initiatives, or our long-term growth strategy, including efforts to maintain or grow our current revenue and profit levels, reduce our costs or accurately forecast demand and supply for our products.
- Our operating results may fluctuate significantly and our past operating results may not be a good indication of future performance.
- Our efforts to transition our international go-to-market strategy from a direct model to a distributor model may not be successful and may negatively impact our operating results and brand value.
- Economic uncertainty in our key markets may affect consumer purchases of discretionary items, which has affected and may continue to adversely affect demand for our products.
- We have a significant amount of long-lived assets, which are assessed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable; additionally, we may never realize the full value of our long-lived assets, causing us to record material impairment charges.
- If we are unable to maintain and enhance the value and reputation of our brand and/or counter any negative publicity, we may be unable to sell our products, which would harm our business and could materially adversely affect our financial condition and results of operations.
- We have incurred significant net losses since inception and anticipate that we will continue to incur losses for the foreseeable future.
- We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can, which could result in a loss of our market share and a decrease in our net revenue and profitability.
- Our focus on using sustainable high-quality materials and environmentally friendly manufacturing processes and supply chain practices may increase our cost of revenue and hinder our growth.
- If we fail to attract new customers, retain existing customers, or maintain or increase sales to customers, our business, financial condition, results of operations, and growth prospects will be harmed.
- Climate change and increased focus by governments, organizations, customers, and investors on sustainability issues, including those related to climate change and socially responsible activities, may adversely affect our reputation, business, and financial results.
- If we are unable to anticipate product trends and consumer preferences, or we fail in our technical and materials innovation to successfully develop and introduce new high-quality products, we may not be able to maintain or increase our revenue and profits.
- We utilize a range of marketing, advertising, and other initiatives to increase existing customers’ spend and to acquire new customers; if the costs of advertising or marketing increase, or if our initiatives fail to achieve their desired impact, we may be unable to grow the business profitably.
- As a company that operates retail stores, we are subject to various risks, including commercial real estate and labor and employment risks; additionally, we may be unable to successfully open new store locations in existing or new geographies in a timely manner, if at all, or successfully implement and expand our third-party distribution and retail arrangements, which could harm our results of operations.

- Our business depends on our ability to maintain a strong community of engaged customers, including through the use of social media. We may be unable to maintain and enhance our brand if we experience negative publicity related to our marketing efforts or use of social media, or otherwise fail to meet our customers' expectations.
- Our financial results may be adversely affected if substantial investments in businesses and operations, including in our retail stores, fail to produce expected returns.
- We are subject to risks related to our ESG activities and disclosures, and our reputation and brand could be harmed if we fail to meet our public sustainability targets and goals.
- We are subject to risks related to our commitment to certain ESG criteria, including the SPO Framework.
- Our reliance on suppliers and manufacturers to provide materials for and to produce our products could cause problems in our supply chain.
- Our business is subject to the risk of manufacturer concentration.
- Failure of our contractors or our licensees' contractors to comply with our supplier code of conduct, contractual obligations, local laws, and other standards could harm our business.
- The fluctuating cost of raw materials could increase our cost of revenue and cause our results of operations and financial condition to suffer.
- We may fail to protect our intellectual property rights, our trademark and other proprietary rights may conflict with the rights of others, and we may not be able to acquire, use, or maintain our marks and domain names, any of which could harm our brand, business, financial condition, and results of operations.
- If the technology-based systems that give our customers the ability to shop with us online do not function effectively, or we fail to comply with government regulations relating to the internet and eCommerce, our results of operations, as well as our ability to grow our digital business globally, could be materially adversely affected.
- Our international operations expose us to various risks from foreign currency exchange rate fluctuations, tariffs or global trade wars, trade restrictions, and changing tax laws in the United States and elsewhere, among others.
- We are subject to several unique risks as a result of our status as a Delaware public benefit corporation, or PBC, and certified B Corporation, or B Corp, including that our board of directors' duty to balance various interests and our public benefit purpose may result in actions that do not maximize stockholder value.
- The dual class structure of our common stock has the effect of concentrating voting control with our co-founders, Timothy Brown and Joseph Zwillinger, our directors, our principal stockholders, and their respective affiliates, which limits or precludes the ability of our other stockholders to influence corporate matters, including the election of directors and the approval of any change of control transaction.
- If we fail to satisfy all applicable requirements of Nasdaq (including minimum closing bid price requirements), our Class A common stock could be delisted. which could adversely affect the market liquidity of our Class A common stock and cause the market price of our Class A common stock to decrease further.

If we are unable to adequately address these and other risks we face, our business may be harmed.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

ALLBIRDS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
(unaudited)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 132,483	$ 167,136
Accounts receivable	5,321	9,206
Inventory	79,933	116,796
Prepaid expenses and other current assets	18,012	15,796
Total current assets	235,749	308,934
Property and equipment—net	48,101	54,340
Operating lease right-of-use assets	89,586	91,232
Other assets	6,616	7,858
Total assets	$ 380,052	$ 462,364
Liabilities and stockholders’ equity		
Current liabilities:		
Accounts payable	$ 12,580	$ 12,245
Accrued expenses and other current liabilities	20,148	23,448
Current lease liabilities	14,582	10,263
Deferred revenue	3,934	4,057
Total current liabilities	51,244	50,012
Noncurrent liabilities:		
Noncurrent lease liabilities	92,420	95,583
Other long-term liabilities	9	—
Total noncurrent liabilities	92,429	95,583
Total liabilities	$ 143,673	$ 145,595
Commitments and contingencies (Note 16)		
Stockholders’ equity:		
Class A Common Stock, $0.0001 par value; 2,000,000,000 shares authorized as of September 30, 2023 and December 31, 2022; 99,999,316 and 96,768,745 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	10	10
Class B Common Stock, $0.0001 par value; 200,000,000 shares authorized as of September 30, 2023 and December 31, 2022; 52,547,761 and 53,137,729 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	5	5
Additional paid-in capital	575,833	559,106
Accumulated other comprehensive loss	(5,049)	(3,611)
Accumulated deficit	(334,420)	(238,741)
Total stockholders’ equity	236,379	316,769
Total liabilities and stockholders’ equity	$ 380,052	$ 462,364

See accompanying notes to condensed consolidated financial statements.

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ALLBIRDS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net revenue	$ 57,244	$ 72,651	$ 182,075	$ 213,588
Cost of revenue	32,351	40,120	105,218	120,263
Gross profit	24,893	32,531	76,857	93,325
Operating expense:				
Selling, general, and administrative expense	43,545	44,644	132,516	125,106
Marketing expense	10,176	12,654	34,192	42,294
Restructuring expense	1,234	747	5,514	747
Total operating expense	54,955	58,045	172,222	168,147
Loss from operations	(30,062)	(25,514)	(95,365)	(74,822)
Loss from sales of businesses	(2,346)	—	(2,346)	—
Interest income (expense)	1,120	(35)	2,961	(107)
Other (expense) income	(153)	155	(298)	393
Loss before provision for income taxes	(31,441)	(25,394)	(95,048)	(74,536)
Income tax (provision) benefit	(134)	153	(631)	(1,953)
Net loss	$ (31,575)	$ (25,241)	$ (95,679)	$ (76,489)
Net loss per share data:				
Net loss per share attributable to common stockholders, basic and diluted	$ (0.21)	$ (0.17)	$ (0.63)	$ (0.52)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	152,103,817	149,267,269	151,005,080	148,481,459
Other comprehensive loss:				
Foreign currency translation loss	(906)	(3,690)	(1,438)	(7,763)
Total comprehensive loss	$ (32,481)	$ (28,931)	$ (97,117)	$ (84,252)

See accompanying notes to condensed consolidated financial statements.

ALLBIRDS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)
(unaudited)

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
BALANCE - June 30, 2022	94,397,696	$ 9	54,467,089	$ 6	$ 546,346	$ (3,407)	$ (188,634)	$ 354,320
Exercise of stock options	—	—	121,576	—	323	—	—	323
Exercise of common stock warrants, net of shares withheld for exercise	—	—	3,750	—	—	—	—	—
Vesting of common stock warrants	—	—	—	—		—	—	—
Vesting of restricted stock units	364,914	—	—	—	—	—	—	—
Repayment of non-recourse promissory note	—	—	—	—	539	—	—	539
Conversion of Class B shares into Class A common stock	1,454,686	1	(1,454,686)	(1)	—	—	—	—
Stock-based compensation	—	—	—	—	6,125	—	—	6,125
Comprehensive loss	—	—	—	—	—	(3,690)	—	(3,690)
Net loss	—	—	—	—	—	—	(25,241)	(25,241)
BALANCE - September 30, 2022	96,217,296	$ 10	53,137,729	$ 5	$ 553,333	$ (7,097)	$ (213,876)	$ 332,375

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
BALANCE - June 30, 2023	98,818,595	$ 10	52,547,761	$ 5	$ 570,818	$ (4,143)	$ (302,844)	$ 263,846
Exercise of stock options	—	—	405,986	—	78	—	—	78
Vesting of restricted stock units	774,735	—	—	—	—	—	—	—
Conversion of Class B shares into Class A common stock	405,986	—	(405,986)	—	—	—	—	—
Stock-based compensation	—	—	—	—	4,938	—	—	4,938
Comprehensive loss	—	—	—	—	—	(906)	—	(906)
Net loss	—	—	—	—	—	—	(31,575)	(31,575)
BALANCE - September 30, 2023	99,999,316	$ 10	52,547,761	$ 5	$ 575,833	$ (5,049)	$ (334,420)	$ 236,379

See accompanying notes to condensed consolidated financial statements.

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ALLBIRDS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)
(unaudited)

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
BALANCE - December 31, 2021	49,016,511	$ 5	98,038,941	$ 10	$ 533,709	$ 666	$ (137,386)	$ 397,004
Exercise of stock options	—	—	1,734,516	—	2,586	—	—	2,586
Exercise of common stock warrants, net of shares withheld for exercise	—	—	25,717	—	—	—	—	—
Vesting of common stock warrants	—	—	—	—	843	—	—	843
Vesting of restricted stock units	367,414	—	—	—	—	—	—	—
Repayment of non-recourse promissory note	—	—	—	—	539	—	—	539
Issuance of common stock under employee stock purchase plan	171,926	—	—	—	823	—	—	823
Conversion of Class B shares into Class A common stock	46,661,445	5	(46,661,445)	(5)	—	—	—	—
Stock-based compensation	—	—	—	—	14,833	—	—	14,833
Comprehensive loss	—	—	—	—	—	(7,763)	—	(7,763)
Net loss	—	—	—	—	—	—	(76,489)	(76,489)
BALANCE - September 30, 2022	96,217,296	$ 10	53,137,729	$ 5	$ 553,333	$ (7,097)	$ (213,876)	$ 332,375

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
BALANCE - December 31, 2022	96,768,745	$ 10	53,137,729	$ 5	$ 559,106	$ (3,611)	$ (238,741)	$ 316,769
Exercise of stock options	—	—	719,579	—	156	—	—	156
Vesting of restricted stock units	1,690,736	—	—	—	—	—	—	—
Issuance of common stock under employee stock purchase plan	230,288				233			233
Conversion of Class B shares into Class A common stock	1,309,547	—	(1,309,547)	—	—	—	—	—
Stock-based compensation	—	—	—	—	16,339	—	—	16,339
Comprehensive loss	—	—	—	—	—	(1,438)	—	(1,438)
Net loss	—	—	—	—	—	—	(95,679)	(95,679)
BALANCE - September 30, 2023	99,999,316	$ 10	52,547,761	$ 5	$ 575,833	$ (5,049)	$ (334,420)	$ 236,379

See accompanying notes to condensed consolidated financial statements.

ALLBIRDS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (95,679)	$ (76,489)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	15,142	11,129
Amortization of debt issuance costs	37	37
Stock-based compensation	15,662	14,785
Inventory write-down	9,149	12,675
Realized loss on equity investment	84	—
Loss from sales of businesses	2,376	—
Changes in assets and liabilities:		
Accounts receivable	3,799	1,563
Inventory	23,090	(34,890)
Prepaid expenses and other current assets	750	(1,939)
Operating lease right-of-use assets and current and noncurrent lease liabilities	2,919	—
Other assets	—	(3,839)
Accounts payable and accrued expenses	(2,783)	(12,054)
Other long-term liabilities	9	7,674
Deferred revenue	(53)	(810)
Net cash used in operating activities	(25,498)	(82,158)
Cash flows from investing activities:		
Purchase of property and equipment	(9,657)	(24,957)
Changes in security deposits	758	(610)
Proceeds from equity investment	166	—
Net cash used in investing activities	(8,733)	(25,567)
Cash flows from financing activities:		
Proceeds from the exercise of stock options	516	2,738
Taxes withheld and paid on employee stock awards	(359)	(152)
Proceeds from issuance of common stock under the employee stock purchase plan	233	823
Repayment of non-recourse promissory note	—	539
Payments of deferred offering costs	—	(744)
Net cash provided by financing activities	390	3,204
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	(804)	(2,698)
Net decrease in cash, cash equivalents, and restricted cash	(34,645)	(107,219)
Cash, cash equivalents, and restricted cash—beginning of period	167,767	288,576
Cash, cash equivalents, and restricted cash—end of period	$ 133,122	$ 181,357
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 86	$ 63
Cash paid for taxes	$ 1,477	$ 1,366
Noncash investing and financing activities:		
Purchase of property and equipment included in accounts payable	$ 30	$ 1,299
Non-cash exercise of common stock warrants	$ —	$ 35
Stock-based compensation included in capitalized internal-use software	$ 677	$ 892

ALLBIRDS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2023	2022
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	$ 132,483	$ 180,727
Restricted cash included in prepaid expenses and other current assets	639	630
Total cash, cash equivalents, and restricted cash	$ 133,122	$ 181,357

See accompanying notes to condensed consolidated financial statements.

1. Description of Business

Allbirds, Inc. (“Allbirds” and, together with its wholly owned subsidiaries, the “Company,” “we,” or “our”) was incorporated in the state of Delaware on May 6, 2015. Headquartered in San Francisco, California, Allbirds is a global lifestyle brand that innovates with naturally derived materials to make better footwear and apparel products in a better way, while treading lighter on our planet. The majority of our revenue is from sales directly to consumers via our digital and store channels.

Distributor Transition

In September 2023, we entered into agreements appointing exclusive distributors in South Korea and Canada. Under the distribution arrangements, each third-party distributor operates our existing websites and retail stores and sells products, purchased from us, through various distribution channels, including the stores and eCommerce platform, under our brand names in their respective country.

As part of the appointment, we entered into an asset purchase agreement with each distributor for the sale of certain net assets used in connection with the operations of our businesses in South Korea and Canada, respectively. Refer to Note 3, Business Combinations and Dispositions, for further details.

2. Significant Accounting Policies

Basis of Preparation—The accompanying unaudited condensed consolidated financial statements have been presented in U.S. dollars and prepared in accordance with United States generally accepted accounting principles (“GAAP”) for interim financial information and applicable rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) regarding interim financial information. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes contained in the Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on March 10, 2023 (“Form 10-K”).

In our opinion, the accompanying unaudited condensed interim financial statements include all adjustments, consisting of a normal recurring nature, which are necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented. The condensed consolidated balance sheet as of December 31, 2022 has been derived from the audited financial statements at that date, but does not include all of the disclosures required by GAAP.

Certain monetary amounts, percentages, and other figures included elsewhere in these condensed consolidated financial statements and accompanying notes have been subject to rounding adjustments. As such, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

Certain prior period reclassifications have been made in the condensed consolidated statements of operations and comprehensive loss to conform to the current period presentation. Specifically, for the three and nine months ended September 30, 2022, $0.7 million of selling, general and administrative expense was reclassified to restructuring expense in the condensed consolidated statements of operations and comprehensive loss. Such reclassification had no impact to our previously reported condensed consolidated balance sheet or condensed consolidated statement of cash flows.

Principles of Consolidation—The condensed consolidated financial statements include the accounts of Allbirds, Inc. and our wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates—The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Risks and Uncertainties—We continue to monitor and respond to evolving developments about recent macroeconomic events, including elevated inflation, the U.S. Federal Reserve raising interest rates, bank failures, supply chain disruptions, fluctuations in currency exchange rates, geopolitical conflicts, and the COVID-19 pandemic, which have led to further economic uncertainty in the global economy. These macroeconomic conditions have had and are likely to continue to have adverse consequences on consumer spending, including the buying patterns of our customers and prospective customers. The conditions caused by the aforementioned recent macroeconomic events could affect the rate of consumer spending and could adversely affect demand for our products, lengthen our sales cycles, reduce the value of inventory, reduce expected spending from new customers, and affect our suppliers, all of which could adversely affect our business, results of operations, and financial condition.

As of the date of issuance of the financial statements we are not aware of any specific event or circumstance related to the aforementioned macroeconomic events that would require us to update our estimates or judgments or adjust the carrying value of our assets or liabilities. Actual results could differ from those estimates and any such differences may be material to the condensed consolidated financial statements.

Segments—Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by our chief operating decision maker (“CODM”) in deciding how to allocate resources to an individual segment and in assessing performance. Prior to May 4, 2023, our CODMs were our co-Chief Executive Officers. On May 4, 2023, Timothy Brown, transitioned from his co-Chief Executive Officer role to Chief Innovation Officer, a non-executive role, and Joseph Zwillinger, our other co-Chief Executive Officer, was appointed our Chief Executive Officer. As a result, we performed an evaluation to determine our CODM. We determined that Joseph Zwillinger, Chief Executive Officer, was our CODM after May 4, 2023 and as of September 30, 2023.

We operate in one operating segment and one reportable segment, as the CODM reviews financial information presented on an aggregate basis for purposes of making operating decisions, allocating resources, and evaluating financial performance. There was no change in our operating or reportable segments as a result of the change in CODM during the second quarter of 2023.

Foreign Currency Transactions—Our reporting currency is the U.S. dollar. The functional currency for each subsidiary included in these condensed consolidated financial statements that is domiciled outside of the United States is generally the applicable local currency of that country or the U.S. dollar. The translation of foreign currencies into U.S. dollars is performed for assets and liabilities using current foreign currency exchange rates in effect at the balance sheet date and for revenues and expense accounts using average foreign currency exchange rates during the period. Capital accounts are translated at historical foreign currency exchange rates. Translation gains and losses are included in stockholders’ equity as a component of accumulated other comprehensive income or loss. Adjustments that arise from foreign currency exchange rate changes on transactions denominated in a currency other than the functional currency are included in other income or expense on the condensed consolidated statements of operations and comprehensive loss.

Cash, Cash Equivalents, and Restricted Cash—We consider all highly liquid investments with an original maturity date of three months or less as cash equivalents. Cash and cash equivalents are comprised primarily of domestic and foreign bank accounts and money market funds. These cash and cash equivalents are valued based on Level 1 inputs, which consist of quoted prices in active markets. We place our cash and cash equivalents with several high credit quality financial institutions which, at times, may be in excess of Federal Deposit Insurance Corporation (“FDIC”) insurance limits. We have not experienced any losses in such accounts and periodically evaluate the credit worthiness of the financial institutions. Our foreign bank accounts are not subject to FDIC insurance.

Restricted cash serves as collateral for a bond with the United States Customs and Border Protection (“CBP”), which allows us to take possession of our inventory before all formalities with the CBP are completed for imported products. Restricted cash is included in prepaid expenses and other current assets on the condensed consolidated balance sheets.

Accounts Receivable—Accounts receivable consist primarily of amounts due from customers, which results from sales to customers including credit card deposits in transit at the balance sheet date, the majority of which are settled within two to three business days, and wholesale accounts receivable, which are settled per the terms of the sale. Wholesale account receivables were $2.3 million and $6.3 million as of September 30, 2023 and December 31, 2022, respectively. Credit card receivables were $2.1 million as of September 30, 2023 and December 31, 2022.

Inventory—Inventory consists of finished goods, stated at the lower of cost or net realizable value. We value our inventory using the weighted-average cost method and include product costs from our suppliers, freight, import duties and other landing costs.

We periodically review inventory and make provisions as necessary to appropriately value end of life, slow-moving, damaged, and excess inventory. To determine if the value of inventory requires a write-down, we estimate the net realizable value of inventory by considering current and anticipated demand, customer preferences and buying trends, and the age of the merchandise. Inventory write-downs are recognized as cost of revenue in the condensed consolidated statements of operations and comprehensive loss.

As of September 30, 2023 and December 31, 2022, we recorded an inventory reserve to reduce the value of our inventory by $11.4 million and $8.3 million, respectively, within inventory on the condensed consolidated balance sheets. Related to these inventory reserves, and also including actual shrinkage which is recorded throughout the year based on the results of physical inventory counts and donations, we recorded $1.1 million and $9.1 million as costs of revenue for the three and nine months ended September 30, 2023 and $2.7 million and $14.3 million for the three and nine months ended September 30, 2022, respectively.

Revenue Recognition—Our primary source of revenue is from sales of footwear and apparel products. We recognize revenue when control passes to the customer. This occurs at the time products are shipped to digital and wholesale customers, and at the point of sale for retail customers, which is when our performance obligation is satisfied. For the three and nine months ended September 30, 2023, we recognized $1.0 million and $3.0 million of revenue, respectively, that was deferred as of December 31, 2022, and for the three and nine months ended September 30, 2022, we recognized $1.0 million and $3.1 million, respectively, of revenue that was deferred as of December 31, 2021. As of September 30, 2023 and December 31, 2022, we had $0.4 million in cash collections of purchases via our digital channel which had not yet shipped, and $3.5 million and $3.6 million, respectively, in gift card liabilities included in deferred revenue in the condensed consolidated balance sheets. We had deferred revenue balances of $3.9 million and $3.4 million as of September 30, 2023 and September 30, 2022, respectively. The amounts as of September 30, 2023 are expected to be recognized over the next 12 months.

We record a reserve for estimated product returns, based upon historical return trends, in each reporting period as an offsetting decrease of net revenue, with an increase to our sales-refund reserve in accrued expenses. We have also recorded a related inventory returns receivable in prepaid expenses and other current assets, with an offsetting decrease to cost of revenue, as of September 30, 2023 and December 31, 2022 in the condensed consolidated balance sheets.

The following table disaggregates our net revenue by geographic area, where no individual foreign country contributed in excess of 10% of net revenue for the three and nine months ended September 30, 2023 and 2022. We recognized the following net revenue by geographic area based on the primary shipping address of the customer where the sale was made in our digital and wholesale channels, and based on the physical store location where the sale was made at a retail store:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2023	2022	2023	2022
United States	$ 43,671	$ 56,083	$ 135,555	$ 164,229
International	13,573	16,568	46,520	49,359
Total net revenue	$ 57,244	$ 72,651	$ 182,075	$ 213,588

Fair Value Measurements—Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, Fair Value Measurements, defines fair value, establishes a framework for measuring fair value under GAAP, and enhances disclosures about fair value measurements. It clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1—Observable inputs, such as quoted prices in active markets

Level 2—Inputs other than the quoted prices in active markets that are observable either directly or indirectly

Level 3—Unobservable inputs in which there is little or no market data, which requires us to develop our own assumptions.

This hierarchy requires us to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. We record cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses at cost. The carrying values of these instruments approximate their fair value due to their short-term maturities. We hold certain assets that are required to be measured at fair value on both a recurring and non-recurring basis, which are outlined in Note 9, Fair Value Measurements.

Impairment of Long-Lived Assets—We evaluate the recoverability of property and equipment, operating lease right-of-use assets, and other long-lived assets, including identifiable intangible assets with definite lives, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets are reviewed for recoverability at the lowest level in which there are identifiable cash flows (asset group). The asset group is typically at the country-level for store assets and the corporate-level for corporate assets. The carrying amount of a country asset group includes stores’ operating lease right-of-use assets and property and equipment, primarily leasehold improvements. Recoverability of assets held and used is measured by comparing the carrying amount of an asset or an asset group to the estimated undiscounted future net cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset or asset group exceeds these estimated future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the assets exceeds the fair value of the asset or asset group, based on estimated discounted net future cash flows. Assumptions used in these forecasts are consistent with internal planning, and include revenue growth rates, gross margins, and operating expense in relation to the current economic environment and our future expectations, competitive factors in our various markets, inflation, revenue trends and other relevant economic factors that may impact the asset group under evaluation.

There is uncertainty in the projected undiscounted future cash flows used in our impairment review analysis, which requires the use of estimates and assumptions. If our actual performance does not achieve our projections, or if the assumptions used change in the future, we may be required to recognize impairment charges in future periods, and any such charges could be material. We determined that a non-cash impairment charge was not necessary in the quarter ended September 30, 2023, based on our future cash flow estimates versus the net carrying value of our long-lived assets.

Restructuring Charges—In the first quarter of 2023, we announced a strategic transformation plan designed to improve our revenue trend, as well as improve capital efficiency and drive profitability in the business. As part of this effort, we have incurred professional fees, severance and other employee-related benefits, and other related charges which are included within restructuring expense in the condensed consolidated statements of operations and comprehensive loss.

The following table presents a roll-forward of our restructuring charges, which are included within accrued expenses and other current liabilities in the condensed consolidated balance sheets:

(in thousands)	Professional fees and other related charges	Severance and other employee-related benefits
Balance as of June 30, 2023	$ 89	$ 353
Charges	1,230	4
Cash Payments	(382)	(357)
Balance as of September 30, 2023	$ 937	$ —

(in thousands)	Professional fees and other related charges	Severance and other employee-related benefits
Balance as of December 31, 2022	$ —	$ —
Charges	5,158	357
Cash Payments	(4,221)	(357)
Balance as of September 30, 2023	$ 937	$ —

Emerging Growth Company—As an “emerging growth company,” the Jumpstart Our Business Startups Act, or JOBS Act, allows us to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. For certain pronouncements, we have elected to use the adoption dates applicable to private companies. As a result, our financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective date for new or revised accounting standards that are applicable to public companies.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”). ASU 2016-13 requires entities to use a forward-looking approach based on current expected credit losses to estimate credit losses on certain types of financial instruments, including trade and account receivables, which may result in the earlier recognition of allowance for losses. The adoption of the guidance in the first quarter of 2023 did not have a material impact on our condensed consolidated financial statements and related disclosures as of and for the nine months ended September 30, 2023.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This guidance provides temporary optional expedients and exceptions to accounting guidance on contract modifications and hedge accounting to ease entities’ financial reporting burdens as the market transitions from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The adoption of the guidance in the first quarter of 2023 did not have a material impact on our condensed consolidated financial statements and related disclosures as of and for the nine months ended September 30, 2023.

Recently Issued Accounting Pronouncements

In August 2020, the FASB issued ASU No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for certain convertible instruments, amends the guidance on derivative scope exceptions for contracts in an entity's own equity, and modifies the guidance on diluted earnings per share calculations as a result of these changes. The guidance is effective for our fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The adoption of the guidance is not expected to have a material impact on our condensed consolidated financial statements and related disclosures.

3. Business Combinations and Dispositions

Dispositions

In September 2023, as part of our strategic transformation plan announced in March 2023, we sold our South Korean and Canadian businesses to unrelated third-parties. These sales did not qualify for accounting as discontinued operations under ASC 205, Presentation of Financial Statements.

South Korea

On September 5, 2023, we entered into an asset purchase agreement with an unrelated third party for the sale of certain net assets used in connection with the operation of our South Korean subsidiary, Allbirds Korea LLC. The net assets sold primarily included inventory and property and equipment related to our retail store lease, offset by sales return liabilities and gift card liabilities. As part of this transaction, we are to be paid consideration of $1.6 million, payable in three separate installments, first commencing within 60 days of the date of the sale and ending on March 31, 2024, recorded in other receivables within prepaid expenses and other current assets on our condensed consolidated balance sheet. Consideration received was less than the net book value of the transferred net assets of $1.9 million, resulting in a loss of $0.3 million, which was recorded in the condensed consolidated statement of operations and comprehensive loss for the three and nine months ended September 30, 2023.

Canada

On September 19, 2023, we entered into an asset purchase agreement with an unrelated third party for the sale of certain net assets used in connection with the operation of our Canadian subsidiary, Allbirds Canada, ULC. The net assets sold primarily include inventory and property and equipment related to our retail store leases, offset by sales return liabilities and gift card liabilities. As part of this transaction, we are to be paid a total consideration of $1.3 million, payable in four separate installments, commencing on November 15, 2023 and ending on March 15, 2024, recorded in other receivables within prepaid expenses and other current assets on our condensed consolidated balance sheet. Consideration received was less than the net book value of the transferred net assets of $3.3 million, resulting in a loss of $2.0 million, which was recorded in the condensed consolidated statement of operations and comprehensive loss for the three and nine months ended September 30, 2023.

Assets Held for Sale

As of September 30, 2023, we have not identified any property, equipment, and lease assets and liabilities that meet the criteria to be classified as “held for sale” under ASC 360, Property, Plant, and Equipment.

4. Inventory

Inventory consisted of the following as of September 30, 2023 and December 31, 2022:

(in thousands)	September 30, 2023	December 31, 2022
Finished goods	$ 91,371	$ 125,065
Reserve to reduce inventories to net realizable value	(11,438)	(8,269)
Total inventory	$ 79,933	$ 116,796

5. Property and Equipment - Net

Property and equipment consisted of the following as of September 30, 2023 and December 31, 2022:

(in thousands)	September 30, 2023	December 31, 2022
Leasehold improvements	$ 39,830	$ 40,305
Furniture and fixtures	23,832	23,988
Internal-use software	28,110	23,393
Machinery and equipment	939	884
Computers and equipment	2,690	1,937
Total property and equipment - gross	95,401	90,507
Less: accumulated depreciation and amortization	(47,300)	(36,167)
Total property and equipment - net	$ 48,101	$ 54,340

Depreciation and amortization expense for the three and nine months ended September 30, 2023 was $5.2 million and $15.3 million, respectively, and for three and nine months ended September 30, 2022 was $4.1 million and $11.2 million, respectively, recognized as selling, general, and administrative expense in the condensed consolidated statements of operations and comprehensive loss.

6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following as of September 30, 2023 and December 31, 2022:

(in thousands)	September 30, 2023	December 31, 2022
Prepaid expenses	$ 4,910	$ 6,283
Inventory returns receivable	714	1,090
Security deposits	499	463
Taxes receivable	7,304	6,420
Other receivables	3,946	908
Restricted cash	639	632
Total prepaid expenses and other current assets	$ 18,012	$ 15,796

7. Other Assets

Other assets consisted of the following as of September 30, 2023 and December 31, 2022:

(in thousands)	September 30, 2023	December 31, 2022
Investment in equity securities	$ 2,000	$ 2,250
Security deposits	3,501	4,417
Intangible assets	94	133
Debt issuance costs	20	57
Deferred tax assets	1,001	1,001
Total other assets	$ 6,616	$ 7,858

Investment in Equity Securities

On November 20, 2020, we entered into an agreement to make a minority equity investment of $2.0 million in Natural Fiber Welding, Inc. (“NFW”) in exchange for 201,207 shares of Series A-3 Preferred Stock. Our investment is carried at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Throughout the year, we assess whether impairment indicators exist to trigger the performance of an impairment analysis. There were no impairment charges or observable price changes for the three and nine months ended September 30, 2023.

On November 22, 2021, we made a $0.3 million investment in NoHo ESG, Inc. (“NoHo ESG”) via a simple agreement for future equity (“SAFE”). Our investment was carried at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Throughout the year, we assess whether impairment indicators exist to trigger the performance of an impairment analysis. In April 2023, Noho ESG was dissolved. In accordance with the provisions of the SAFE, we were entitled to receive the entire amount of our investment. However, as a result of a shortfall of assets, we received a pro rata share of remaining assets, which included approximately $0.2 million in cash and rights to their intellectual property. Therefore, we recorded a realized loss on our investment of $0.1 million for the nine months ended September 30, 2023.

Definite-lived Intangible Assets

Intangible assets include intellectual property purchased from West Harbor Technologies, LLC (“West Harbor”) for $1.3 million, including transaction costs of $0.1 million, in January 2020. The intangible asset had an estimated useful life of 3 years, and was fully amortized as of March 31, 2023. We recorded amortization charges of $0.0 million for the three and nine months ended September 30, 2023, and $0.1 million and $0.3 million for the three and nine months ended September 30, 2022, respectively, which are recognized as selling, general, and administrative expense in the condensed consolidated statements of operations and comprehensive loss.

8. Accrued Expenses and Other Current Liabilities

Accrued expenses consisted of the following as of September 30, 2023 and December 31, 2022:

(in thousands)	September 30, 2023	December 31, 2022
Sales-refund reserve	$ 2,485	$ 4,534
Taxes payable	2,260	3,336
Employee-related liabilities	6,196	2,624
Accrued expenses	9,207	12,954
Total accrued expenses and other current liabilities	$ 20,148	$ 23,448

9. Fair Value Measurements

Items Measured at Fair Value on a Recurring Basis

Money Market Funds—We hold cash in a U.S. treasury securities money market fund. The funds are classified as cash and cash equivalents on our condensed consolidated balance sheet as of September 30, 2023 and December 31, 2022 and represent Level 1 assets on the fair value hierarchy.

The following table summarizes, for assets measured at fair value, the respective fair value and classification by level of input within the fair value hierarchy as of September 30, 2023. We had no liabilities measured at fair value as of September 30, 2023.

	September 30, 2023			
(in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	$ 82,000	$ —	$ —	$ 82,000
	$ 82,000	$ —	$ —	$ 82,000

Items Measured at Fair Value on a Non-Recurring Basis

Equity Investments—Our equity investments in NFW and Noho ESG represent non-marketable equity securities in privately held companies that do not have a readily determinable fair value and are accounted for under the measurement alternative in ASC 321. The investments are accounted for at cost and adjusted based on observable price changes from orderly transactions for identical or similar investments of the same issuer or impairment. During the three and nine months ended September 30, 2023 and 2022, there were no observable price changes or impairments for our NFW investment. We recognized a $0.1 million loss for our investment in Noho ESG during the nine months ended September 30, 2023, as described in Note 7. The carrying values of our investments were $2.0 million and $2.3 million as of September 30, 2023 and December 31, 2022, respectively.

10. Long-Term Debt

On February 20, 2019, we entered into a credit agreement with JPMorgan Chase Bank, N.A. (the “Original Credit Agreement”). The Original Credit Agreement was an asset-based loan, which provided for a revolving line of credit of up to $40.0 million and an optional accordion, which, if exercised, would have allowed us to increase the aggregate commitment by up to $35.0 million, subject to obtaining additional lender commitments and satisfying certain conditions. The Original Credit Agreement had a maturity date of February 20, 2024.

On April 17, 2023, we entered into an amendment to the Original Credit Agreement, which amended the terms of the Original Credit Agreement to, among other things, (i) increase the committed amount from $40.0 million to $50.0 million, (ii) increase the uncommitted incremental borrowing capacity from $35.0 million to $50.0 million, (iii) increase the interest rate margin by 0.50%, (iv) extend the maturity date from February 20, 2024 to April 17, 2026 and (v) provide that a Dominion Event Date (as defined therein) shall occur on any date on which Availability (as defined therein) is less than 25.0% of the Aggregate Revolving Commitments (as defined therein).

Interest on borrowings under the revolving credit facility accrued at a variable rate equal to (i) the Term Secured Overnight Financing Rate (“SOFR”), plus (ii) 0.10%, plus (ii) a specified spread of 1.25% or 1.50% dependent on the average quarterly revolver availability, calculated on the last day of each fiscal quarter being greater than 20% of the total revolver commitments or less than or equal to 20% of the total revolver commitments, respectively. The commitment fee under the Credit Agreement is 0.20% per annum on the average daily unused portion of each lender’s commitment. In addition, we are required to pay a fronting fee of 0.125% per annum on the average daily aggregate face amount of issued and outstanding letters of credit. Interest, commitment fees and fronting fees are payable monthly, in arrears.

The Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants applicable to us and our subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, dividends and other distributions and a financial covenant that requires us to maintain a specified minimum fixed charge coverage ratio. In addition, the Credit Agreement contains certain customary events of default including, but not limited to, failure to pay interest, principal and fees or other amounts when due, material misrepresentations or misstatements in any representation or warranty, covenant defaults, certain cross defaults to other material indebtedness, certain judgment defaults and events of bankruptcy.

As of September 30, 2023 and December 31, 2022, there were no amounts outstanding under the Credit Agreement.

11. Stockholders' Equity

As of September 30, 2023 and December 31, 2022, we were authorized to issue 2,220,000,000 shares of capital stock, comprised of 2,000,000,000 shares of Class A common stock, 200,000,000 shares of Class B common stock, and 20,000,000 shares of preferred stock. Each class had a par value of $0.0001 per share.

Preferred Stock

As of September 30, 2023 and December 31, 2022, there were no shares of preferred stock issued and outstanding. Our board of directors may, without further action by our stockholders, fix the rights, preferences, privileges, and restrictions of up to an aggregate of 20,000,000 shares of preferred stock in one or more series and authorize their issuance. The voting, dividend, and liquidation rights of the holders of common stock are subject to and qualified by the rights, powers, and preferences of the holders of preferred stock.

Common Stock

As of September 30, 2023 and December 31, 2022, we had two classes of common stock: Class A common stock and Class B common stock. Each class had a par value of $0.0001.

Voting—Holders of Class A common stock are entitled to one vote per share on all matters to be voted upon by the stockholders, and holders of Class B common stock are entitled to 10 votes per share on all matters to be voted upon by the stockholders. The holders of our Class A common stock and Class B common stock generally vote together as a single class on all matters submitted to a vote of our stockholders, unless otherwise required by Delaware law or our amended and restated certificate of incorporation. Delaware law could require either holders of our Class A common stock or Class B common stock to vote separately as a single class in the following circumstances: (i) if we were to seek to amend our amended and restated certificate of incorporation to increase or decrease the par value of a class of our capital stock, then that class would be required to vote separately to approve the proposed amendment; and (ii) if we were to seek to amend our amended and restated certificate of incorporation in a manner that alters or changes the powers, preferences or special rights of a class of our capital stock in a manner that affected its holders adversely, then that class would be required to vote separately to approve the proposed amendment. As a result, in these limited instances, the holders of a majority of the Class A common stock could defeat an amendment to our amended and restated certificate of incorporation. Our amended and restated certificate of incorporation does not provide for cumulative voting for the election of directors.

Dividends—Holders of Class A common stock and Class B common stock are entitled to ratably receive dividends if, as and when declared from time to time by our board of directors at its own discretion out of funds legally available for that purpose, after payment of dividends required to be paid on outstanding preferred stock, if any. Under Delaware law, we can only pay dividends either out of "surplus" or out of the current or the immediately preceding year's net profits. Surplus is defined as the excess, if any, at any given time, of the total assets of a corporation over its total liabilities and statutory capital. The value of a corporation's assets can be measured in a number of ways and may not necessarily equal their book value.

Right to Receive Liquidation Distributions—Upon our dissolution, liquidation or winding-up, the assets legally available for distribution to our stockholders are distributable ratably among the holders of our Class A common stock and Class B common stock, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Conversion—Each share of our Class B common stock is convertible at any time at the option of the holder into one share of our Class A common stock. Each share of our Class B common stock will convert automatically into one share of our Class A common stock upon any transfer, whether or not for value, except for (i) certain permitted transfers to entities, to the extent the transferor retains sole dispositive power and exclusive voting control with respect to the shares of Class B common stock, and (ii) certain other permitted transfers described in our amended and restated certificate of incorporation. In addition, if held by a natural person (including a natural person serving in a sole trustee capacity), each share of our Class B common stock will convert automatically into one share of our Class A common stock upon the death or incapacity of such natural person as described in our amended and restated certificate of incorporation. All outstanding shares of our Class B common stock will convert automatically into an equivalent number of shares of our Class A common stock upon the final conversion date, defined as the later of (a) the last trading day of the fiscal quarter immediately following the tenth anniversary of September 21, 2021 and (b) the date fixed by our board of directors that is no less than 61 days and no more than 180 days following the date on which the outstanding shares of Class B common stock first represent less than 10% of the aggregate number of the then outstanding shares of Class A common stock and Class B common stock (except if the final conversion date determined according to (a) or (b) would otherwise occur on or after the record date of any meeting of stockholders and before or at the time the vote at such meeting is taken, then the final conversion date shall instead be the last trading day of the fiscal quarter during which such vote was taken).

Other Matters—The Class A common stock and Class B common stock have no preemptive rights pursuant to the terms of our amended and restated certificate of incorporation and our amended and restated bylaws. There are no redemption or sinking fund provisions applicable to the Class A common stock and Class B common stock. All outstanding shares of our Class A common stock are fully paid and non-assessable.

Shares of common stock reserved for future issuance as of September 30, 2023 and December 31, 2022 consist of the following:

	September 30, 2023	December 31, 2022
2015 Equity Incentive Plan:		
Options issued and outstanding	9,525,973	12,700,367
Shares available for future option grants	—	—
2021 Equity Incentive Plan:		
Options issued and outstanding	5,217,123	2,687,819
Restricted stock units outstanding	11,442,464	4,788,964
Performance stock units outstanding	525,108	787,660
Shares available for future grants	13,291,122	13,236,891
2021 Employee Stock Purchase Plan:		
Shares available for future grants	5,359,971	4,091,248
Total shares of common stock reserved for future issuance	45,361,761	38,292,949

12. Warrants

Common Stock Warrants

Through 2020, we issued warrants to purchase common stock to various third parties. The warrants were exercised in full in August 2022, and therefore, there were no common stock warrants outstanding as of September 30, 2023 and December 31, 2022. We recorded $0.0 million and $1.0 million of common stock warrant expense for the three and nine months ended September 30, 2022.

The following table is a summary of warrant activity for the three and nine months ended September 30, 2022:

Date of issuance	July 2018
Outstanding at June 30, 2022	5,114
Exercised during the three months ended September 30, 2022	5,114
Outstanding at September 30, 2022	—

Date of issuance	July 2018
Outstanding at December 31, 2021	30,684
Exercised during the nine months ended September 30, 2022	30,684
Outstanding at September 30, 2022	—

13. Stock Transactions

On November 19, 2018, we received a promissory note from an employee in consideration for the early exercise of 220,000 shares of common stock options. The promissory note is secured by the underlying shares of common stock and, prior to amendment, bore interest at 2.86% per annum. In June 2023, the note was amended to no longer accrue interest after March 31, 2023 and to extend the maturity date to October 1, 2025. As of September 30, 2023, the promissory note remained outstanding.

Since the note is a limited recourse note, the note receivable is not reflected in our condensed consolidated balance sheets as of September 30, 2023 and December 31, 2022.

14. Stock-Based Compensation

2015 Equity Incentive Plan

In 2015, we adopted the 2015 Equity Incentive Plan (the "2015 Plan") that authorized the granting of options for shares of common stock. Our 2015 Plan provided for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit ("RSU") awards, and other stock awards. The 2015 Plan was terminated in connection with the adoption of the 2021 Equity Incentive Plan (the "2021 Plan") in November 2021 in connection with the initial public offering ("IPO"), and we will not grant any additional awards under the 2015 Plan. However, the 2015 Plan will continue to govern the terms and conditions of the outstanding awards previously granted thereunder.

2021 Equity Incentive Plan

In September 2021, our board of directors adopted, and our stockholders approved, the 2021 Plan, which became effective in connection with the IPO in November 2021. The 2021 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards, RSU awards, performance awards, and other forms of equity compensation. In addition, the number of shares of our Class A common stock reserved for issuance under the 2021 Plan will automatically increase on January 1 of each year for a period of 10 years, beginning on January 1, 2022 and continuing through (and including) January 1, 2031, in an amount equal to 4% of the total number of share of our common stock (both Class A and Class B) outstanding on December 31 of the immediately preceding year, except that, before the date of any such increase, our board of directors may determine that the increase for such year will be a lesser number of shares. Additionally, to the extent that any stock options outstanding under the 2015 Plan expire, terminate prior to exercise, are not issued because the award is settled in cash, are forfeited because of the failure to vest, or are reacquired or withheld (or not issued) to satisfy a tax withholding obligation or the purchase or exercise price, if any, the shares of Class B common stock reserved for issuance pursuant to such equity awards will become available for issuance as shares of Class A common stock under the 2021 Plan. The maximum number of shares of our Class A common stock that may be issued on the exercise of incentive stock options under the 2021 Plan is 100,000,000 shares.

2021 Employee Stock Purchase Plan

In September 2021, our board of directors adopted, and our stockholders approved, the 2021 Employee Stock Purchase Plan (the "2021 ESPP"), which became effective in connection with the IPO in November 2021. The 2021

ESPP authorizes the issuance of shares of Class A common stock pursuant to purchase rights granted to employees. The number of shares of our Class A common stock reserved for issuance will automatically increase on January 1 of each year for a period of 10 years, beginning on January 1, 2022 and continuing through (and including) January 1, 2031, by the lesser of (1) 1% of the total number of shares of our common stock (both Class A and Class B) outstanding on December 31 of the immediately preceding year and (2) 2,850,000 shares, except that, before the date of any such increase, our board of directors may determine that such increase will be less than the amount set forth in clauses (1) and (2). The price at which Class A common stock is purchased under the 2021 ESPP is equal to 85% of the fair market value of a share of our Class A common stock on the first day of the offering period, or the date of purchase, whichever is lower. Offering periods are six months long and begin on November 3 and May 3 of each year.

Stock Options

A summary of the status of the 2015 Plan and 2021 Plan as of December 31, 2022 and September 30, 2023, and changes during the nine month period ended September 30, 2023, is presented below:

	Options Outstanding			
	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2022	15,388,186	$ 3.71	6.43	$ 6,101
Granted	2,638,982	1.39		
Exercised	(719,579)	1.75		948
Forfeited	(1,080,938)	3.83		
Cancelled	(1,483,555)	4.30		
Outstanding at September 30, 2023	14,743,096	3.38	6.36	1,878
Vested and exercisable at September 30, 2023	9,122,606	3.61	4.82	1,878

The weighted-average fair value of options granted during the three and nine months ended September 30, 2023 was $0.66 and $0.63, respectively, and for the three and nine months ended September 30, 2022 was $1.80 and $2.69, respectively. We calculated the fair value of each option using an expected volatility over the expected life of the option, which was estimated using the average volatility of comparable publicly traded companies. The expected life of options granted is based on the simplified method to estimate the expected life of the stock options, giving consideration to the contractual terms and vesting schedules.

The following weighted average assumptions were used for issuances during the three and nine months ended September 30, 2023 and 2022, for employees and non-employees:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Risk-free interest rate	4.29 %	2.86 %	3.77 %	2.78 %
Dividend yield	—	—	—	—
Volatility	43.12 %	43.42 %	42.43 %	47.28 %
Expected lives (in years)	6.13	6.13	6.04	5.92

2021 ESPP

The following table summarizes the weighted-average assumptions used in estimating the fair value of the 2021 ESPP grants for the following offering periods presented, using the Black Scholes option-pricing model:

	Offering Period - May 3, 2023 to November 2, 2023	Offering Period - November 3, 2022 to May 2, 2023	Offering Period - May 3, 2022 to November 2, 2022	Offering Period - November 3, 2021 to May 2, 2022
Risk-free interest rate	5.08 %	4.44 %	2.97 %	1.63 %
Dividend yield	—	—	—	—
Volatility	45.59 %	43.42 %	47.15 %	63.00 %
Expected lives (years)	0.5	0.5	0.5	0.5

RSUs

After completion of the IPO in November 2021, we began granting RSUs to certain employees. The RSUs granted have service-based vesting conditions. The service-based vesting condition for awards to new employees is typically satisfied over four years, with a cliff vesting period of one year and continued vesting quarterly thereafter. The service-based vesting condition for refresh grants of RSUs to existing employees is typically satisfied over three years with vesting occurring quarterly, subject to the employees' continued service to us. RSUs and the related stock-based compensation are recognized on a straight-line basis over the requisite service period.

RSU activity during the nine months ended September 30, 2023 was as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Unvested at December 31, 2022	4,788,964	$ 4.86
Granted	10,308,183	1.65
Vested	(1,690,736)	4.16
Forfeited	(1,963,947)	3.92
Unvested at September 30, 2023	11,442,464	$ 2.23

Performance Stock Units

In May 2022, we granted a target amount of 0.8 million RSUs with market-based and service-based vesting conditions ("PSUs") to certain executives. The market vesting criteria is based on achievement of certain total shareholder return ("TSR") results relative to the S&P Total Market Consumer Discretionary Index (the "Index") during a one-year, two-year, and three-year performance period, respectively, beginning on June 1, 2022, and ending on May 31, 2025. The market condition allows for a range of vesting from 0% to 150% of the target amount, depending on the relative TSR achieved by us against the Index. In addition to the market condition, these PSUs are subject to the continuing service of the executives and vest in three equal annual installments. The fair value of PSUs is measured on the grant date using a Monte Carlo simulation model. Each of the three performance periods is considered an individual tranche of the award (referred to as "Tranche 1," "Tranche 2" and "Tranche 3,"respectively).

	Number of Shares	Grant Date Fair Value per Share	Requisite Service Period
Tranche 1	262,553	$ 4.77	June 1, 2022 - May 31, 2023
Tranche 2	262,553	$ 5.16	June 1, 2022 - May 31, 2024
Tranche 3	262,554	$ 5.41	June 1, 2022 - May 31, 2025

The total grant date fair value of the awards was determined to be $4.0 million, with each tranche of the awards representing $1.3 million, $1.4 million, and $1.4 million of the total expense, respectively. Stock-based compensation expense related to PSUs is recognized on a straight-line basis over their requisite service periods, regardless of whether the market condition is ultimately satisfied. Stock-based compensation expense is not reversed if the achievement of the market condition does not occur. We recognized stock-based compensation expense of

$0.4 million and $1.3 million for the three and nine months ended September 30, 2023, respectively, and $0.6 million and $0.8 million for the three and nine months ended September 30, 2022, respectively, as selling, general and administrative expense in the condensed consolidated statements of operations and comprehensive loss related to these awards. We recognized no stock-based compensation expense for these awards prior to May 2022.

PSU activity during the nine months ended September 30, 2023 was as follows:

	Target Number of Shares	Weighted-Average Grant Date Fair Value per Share
Unvested at December 31, 2022	787,660	$ 5.11
Granted	—	—
Vested	—	—
Forfeited	(262,552)	$ 4.77
Unvested at September 30, 2023	525,108	$ 5.29

Stock-Based Compensation Expense

Stock-based compensation expense, recognized as selling, general, and administrative expense in the condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2023 and 2022, was comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2023	2022	2023	2022
Stock-based compensation, net of amounts capitalized	$ 4,690	$ 5,793	15,662	13,942
Capitalized stock-based compensation	248	333	677	892
Total stock-based compensation	$ 4,938	$ 6,126	$ 16,339	$ 14,834

As of September 30, 2023, there was approximately $9.2 million of total unrecognized compensation cost related to unvested stock options granted under both equity incentive plans, which is expected to be recognized over the weighted-average remaining vesting period of approximately 2.91 years. There was approximately $22.0 million of total unrecognized compensation cost related to outstanding unvested RSUs under the 2021 Plan, which is expected to be recognized over the weighted-average remaining vesting period of approximately 2.53 years. There was approximately $1.4 million of total unrecognized compensation cost related to outstanding unvested PSUs under the 2021 Plan, which is expected to be recognized over the weighted-average remaining vesting period of approximately 1.67 years.

15. Income Taxes

Income tax provision (benefit) was $0.1 million and $0.6 million for the three and nine months ended September 30, 2023, respectively, and was ($0.2) million and $2.0 million for the three and nine months ended September 30, 2022, respectively. The effective tax rate for the three and nine months ended September 30, 2023 was 0.4% and 0.7%, respectively, and was (0.6)% and 2.6% for the three and nine months ended September 30, 2022, respectively. The changes in expense for income taxes and effective tax rate is primarily due to mix of income by geography.

Our tax provision for income taxes for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any. Each quarter, we update our estimate of the annual effective tax rate and make a year-to-date adjustment to the provision.

As of September 30, 2023, we are subject to examination by various tax authorities for 2016 through 2022. During the three and nine months ended September 30, 2023, there was no material change to our uncertain tax positions. We do not expect our unrecognized tax positions to change significantly over the next twelve months.

16. Commitments and Contingencies

Legal Proceedings

We are subject to various claims and legal proceedings that arise in the ordinary course of our business activities. Although the outcome of any legal proceedings cannot be predicted with certainty, as of September 30, 2023, our ultimate liability, if any, is not expected to have a material effect on our financial position or operations.

On April 13, 2023, and on May 16, 2023, we and certain of our executive officers and directors were named as defendants in two substantially similar securities class action lawsuits, captioned *Shnayder v. Allbirds, Inc., et al.*, Case No. 23-cv-01811-AMO and *Delgado v. Allbirds, Inc., et al.*, Case No. 23-cv-02372-AMO, filed in the United States District Court for the Northern District of California. These lawsuits allege that we violated Sections 10(b) and 20(a) of the Securities and Exchange Act of 1934 and U.S. Securities and Exchange Commission Rule 10b-5, 17 C.F.R. § 240.10b-5, promulgated thereunder, and Sections 11 and 15 of the Securities Act of 1933 by making materially false and/or misleading statements about our business, operations and prospects. The plaintiffs seek damages in an unspecified amount. On July 25, 2023, the court entered an order consolidating the two cases, appointing lead plaintiffs, and approving lead plaintiffs' selection of lead counsel. On September 15, 2023, lead plaintiffs filed a consolidated amended complaint against the same group of defendants and asserting the same claims. We filed a motion to dismiss the consolidated complaint on November 3, 2023. We intend to vigorously defend against this lawsuit.

On October 3, 2023, we and certain of our executive officers and directors were named as defendants in a shareholder derivative suit, captioned *Park v. Zwillinger*, et al., Case No. 23-cv-01092-CFC, filed in the United States District Court for the District of Delaware. This lawsuit alleges violations of Section 14(a) of the Exchange Act, contribution under Section 21D of the Exchange Act, breach of fiduciary duties, and aiding and abetting based on allegations that are substantially similar to those asserted in the securities class action. On October 13, 2023, we and certain of our past and current executive officers and directors were named as defendants in a substantially similar shareholder derivative suit, captioned *Junker v. Zwillinger*, et al., Case No. 23-cv-01152-CFC, filed in the United States District Court for the District of Delaware. This lawsuit alleges breach of fiduciary duties, unjust enrichment, violations of Section 10(b) of the Exchange Act, contribution under Section 11(f) of the Securities Act and Section 21D of the Exchange Act, and waste of corporate assets based on allegations that are substantially similar to those asserted in the securities class action. We intend to vigorously defend against these lawsuits.

17. Leases

We lease various office and retail spaces under non-cancelable operating leases with various expiration dates through fiscal 2034, certain of which contain renewal provisions. These renewal provisions are not reasonably certain to be exercised and therefore are not factored into the determination of lease payments. We have no lease agreements that are classified as finance leases.

The components of lease costs, recognized as selling, general, and administrative expense in the condensed consolidated statements of operations and comprehensive loss, along with the weighted-average lease term and weighted-average discount rate for operating leases, are as follows:

(in thousands, except for lease term and discount rate)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Operating lease costs	$ 4,666	$ 4,397	$ 13,884	$ 11,945
Variable lease costs	56	55	168	169
Short-term lease costs	3	187	73	444
Sublease income	(57)	—	(110)	—
Total lease costs	$ 4,668	$ 4,639	$ 14,015	$ 12,558

	September 30, 2023	September 30, 2022
Weighted-average remaining lease term (in years)	7.29	3.97
Weighted-average discount rate	5.55 %	4.32 %

Supplemental cash flow information related to operating leases are as follows:

(in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash paid for amounts included in the measurement of operating lease liabilities	$ 4,246	$ 3,850	$ 10,371	$ 10,207
Right-of-use assets obtained in exchange for new operating lease liabilities	24	8,201	8,480	33,514

Future minimum lease payments under non-cancelable operating leases with initial lease terms in excess of one year, included in our lease liabilities as of September 30, 2023, are as follows:

(in thousands)	Operating Lease Payments (1)
Fiscal year ended December 31,	
2023	$ 5,069
2024	19,755
2025	19,558
2026	18,088
2027 and after	69,983
Total undiscounted operating lease payments	$ 132,453
Less: imputed discount	25,450
Total operating lease liabilities	$ 107,002

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(1) 2023 amounts as shown above are net of cash inflows for tenant improvement allowances expected to be received during the year.

18. Net Loss Per Share

We compute net loss per share using the two-class method required for participating securities and multiple classes of common stock. The two-class method requires net income or loss be allocated between common stock and participating securities based upon their respective rights to receive dividends as if all income or loss for the period had been distributed. The rights, including the liquidation and dividend rights and sharing of losses of the Class A common stock and Class B common stock are identical, other than voting, transfer, and conversion rights. As the liquidation and dividend rights and sharing of losses are identical, the undistributed earnings are allocated on a proportionate basis and the resulting net loss per share attributed to common stockholders will, therefore, be the same for both Class A and Class B common stock on an individual or combined basis.

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except share and per share data)	2023	2022	2023	2022
Numerator:				
Net loss attributable to common stockholders	$ (31,575)	$ (25,241)	$ (95,679)	$ (76,489)
Denominator:				
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	152,103,817	149,267,269	151,005,080	148,481,459
Net loss per share attributable to common stockholders, basic and diluted	$ (0.21)	$ (0.17)	$ (0.63)	$ (0.52)

The following shares of preferred stock and common stock were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented, because including them would have been anti-dilutive:

	September 30, 2023	September 30, 2022
Outstanding stock options	14,743,096	15,590,268
Common stock warrants	—	0
2021 ESPP	43,692	53,803
RSUs	11,442,464	5,081,676
PSUs	525,108	787,660
Total anti-dilutive securities	26,754,360	21,513,407

19. Benefit Plan

We sponsor a 401(k) defined contribution plan covering eligible employees who elect to participate. We are allowed to make discretionary profit sharing and matching contributions as defined in the plan and as approved by our board of directors. No discretionary profit-sharing contributions were made for the three and nine months ended September 30, 2023 and 2022. We made $0.3 million and $1.1 million in matching contributions for the three and nine months ended September 30, 2023, respectively, and $0.4 million and $1.0 million for the three and nine months ended September 30, 2022, respectively. We have no intention to terminate the plan.

20. Subsequent Events

We have evaluated events occurring through November 8, 2023, the date the condensed consolidated financial statements were available for issuance, and have determined there are no subsequent events that require disclosure in these condensed consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. As discussed in the section titled "Special Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included under Part II, Item 1A below.

Overview

Allbirds is a global lifestyle brand that innovates with naturally derived materials to make better footwear and apparel products in a better way, while treading lighter on our planet.

We began our journey in 2015 with three fundamental beliefs about the emerging generation of consumers: first, these consumers recognize that climate change is an existential threat to the human race; second, these consumers connect their purchase decisions with their impact on the planet, demanding more from businesses; and third, these consumers do not want to compromise between looking good, feeling good, and doing good. We became a public benefit corporation, or PBC, under Delaware law and earned our B Corporation, or B Corp, certification in 2016, codifying how we take into account the impact our actions have on all of our stakeholders, including the environment, our flock of employees, communities, consumers, and investors.

We generate our revenue through a digitally-led vertical retail distribution strategy. We generally market directly to consumers via our localized multilingual digital platform and our physical footprint of 60 stores as of September 30, 2023. In addition to our direct business, we selectively partner with third-parties, including wholesalers and distributors, to sell our products through their channels, which helps us reach more consumers and increase brand awareness.

Designing and creating products using innovative, sustainable materials is a challenging process for both us as well as our supply chain partners. We have invested time and resources to train our manufacturers to use our natural materials, which we believe makes it difficult to replicate our novel manufacturing processes at our product quality.

Recent Financial Performance

- Net revenue decreased by 21.2% and 14.8% for the three and nine months ended September 30, 2023, respectively, as compared to the same periods in 2022.
- Gross margin was 43.5% and 42.2% for the three and nine months ended September 30, 2023, respectively, as compared to 44.8% and 43.7% for the same periods in 2022.
- We reported net losses of $31.6 million and $95.7 million for the three and nine months ended September 30, 2023, respectively, as compared to $25.2 million and $76.5 million for the same periods in 2022.
- We reported adjusted EBITDA losses of $19.0 million and $58.9 million for the three and nine months ended September 30, 2023, respectively, as compared to losses of $14.8 million and $47.9 million for the same periods in 2022[1].

Adjusted EBITDA is a financial measure that is not calculated in accordance with generally accepted accounting principles in the United States, or GAAP. See the section titled "Non-GAAP Financial Measures" below

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[1] We are no longer excluding the revenue and cost of revenue impact associated with the inventory optimization related to the previously announced discontinuation of our first generation apparel business, the Simplification Initiatives, from Adjusted EBITDA. The impact of this change to our adjusted EBITDA for the three and nine months ended September 30, 2022 is an increase to Adjusted EBITDA loss of $11.6 million.

for the definition of adjusted EBITDA, as well as a reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures.

Recent Developments

Distributor Transition

In September 2023, we entered into agreements appointing exclusive distributors in South Korea and Canada. These distributors oversee the distribution of our products, purchased from us, across eCommerce, brick and mortar, and wholesale channels in their respective territories and are required to allocate dedicated brand and marketing resources to their operations for us.

As part of their appointment, we entered into an asset purchase agreement with each distributor for the sale of certain net assets used in connection with the operations of our businesses in South Korea and Canada, respectively.

The distributor model in these regions will result in a reduction to revenue and gross profit in the near term, because the selling price to distributors will be below the full price we have historically sold to our direct consumers. Because we expect lower operating expenses as compared to the direct model, we also expect these transitions to improve adjusted EBITDA profitability and inventory efficiency, while also helping to reduce overall complexity in our business.

March 2023 Strategic Transformation

In March 2023, we announced the implementation of a strategic transformation plan designed to reignite growth in the coming years, as well as improve capital efficiency, and drive profitability. The plan focuses on four key areas.

Our product and brand initiatives include increasing focus on our core franchises, through a concentration on comfort and quality and better commercialization of our innovative materials, as well as a highly-focused brand strategy that reconnects with core consumers. We expect these initiatives to begin to impact the business in 2024.

Our store-based distribution initiatives in the United States include optimizing our existing store fleet and selectively expanding our third party distribution channels. Store optimization will include slowing the pace of new store openings and investing in corporate and retail store talent and store marketing. As of July 2023, we had completed all planned new store openings and we continue to evaluate ways to optimize our existing store fleet.

Our international go-to-market strategy initiative encompasses evaluating ways to reduce complexity and grow internationally in a cost- and capital-efficient manner. In September 2023, we signed distribution agreements with South Korean distributor and a Canadian distributor with respect to each particular country, and we are continuing to evaluate our international go-to-market strategy. We may continue to enter into similar distribution arrangements with third parties in other international markets, which we expect would have impacts to both our short and long term results of operations. Subsequent to the close of the third quarter, Allbirds entered into a non-binding letter of intent with a distributor partner in Japan and a non-binding letter of intent with a distributor partner in Australia/ New Zealand. The distribution arrangements contemplated by these letters of intent are expected to be finalized in mid-2024. The Australia/New Zealand letter of intent is subject to the completion of an employee consultation process in New Zealand.

Our cost savings and capital efficiency initiatives build upon cost and cash optimization work that we began in 2022, including a further reduction in global corporate workforce of approximately 9% in May 2023. This also includes plans to fully transition to a new footwear manufacturing partner by the end of 2023, which will potentially accelerate cost of revenue, selling, general, and administrative expense, and cash optimization savings over the next three years.

Key Factors Affecting Our Performance

Our financial and operating conditions have been, and will continue to be, affected by a number of factors, including the following:

Ability to Increase Brand Awareness and Drive Efficient Customer Acquisition

The ability to communicate our mission of making better things in a better way is integral to our success in engaging new customers and introducing them to our products and brand. Allbirds is still relatively unknown to consumers worldwide, underscoring a large opportunity to scale our customer base and drive future growth. Our continued focus on elevating our product offerings combined with our differentiated brand approach and authenticity is critical to attracting new customers and increasing closet share. Further, we must continue to emphasize our commitment to people, the planet, and our investors in order to further increase our reach and highlight the integrity of our brand. We believe our brand strength will enable us to continue to grow brand awareness, allowing us to deepen relationships with consumers and expand our access to global markets.

As we continue to scale and build our global brand awareness, our goal is to acquire new customers in a cost-effective way. We will continue to evaluate our go-to-market strategy, both in the U.S. and internationally, and invest in customer acquisition while the underlying customer unit economics indicate the return on investment is strong. The continued execution of our customer acquisition strategy is key to acquiring more customers and driving growth and profitability for our business. Our ability to acquire more customers depends significantly on a number of factors, including the level and pattern of consumer spending in the product categories in which we operate and our ability to expand our brand awareness. We also partner with select third parties to distribute our products on a limited basis in our effort to reach more consumers and build brand awareness.

Continued Growth Within Existing Customer Base and Increasing Closet Share

In addition to seeking to acquire new customers, we continuously seek ways to engage with our large and growing base of existing customers. We aim to grow our closet share within our existing customer base by focusing and developing on our core franchises. We believe we must continue to both innovate with new products and focus on core products in order to drive consumer engagement and increase our closet share. While we continue to do this, we must constantly evaluate and improve our strategy to anticipate current and future consumer preferences and demands. At the same time, it is critical that we maintain our long-trusted commitment to offering the most comfortable, high performance, and sustainable products. In connection with our strategic transformation plan announced in March 2023, we intend to reconnect with our core customers by focusing our product strategy on our core franchise products. Our continued growth within our existing customer base will depend in part on our ability to focus our product strategy to appeal to our existing customers.

Execution of Our Vertical Retail Distribution and Omni-Channel Strategy and Optimization of Our Store Fleet

Our long-term growth strategy relies on our ability to grow across our digital and retail channels, while still maintaining our goal of medium to long-term profitability. We believe an omni-channel buying experience is important to meeting the needs of our growing customer base while also growing revenue. We expect net revenue and gross margin to benefit from a higher mix of sales through our physical retail channel, due to a lower return rate and decreased shipping costs.

Although we continue to view retail stores as key to reaching new customers and increasing penetration of omni-channel customers, we plan to try to optimize our store fleet and focus on ensuring that our retail stores are efficiently driving customer acquisition, as store traffic has not fully recovered to pre-pandemic levels. These optimization efforts may include a combination of efforts, including evaluating the number of new store openings and slowing the pace of new retail store openings, closing existing stores, investing in store marketing, expanding our third-party partnerships, and exploring the use of third-party distributors in certain international markets, such as the distribution agreements entered into in September 2023 with distributors in Canada and South Korea, and the additional distribution agreements we expect to enter into in other international markets.

Our store count by primary geographical market is presented in the table below, as of the dates presented:

	Store Count by Primary Geographical Market								
	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023
United States	19	23	27	32	38	42	42	44	45
International[2]	12	12	12	14	13	16	17	18	15
Total stores	31	35	39	46	51	58	59	62	60

Growing Our Product Innovation Platform

Innovation has been core to the Allbirds brand since our inception in 2015. Our future innovation and product pipeline will depend, in part, on our ability to apply our expertise in materials science to source and commercialize materials that are sustainable, durable, and comfortable. Our success in leveraging these materials in our products is partially reliant on the ability of our manufacturing and supply chain partners to produce and distribute these materials at scale. It also takes months of testing before we commercialize new materials and products, which could cause delays in our existing growth plans. In addition, these initiatives may require ongoing investments which may lead to additional expenses that could delay our ability to achieve medium to long-term profitability.

Ability to Scale Infrastructure for Profitable Growth

To grow our business, we intend to continue to improve our operational and capital efficiency and thoughtfully optimize our infrastructure. Our ability to scale relies upon our supply chain infrastructure. We believe our investments in direct and meaningful relationships with all of our partners, from raw materials suppliers to Tier 1 manufacturers and logistics providers, helps put us on a path of achieving profitable growth in the future. We will continue to make similar investments in developing relationships across the full supply chain. Most importantly, we are firmly committed to reducing our carbon footprint and our environmental impact. This commitment may require current and future investments, which may result in higher expenses.

Macroeconomic Trends

Consumers are increasingly becoming more conscious of the products they purchase and are seeking brands that are responsible and purpose-driven. Consumers’ increasing care in the products and brands they trust has contributed to significant demand for our products. Our status as a PBC and a B Corp highlight our commitment to sustainability and our purpose while providing an objective reference point for consumers. As a purpose-native company, we believe we are well-positioned at the intersection of key macro trends impacting our industry. However, changes in macro-level consumer spending trends, including as a result of increases in inflation and interest rates, liquidity concerns at, and failures of, banks and other financial institutions, the strengthening of the U.S. dollar in relation to foreign currencies, geopolitical conflicts, and the COVID-19 pandemic or future public health crises, could result in fluctuations in our results of operations. For example, during 2022 and 2023, we utilized promotions to compete in a highly promotional environment and to drive sales. We expect to continue utilizing promotions, which may negatively impact our gross profit in the near term.

Seasonality

Our business is affected by general seasonal trends common to the retail footwear and apparel industry, with a larger percentage of our sales occurring during the end-of-year holiday period that typically falls within our fourth quarter. For example, we generated approximately 28% and 35% of our full year net revenue during the fourth quarters of 2022 and 2021, respectively.

[2] In the third quarter of 2022, we opened two new international stores and had three store leases expire, resulting in a net reduction of one international store. In the third quarter of 2023, we transitioned the operations of two stores in Canada and one store in South Korea to unrelated third-party distributors, resulting in a reduction of three international stores.

Current Economic Conditions

We continue to monitor and respond to evolving developments regarding recent macroeconomic events including elevated inflation, the U.S. Federal Reserve raising interest rates, liquidity concerns at, and failures of, banks and other financial institutions, supply chain disruptions, the COVID-19 pandemic, fluctuations in currency exchange rates, and geopolitical conflicts, which have led to further economic uncertainty in the global economy. These macroeconomic conditions have had and are likely to continue to have adverse consequences on consumer spending, including the buying patterns of our customers and prospective customers. See the section titled “Risk Factors—Risks Related to Our Business, Brand, Products, and Industry—Economic uncertainty in our key markets may affect consumer purchases of discretionary items, which has affected and may continue to adversely affect demand for our products” in Part II, Item 1A. Risk Factors, for further details.

Components of Results of Operations

Net Revenue

We generate net revenue primarily from sales of our products. We sell products directly through our own digital channels (including our websites and mobile app), our leased retail stores, and third-party wholesalers and distributors. As of September 30, 2023, the majority of our sales are through our digital channels and leased retail stores. Net revenue consists of sales of our products and shipping revenue, net of allowances for returns, discounts, and any taxes collected from customers. Revenue is recognized when we satisfy our performance obligations by transferring control of the promised goods to the customer. This occurs either upon shipment or upon receipt, depending on the terms of sale. We expect recent soft sales trends to continue into the remainder of 2023, contributing to an overall decrease in net revenue from 2022.

Cost of Revenue

Cost of revenue consists primarily of the cost of purchased inventory, inbound and outbound shipping costs, import duties, distribution center and related equipment costs, and inventory write-downs or write-offs. Shipping costs to receive products from our suppliers are included in the cost of inventory and recognized as cost of revenue upon sale of products to our customers. We generally expect our cost of revenue to decrease or increase in absolute dollars in line with net revenue fluctuations.

Gross Profit and Gross Margin

Gross profit represents net revenue less the cost of revenue. Gross margin is gross profit expressed as a percentage of net revenue. Our gross margin may fluctuate from period to period based on a number of factors, including business outcomes, the mix of products we sell, the geographies and channels through which we sell our products, price increases or decreases, the innovation initiatives we undertake in each product category, cost drivers, such as commodity prices, transportation rates, manufacturing costs, and inventory write-downs or write-offs, among other factors. We expect that the combination of our strategy and growth initiatives in 2023 will result in a stronger gross margin profile in 2024 and beyond.

Operating Expense

Selling, General, and Administrative Expense

Selling, general, and administrative expense (“SG&A expense”), consists of salaries, stock-based compensation, benefits, payroll taxes, bonuses, and other related costs, which we refer to as personnel and related expenses (including for retail employees), as well as third-party consulting and contractor expenses, including non-employee stock-based compensation. Selling, general, and administrative expense also includes fixed and variable lease costs for corporate offices and retail stores, depreciation and amortization expense, software costs, third-party professional fees, public company operating costs, and costs related to other administrative functions. During 2022 and 2023, we reduced our global corporate workforce by 8% and 9%, respectively, and subleased two of our corporate offices in the United States as part of an effort to streamline workflows and lower operating cost, as well as executing on certain other cost control actions, including reducing our hiring and cutting discretionary spending. We expect these actions, together with our strategic transformation plan on cost and cash optimization, as announced in March 2023, to reduce costs included in SG&A expense, however, the changing prices of goods and services caused by inflation and other macroeconomic factors may cause fluctuations in SG&A expense, notwithstanding our cost control actions. Inclusive of these cost control actions, we still expect total SG&A expense to increase for the remainder of 2023.

Marketing Expense

Marketing expense consists of advertising costs incurred to acquire new customers, retain existing customers, and build our brand awareness. We expect marketing expense to decrease as we manage our costs and respond to the promotional environment, and are prioritizing our marketing spend to align with our product strategy.

Restructuring Expense

Restructuring expense consists of professional service fees, severance and other employee-related benefits, and other miscellaneous costs associated with exit and disposal activities. We expect restructuring expense to increase in 2023 as compared to 2022, as a result of our March 2023 strategic transformation plan.

Loss from Sales of Businesses

Loss from sales of businesses consists of losses associated with the sale of certain net assets used in connection with the operations of our businesses in South Korea and Canada, respectively, in September 2023, based on the difference between the net book value of assets and liabilities sold against the consideration received.

Interest Income (Expense)

Interest income (expense) primarily consists of interest income generated from our cash and cash equivalents, offset by interest expense associated with our credit agreement with JPMorgan Chase Bank, N.A. We expect interest income and expense to fluctuate based on our future bank balances, credit line utilization, and the interest rate environment.

Other (Expense) Income

Other (expense) income consists of gains or losses on foreign currency, gains or losses on sales of property and equipment, and changes in the fair value of our equity investments.

Income Tax (Provision) Benefit

Our provision for income taxes consists of U.S. federal and state income taxes and income taxes in certain foreign jurisdictions in which we conduct business. We record deferred tax assets and liabilities based on differences between the book and tax bases of assets and liabilities. The deferred tax assets and liabilities are calculated by applying enacted tax rates and laws to taxable years in which such differences are expected to reverse. Because we have a recent history of pre-tax book losses and are expected to be in a pre-tax book loss position in the near term, a valuation allowance was maintained against the deferred tax assets in the United States, Vietnam, China, and Hong Kong, as of September 30, 2023.

Results of Operations

The following tables set forth our results of operations for the periods presented in dollars and as a percentage of net revenue:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)		(in thousands)	
Statements of Operations Data:				
Net revenue	$ 57,244	$ 72,651	$ 182,075	$ 213,588
Cost of revenue	32,351	40,120	105,218	120,263
Gross profit	24,893	32,531	76,857	93,325
Operating expense:				
Selling, general, and administrative expense(1)(2)	43,545	44,644	132,516	125,106
Marketing expense	10,176	12,654	34,192	42,294
Restructuring expense	1,234	747	5,514	747
Total operating expense	54,955	58,045	172,222	168,147
Loss from operations	(30,062)	(25,514)	(95,365)	(74,822)
Loss from sales of businesses	(2,346)	—	(2,346)	—
Interest income (expense)	1,120	(35)	2,961	(107)
Other (expense) income	(153)	155	(298)	393
Loss before provision for income taxes	(31,441)	(25,394)	(95,048)	(74,536)
Income tax (provision) benefit	(134)	153	(631)	(1,953)
Net loss	$ (31,575)	$ (25,241)	$ (95,679)	$ (76,489)
Other comprehensive loss:				
Foreign currency translation loss	(906)	(3,690)	(1,438)	(7,763)
Total comprehensive loss	$ (32,481)	$ (28,931)	$ (97,117)	$ (84,252)

(1) Includes stock-based compensation expense of $4.7 million and $15.7 million for the three and nine months ended September 30, 2023, respectively, and $5.8 million and $13.9 million for the three and nine months ended September 30, 2022, respectively.
(2) Includes depreciation and amortization expense of $5.2 million and $15.3 million for the three and nine months ended September 30, 2023, respectively, and $4.1 million and $11.2 million for the three and nine months ended September 30, 2022, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Statements of Operations Data, as a Percentage of Net Revenue:				
Net revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue	56.5 %	55.2 %	57.8 %	56.3 %
Gross profit	43.5 %	44.8 %	42.2 %	43.7 %
Operating expense:				
Selling, general, and administrative expense	76.1 %	61.4 %	72.8 %	58.6 %
Marketing expense	17.8 %	17.4 %	18.8 %	19.8 %
Restructuring expense	2.2 %	1.0 %	3.0 %	0.3 %
Total operating expense	96.0 %	79.9 %	94.6 %	78.7 %
Loss from operations	(52.5)%	(35.1)%	(52.4)%	(35.0)%
Loss from sales of businesses	(4.1)%	— %	(1.3)%	— %
Interest income (expense)	2.0 %	0.0 %	1.6 %	(0.1)%
Other (expense) income	(0.3)%	0.2 %	(0.2)%	0.2 %
Loss before provision for income taxes	(54.9)%	(35.0)%	(52.2)%	(34.9)%
Income tax (provision) benefit	(0.2)%	0.2 %	(0.3)%	(0.9)%
Net loss	(55.2)%	(34.7)%	(52.5)%	(35.8)%
Other comprehensive loss:				
Foreign currency translation loss	(1.6)%	(5.1)%	(0.8)%	(3.6)%
Total comprehensive loss	(56.7)%	(39.8)%	(53.3)%	(39.4)%

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

Net Revenue

	Three Months Ended September 30,		$ Change	% Change
	2023	2022		
	(dollars in thousands)			
Net revenue	$ 57,244	$ 72,651	$ (15,407)	(21.2)%

Net revenue decreased by $15.4 million, or 21.2%, for the three months ended September 30, 2023 as compared to the same period in 2022. Our sales decrease was primarily driven by a decrease in average selling price, driven by promotional activity, and a decrease in the number of units sold, partially offset by the benefit of foreign exchange rates. In addition, net revenue in the third quarter of 2023 was negatively impacted by an estimated $0.8 million as a result of the transition from a direct selling model to a distributor model in South Korea and Canada in September 2023. We expect these net revenue trends to continue for the remainder of 2023.

Cost of Revenue, Gross Profit, and Gross Margin

	Three Months Ended September 30,		$ Change	% Change
	2023	2022		
	(dollars in thousands)			
Cost of revenue	$ 32,351	$ 40,120	$ (7,769)	(19.4)%
Gross profit	24,893	32,531	(7,638)	(23.5)%
Gross margin	43.5 %	44.8 %		

Cost of revenue decreased by $7.8 million, or 19.4%, for the three months ended September 30, 2023 as compared to the same period in 2022. The decrease was primarily driven by the decrease in units sold, a decrease in inventory write-downs and adjustments, lower freight and logistics costs, and lower product costs.

Gross profit decreased by $7.6 million, or 23.5%, for the three months ended September 30, 2023 as compared to the same period in 2022. The decrease in gross profit was driven by a decrease in average selling price driven by promotional activity, and a decrease in the number of units sold, partially offset by decreases in inventory write-downs and adjustments, lower freight and logistics costs, and lower product costs.

Our gross margin decreased to 43.5% for the three months ended September 30, 2023 from 44.8% in the same period in 2022, primarily due to a decrease in average selling price, driven by promotional activity, and a decrease in the number of units sold, partially offset by the decrease in inventory write-downs and adjustments and lower freight, logistics, and product costs per unit.

Operating Expense

	Three Months Ended September 30,		$ Change	% Change
	2023	2022		
	(dollars in thousands)			
Selling, general, and administrative expense	$ 43,545	$ 44,644	$ (1,099)	(2.5)%
Marketing expense	10,176	12,654	(2,478)	(19.6)%
Restructuring expense	1,234	747	487	65.2 %
Total operating expense	$ 54,955	$ 58,045	$ (3,090)	(5.3)%

Selling, General, and Administrative Expense

Selling, general, and administrative expense decreased by $1.1 million, or 2.5%, for the three months ended September 30, 2023 as compared to the same period in 2022. The decrease was primarily driven by a decrease of $1.1 million of stock-based compensation expense and a decrease of $1.1 million in personnel and related expenses, primarily as a result of lower corporate headcount. This was partially offset by an increase in other miscellaneous operating expenses and fees.

Marketing Expense

Marketing expense decreased by $2.5 million, or 19.6%, for the three months ended September 30, 2023 as compared to the same period in 2022. The decrease was primarily driven by decreased digital advertising spend for performance marketing.

Restructuring Expense

Restructuring expense increased by $0.5 million, or 65.2%, for the three months ended September 30, 2023 as compared to the same period in 2022, and consisted primarily of higher professional service fees and employee-related benefits incurred as part of the strategic transformation plan announced in March 2023.

Loss From Sales of Businesses

	Three Months Ended September 30,		$ Change	% Change
	2023	2022		
	(dollars in thousands)			
Loss from sales of businesses	$ (2,346)	$ —	$ (2,346)	NM

NM = Not meaningful

Loss from sales of businesses increased by $2.3 million, as compared to the same period in 2022 where we did not have any sales of businesses, and consisted of the sales of our South Korean and Canadian businesses to unrelated third-party distributors in September 2023.

Interest Income (Expense)

	Three Months Ended September 30,		$ Change	% Change
	2023	2022		
	(dollars in thousands)			
Interest income (expense)	$ 1,120	$ (35)	$ 1,155	NM

NM = Not meaningful

Interest income (expense) increased by $1.2 million, from expense of $35 thousand for the three months ended September 30, 2022 to income of $1.1 million for the three months ended September 30, 2023, primarily driven by an increase in interest income as a result of our short-term investments in money market funds made in December 2022, partially offset by increased interest expense related to our Credit Agreement.

Other (Expense) Income

	Three Months Ended September 30,		$ Change	% Change
	2023	2022		
	(dollars in thousands)			
Other (expense) income	$ (153)	$ 155	$ (308)	NM

NM = Not meaningful

Other (expense) income decreased by $0.3 million, from income of $0.2 million for the three months ended September 30, 2022 to expense of $0.2 million for the three months ended September 30, 2023, primarily due to a loss on foreign currency and loss on our investment in NoHo ESG.

Income Tax (Provision) Benefit

	Three Months Ended September 30, 2023	2022	$ Change	% Change
	(dollars in thousands)			
Income tax (provision) benefit	$ (134)	$ 153	$ (287)	NM

NM = Not meaningful

Income tax provision benefit decreased by $0.3 million, from an income tax benefit of $0.2 million, for the three months ended September 30, 2022 to an income tax provision of $0.1 million for the three months ended September 30, 2023. The decrease was primarily due to a change in the mix of geographic income that resulted in differences in the effective tax rates for the comparative period.

Comparison of the Nine Months Ended September 30, 2023 and 2022

Net Revenue

	Nine Months Ended September 30, 2023	2022	$ Change	% Change
	(dollars in thousands)			
Net revenue	$ 182,075	$ 213,588	$ (31,513)	(14.8)%

Net revenue decreased by $31.5 million, or 14.8%, for the nine months ended September 30, 2023, as compared to the same period in 2022. Our sales decrease was primarily driven by a decrease in our average selling price, driven by promotional activity, a lower number of units sold, and the impact of foreign exchange rates. We expect these net revenue trends to continue for the remainder of 2023.

Cost of Revenue, Gross Profit, and Gross Margin

	Nine Months Ended September 30, 2023	2022	$ Change	% Change
	(dollars in thousands)			
Cost of revenue	$ 105,218	$ 120,263	$ (15,045)	(12.5)%
Gross profit	76,857	93,325	(16,468)	(17.6)%
Gross margin	42.2 %	43.7 %		(3.4)%

Cost of revenue decreased by $15.0 million, or 12.5%, for the nine months ended September 30, 2023 as compared to the same period in 2022. The decrease was primarily driven by the decrease in units sold, a decrease in inventory write-downs and adjustments, and lower freight costs.

Gross profit decreased by $16.5 million, or 17.6%, for the nine months ended September 30, 2023 as compared to the same period in 2022. The decrease was primarily driven by the decrease in average selling price and units sold, partially offset by decreases in inventory write-downs and adjustments, and lower freight costs.

Our gross margin decreased to 42.2% for the nine months ended September 30, 2023 from 43.7% for the same period in 2022, primarily due to the decrease in average selling price, partially offset by a decrease in inventory write-downs and adjustments, lower freight costs, and a higher mix of international sales compared to 2022.

Operating Expense

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	$ Change	% Change
	(dollars in thousands)			
Selling, general, and administrative expense	$ 132,516	$ 125,106	$ 7,410	5.9 %
Marketing expense	34,192	42,294	(8,102)	(19.2)%
Restructuring expense	5,514	747	4,767	638.2 %
Total operating expense	$ 172,222	$ 168,147	$ 4,075	2.4 %

Selling, General, and Administrative Expense

Selling, general, and administrative expense increased by $7.4 million, or 5.9%, for the nine months ended September 30, 2023 as compared to the same period in 2022. The increase was primarily driven by an increase of $4.0 million of depreciation and amortization expense and an increase of $3.0 million in rent and utility expense as a result of an increased number of stores in operation compared to the same period in 2022. This was partially offset by a $0.4 million decrease in other miscellaneous operating expenses and fees.

Marketing Expense

Marketing expense decreased by $8.1 million, or 19.2%, for the nine months ended September 30, 2023 as compared to the same period in 2022. The decrease was primarily driven by decreased digital advertising spend for performance marketing.

Restructuring Expense

Restructuring expense increased by $4.8 million for the nine months ended September 30, 2023 as compared to the same period in 2022, and consisted primarily of professional fees, severance and other employee-related benefits, and other related charges as part of the strategic transformation plan announced in March 2023.

Loss From Sales of Businesses

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	$ Change	% Change
	(dollars in thousands)			
Loss from sales of businesses	$ (2,346)	$ —	$ (2,346)	NM

NM = Not meaningful

Loss from sales of businesses increased by $2.3 million, as compared to the same period in 2022 where we did not have any sales of businesses, and consisted of the sales of our South Korean and Canadian businesses to unrelated third-party distributors in September 2023.

Interest Income (Expense)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	$ Change	% Change
	(dollars in thousands)			
Interest income (expense)	$ 2,961	$ (107)	$ 3,068	NM

NM = Not meaningful

Interest income (expense) increased by $3.1 million, from expense of $0.1 million for the nine months ended September 30, 2022 to income of $3.0 million for the nine months ended September 30, 2023, primarily driven by an increase in interest income as a result of our short-term investments in money market funds made in December 2022, partially offset by increased interest expense related to our Credit Agreement.

Other (Expense) Income

	Nine Months Ended September 30,			
	2023	2022	$ Change	% Change
	(dollars in thousands)			
Other (expense) income	$ (298)	$ 393	$ (691)	NM

NM = Not meaningful

Other (expense) income decreased by $0.7 million, from income of $0.4 million for the nine months ended September 30, 2022 to expense of $0.3 million thousand for the nine months ended September 30, 2023, primarily due to a loss on foreign currency and loss on our investment in NoHo ESG.

Income Tax Provision

	Nine Months Ended September 30,			
	2023	2022	$ Change	% Change
	(dollars in thousands)			
Income tax provision	$ (631)	$ (1,953)	$ 1,322	(67.7)%

Income tax provision decreased by $1.3 million, or 67.7%, for the nine months ended September 30, 2023 as compared to the same period in 2022. The decrease was primarily due to a change in the mix of geographic income that resulted in differences in the effective tax rates for the comparative period.

Non-GAAP Financial Measures

This Quarterly Report on Form 10-Q and accompanying financial tables include references to adjusted EBITDA and adjusted EBITDA margin, which are non-GAAP financial measures. We believe that these non-GAAP financial measures, when reviewed in conjunction with GAAP financial measures, and not in isolation or as substitutes for analysis of our results of operations under GAAP, are useful to investors as they are widely used measures of performance, and the adjustments we make to these non-GAAP financial measures provide investors further insight into our profitability and additional perspectives in comparing our performance to other companies and in comparing our performance over time on a consistent basis. These non-GAAP financial measures should not be considered as alternatives to net loss or net loss margin as calculated and presented in accordance with GAAP.

Adjusted EBITDA is defined as net loss before stock-based compensation expense, including common stock warrant expense, depreciation and amortization expense, impairment expense, restructuring expense (consisting of professional fees, severance payments, and other related charges from our August 2022 and March 2023 initiatives), non-cash gains or losses on the sales of businesses relating to our March 2023 initiatives, other income or expense (consisting of non-cash changes in the fair value of our equity investments, non-cash gains or losses on foreign currency, and non-cash gains or losses on sales of property and equipment), interest income or expense, and income tax provision or benefit.

Adjusted EBITDA margin is defined as adjusted EBITDA divided by net revenue.

There are a number of limitations related to the use of these non-GAAP financial measures. Some of these limitations are:

- adjusted EBITDA and adjusted EBITDA margin do not reflect stock-based compensation expense, including common stock warrant expense, and therefore do not include all of our compensation costs;
- adjusted EBITDA and adjusted EBITDA margin do not reflect depreciation and amortization expense and, although these are a non-cash expense, the assets being depreciated may have to be replaced in the future, increasing our cash requirements;
- adjusted EBITDA and adjusted EBITDA margin do not reflect impairment expense for long-lived assets and, although these are a non-cash expense, the assets being impaired may not recover their fair value, increasing our cash requirements;
- adjusted EBITDA and adjusted EBITDA margin do not reflect severance, reorganization, exit, disposal and other costs associated with restructuring plans, which reduce cash available to us;
- adjusted EBITDA and adjusted EBITDA margin do not reflect gains or losses from sales of businesses that may reduce cash available to us if the actual cash received is lower than the cash paid;
- adjusted EBITDA and adjusted EBITDA margin do not reflect other income or expense that may reduce cash available to us if the actual cash received is lower than the cash paid;
- adjusted EBITDA and adjusted EBITDA margin do not reflect interest income or expense, or the cash required to service interest on our debt, which reduces cash available to us; and
- adjusted EBITDA and adjusted EBITDA margin do not reflect income tax expense, or tax payments that may reduce cash available to us.

Further, other companies, including companies in our industry, may calculate these non-GAAP financial measures differently, which reduces their usefulness as comparative measures. Because of these limitations, we consider, and investors should consider, these non-GAAP financial measures together with other operating and financial performance measures presented in accordance with GAAP.

The following table presents a reconciliation of adjusted EBITDA to its most comparable GAAP measure, net loss:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)		(in thousands)	
Net loss	$ (31,575)	$ (25,241)	$ (95,679)	$ (76,489)
Add (deduct):				
Stock-based compensation expense, including common stock warrant expense	4,690	5,793	15,662	14,938
Depreciation and amortization expense	5,162	4,132	15,269	11,243
Restructuring expense	1,234	747	5,514	747
Loss from sales of businesses	2,346	—	2,346	—
Other expense (income)	153	(155)	298	(393)
Interest (income) expense	(1,120)	35	(2,961)	107
Income tax provision (benefit)	134	(153)	631	1,953
Adjusted EBITDA[1]	$ (18,976)	$ (14,842)	$ (58,920)	$ (47,894)

Adjusted EBITDA loss increased by $4.1 million and $11.0 million for the three and nine months ended September 30, 2023 as compared to the same periods in 2022, respectively. The increase for the three months ended September 30, 2023 was primarily driven by increased net loss, offset by the loss from sales of businesses, and the increase for the nine months ended September 30, 2023 was primarily driven by increased net loss, offset by the increase in restructuring expense and loss from sales of businesses.

The following table presents net loss as a percentage of net revenue and net loss and adjusted EBITDA as percentages of net revenue, for each of the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(dollars in thousands)		(in thousands)	
Net revenue	$ 57,244	$ 72,651	$ 182,075	$ 213,588
Net loss	$ (31,575)	$ (25,241)	$ (95,679)	$ (76,489)
Net loss margin	(55.2)%	(34.7)%	(52.5)%	(35.8)%
Adjusted EBITDA	$ (18,976)	$ (14,842)	$ (58,920)	$ (47,894)
Adjusted EBITDA margin	(33.1)%	(20.4)%	(32.4)%	(22.4)%

Adjusted EBITDA margin declined from (20.4)% to (33.1)% for the three months ended September 30, 2023 as compared to the same period in 2022 and declined from (22.4)% to (32.4)% for the nine months ended September 30, 2023 as compared the same period in 2022. The changes were primarily driven by the same factors as noted in the adjusted EBITDA discussion above.

[1] We are no longer excluding the revenue and cost of revenue impact associated with the inventory optimization related to the previously announced discontinuation of our first generation apparel business, the Simplification Initiatives, from Adjusted EBITDA. The impact of this change to our adjusted EBITDA for the three and nine months ended September 30, 2022 is an increase to Adjusted EBITDA loss of $11.6 million.

Liquidity and Capital Resources

As of September 30, 2023, we had cash and cash equivalents of $132.5 million. Our operations have been funded primarily through cash flows from the sale of our products and net proceeds from sales of equity securities, including our IPO.

We believe our existing cash and cash equivalent balances, cash flow from operations, and amounts available for borrowing under our Credit Agreement will be sufficient to meet our cash requirements over the next 12 months. We believe we will meet longer-term expected future cash requirements and obligations through a combination of our existing cash and cash equivalent balances, cash flow from operations, amounts available for borrowing under our Credit Agreement, and issuances of equity securities or debt offerings.

Debt

On April 17, 2023, we entered into an amendment agreement to the Original Credit Agreement, which amended the terms of the Original Credit Agreement to, among other things, (i) increase the committed amount from $40.0 million to $50.0 million, (ii) increase the uncommitted incremental borrowing capacity from $35.0 million to $50.0 million, (iii) increase the interest rate margin by 0.50%, (iv) extend the maturity date from February 20, 2024 to April 17, 2026 and (v) provide that a Dominion Event Date (as defined therein) shall occur on any date on which Availability (as defined therein) is less than 25.0% of the Aggregate Revolving Commitments (as defined therein). See Note 10 to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information on the amendment to the Original Credit Agreement.

There have been no material changes to our material cash requirements, outside the course of ordinary business, as discussed under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” in the Form 10-K.

Cash Flows

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Net cash used in operating activities	$ (25,498)	$ (82,158)
Net cash used in investing activities	(8,733)	(25,567)
Net cash provided by financing activities	390	3,204
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	(804)	(2,698)
Net decrease in cash, cash equivalents, and restricted cash	$ (34,645)	$ (107,219)

Operating Activities

Our largest sources of operating cash are cash payments received from customers for sales of our products. Our primary uses of cash from operating activities are for working capital, such as personnel and related expenses, inventory purchases, selling and marketing expenses, and third-party professional fees. We have generated negative operating cash flows and have supplemented working capital through net proceeds from the sale of equity securities, including proceeds from our IPO in November 2021.

Net cash used in operating activities mainly consists of our net loss adjusted for certain non-cash items, including, but not limited to, stock-based compensation, depreciation and amortization of property and equipment, inventory write-downs, and changes in operating assets and liabilities during each year.

During the nine months ended September 30, 2023, net cash used in operating activities was $25.5 million, which consisted of a net loss of $95.7 million, offset by a net change of $27.7 million in our operating assets and liabilities and non-cash charges of $40.1 million. The change in operating assets and liabilities was primarily due to a decrease of $23.1 million in inventory as a result of lower on-hand inventory and a decrease of $3.8 million in accounts receivable due to timing of cash received, partially offset by a decrease of $2.8 million in accounts payable due to payments made.

During the nine months ended September 30, 2022, net cash used in operating activities was $82.2 million, which consisted of a net loss of $76.5 million and a net change of $(44.3) million in our operating assets and liabilities, partially offset by non-cash charges of $38.6 million. The change in operating assets and liabilities was primarily due to an increase of $34.9 million in inventory to support our growth and product expansion as well as a non-cash write-down primarily related to certain first-generation apparel products, a decrease of $12.1 million in accounts payable due to the timing of payments made, an increase of $3.8 million in other assets related to an increase in noncurrent tax receivable, a decrease of $1.9 million in prepaid and other current assets, largely due to the reclass of a tax receivable into other assets and a write-off of apparel-related raw materials in prepaid expenses and other current assets, and a decrease in deferred revenue of $0.8 million due to timing of shipments, which were partially offset by an increase of $7.7 million in other long-term liabilities primarily due to an increase in deferred rent liabilities and a decrease of $1.6 million in accounts receivable due to timing of cash received.

Investing Activities

Net cash used in investing activities primarily relates to capital expenditures to support our growth and investment in property and equipment for expansion of our business.

Net cash used in investing activities for the nine months ended September 30, 2023 and 2022 was $8.7 million and $25.6 million, respectively, and consisted primarily of cash outflows for the purchases of property and equipment to support the opening of retail stores.

Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2023 was $0.4 million, primarily due to $0.5 million in net proceeds from exercises of stock options and $0.2 million from the issuance of common stock under our employee stock purchase program, partially offset by $0.4 million in taxes withheld related to employee stock awards.

Net cash provided by financing activities for the nine months ended September 30, 2022 was $3.2 million, primarily due to $2.7 million in net proceeds from exercises of stock options, $0.8 million in proceeds from the issuance of common stock under the employee stock purchase plan, and $0.5 million from a repayment of a non-recourse promissory note, partially offset by $0.7 million of payments of deferred offering costs and $0.2 million in taxes withheld related to employee stock awards.

Critical Accounting Estimates

Our condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with GAAP. The preparation of our condensed consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected.

As of September 30, 2023, there have been no changes to our critical accounting estimates as discussed under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates” in the Form 10-K.

Recent Accounting Pronouncements

For information on new accounting pronouncements adopted and not yet adopted as of the date of this report, see Note 2 to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Emerging Growth Company Status

We are currently an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. We may take advantage of these exemptions until we are no longer an emerging growth company. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards. We have elected to use the extended transition period for complying with new or revised accounting standards and, as a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates. We may take advantage of these exemptions up until December 31, 2026, the last day of the fiscal year following the fifth anniversary of our initial public offering or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than $1.235 billion in annual gross revenue, we have more than $700.0 million in market value of our Class A stock held by non-affiliates or we issue more than $1.0 billion of non-convertible debt securities over a three-year period.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. These risks include the following:

Interest Rate Risk

As of September 30, 2023, we had cash and cash equivalents of $132.5 million and a revolving line of credit of up to $50.0 million with JPMorgan Chase Bank, N.A., under which we had no amounts outstanding. Cash and cash equivalents consist primarily of cash held in financial institutions within the United States and internationally and cash in transit from third-party credit card providers. Borrowings under the revolving line of credit bear interest at variable rates. We are exposed to market risk relating to changes in interest rates as they can affect the amount of interest income we earn on our cash and cash equivalents and the amount of interest payments we make on our debt borrowings. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. As of September 30, 2023, a hypothetical 10% change in interest rates would not have resulted in a material impact to our condensed consolidated financial statements.

Foreign Currency Risk

Our condensed consolidated financial statements are presented in U.S. dollars and the functional currency of our international subsidiaries is generally the applicable local currency. Accordingly, our results of operations are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Chinese yuan, British pound, Japanese yen, euro, Korean won, and Vietnamese dong. Fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our consolidated statements of operations and comprehensive loss. For example, fluctuating foreign currency exchange rates have impacted and may continue to impact net revenue as reported in U.S. dollars. We have not entered into derivative or hedging transactions, but we may do so in the future if our exposure to foreign currency becomes more significant. As of September 30, 2023, a hypothetical 10% change in the relative value of the U.S. dollar to other currencies would not have had a material effect on our results of operations.

Foreign currency exchange differences which arise on translation of our international subsidiaries' balance sheets into U.S. dollars are recorded in accumulated other comprehensive income (loss) within stockholders' equity on the condensed consolidated balance sheets. For the three and nine months ended September 30, 2023, we recorded other comprehensive loss of $0.9 million and $1.4 million, respectively, and for the three and nine months ended September 30, 2022, we recorded other comprehensive loss of $3.7 million and $7.8 million, respectively, as a result of foreign currency translation adjustments.

Inflation Risk

Given the recent rise in inflation, there have been and may continue to be additional pressures on the ongoing increases in supply chain and logistics costs, materials costs, and labor costs. Although we do not believe that inflation has had a material impact on our business, financial condition or results of operations, our business could be more affected by inflation in the future which could have an adverse effect on our ability to maintain current levels of gross margin and operating expenses as a percentage of net revenue if we are unable to fully offset such higher costs through price increases and cost reductions. Additionally, because we purchase inventory from our suppliers, we may be adversely impacted by their inability to adequately mitigate inflationary, industry, or economic pressures.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of the period ended September 30, 2023, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2023 that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth under Note 16—Commitments and Contingencies—Legal Proceedings contained in the “Notes to Condensed Consolidated Financial Statements” in this Quarterly Report on Form 10-Q is incorporated herein by reference.

In addition, from time to time, we may be subject to legal proceedings, claims, and government investigations in the ordinary course of business. We have received, and may in the future continue to receive, claims arising from: our public statements to investors; our products, such as consumer claims and personal injury claims; our workforce, our technology, and business processes, such as worker classification and patent claims; our sustainability and ESG practices, statements, and goals; and our intellectual property, such as trademarks and copyright infringement claims. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, harm to our brand and reputation, and other factors.

ITEM 1A. RISK FACTORS

A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes included in Part I, Item 1, and the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Part I, Item 2. The occurrence of any of the events or developments described below could materially and adversely affect our business, financial condition, results of operations, and growth prospects. In such an event, the market price of our Class A common stock could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently believe are not material may also impair our business, financial condition, results of operations, and growth prospects.

Risks Related to Our Business, Brand, Products, and Industry

We may be unable to successfully execute on our strategic transformation plans, simplification initiatives, or our long-term growth strategy, including efforts to maintain or grow our current revenue and profit levels, reduce our costs or accurately forecast demand and supply for our products.

In August 2022, as a result of external headwinds, we announced certain simplification initiatives designed to generate cost of revenue savings, streamline workflows, and lower operating costs. These initiatives focus on reducing costs related to our supply chain and selling, general, and administrative expenses. Our supply chain initiatives include reducing logistics costs in the United States by transitioning to automated distribution centers and a dedicated returns processor, optimizing inventory to accelerate logistics cost savings, which includes inventory write-downs and write-offs over certain products, and accelerating the scaling of our manufacturing base to reduce product carbon footprint and product costs over time. Our selling, general, and administrative expense initiatives include plans to reduce corporate office space and reduce corporate headcount. In addition, we have slowed the pace of corporate new hires and backfills for departing employees, and in July 2022 we reduced our global corporate workforce by 23 employees, which represented approximately 8% of our global corporate workforce. In addition, in March 2023 we announced a strategic transformation plan to (i) reignite product and brand, (ii) optimize U.S. stores and slow the pace of new store openings, (iii) evaluate a transition of our international go-to-market strategy and (iv) improve cost savings and capital efficiency, including through a further reduction in global workforce in May 2023 of 21 employees, which represented approximately 9% of our global corporate workforce.

Successfully executing our long-term growth and profitability strategy and maintaining our revenue and profit levels or growing them in the future will depend on many factors, including our ability to:

- increase brand awareness and drive efficient customer acquisition through brand marketing and leveraging third party stores;

- continue growth within our existing customer base and increase closet share by focusing on our core franchise products;
- optimize our store fleet and execute our vertical distribution strategy of slowing the pace of retail store openings and transitioning our international go-to-market strategy from a direct model to a distributor model;
- grow our product innovation platform while understanding the market opportunity for new product styles;
- scale our infrastructure for profitable growth;
- materialize our product and brand initiatives in a timely fashion;
- accurately forecast demand for our product and implement a more focused product strategy; and
- continue focusing on using sustainable materials.

We cannot guarantee that we will successfully implement all of these initiatives or that we will achieve or sustain the expected benefits, or that the benefits, even if achieved, will be adequate to meet our medium- or long-term financial and operational expectations. We may also experience additional unexpected costs and negative impacts on our cash flows from operations and liquidity, employee attrition and adverse effects on employee morale, diversion of management attention, adverse effects to our reputation as an employer, which could make it more difficult for us to hire new employees in the future, and potential failure or delays to meet operational and growth targets due to the loss of qualified employees. If we do not realize the expected benefits of these initiatives or experience additional unexpected costs in connection with these initiatives, our business, financial condition, results of operations, and cash flows could be negatively impacted.

Our operating results may fluctuate significantly and our past operating results may not be a good indication of future performance.

Our results of operations have varied, and could in the future, vary significantly from period to period as a result of various factors, some of which are outside of our control. Comparing our results of operations on a period-to-period basis may not be meaningful, and our past results should not be relied upon as an indication of our future performance.

We were founded in May 2015 and first sold our products in 2016. As a result of our limited operating history as well as our evolving business strategies, including our recent strategic transformation plan, our ability to accurately forecast our future results of operations is limited and subject to a number of uncertainties, including our ability to plan for and model future growth. Our historical revenue growth has been inconsistent, was derived from a more concentrated number of geographies, and should not be considered indicative of our future performance. Further, in future periods, our revenue growth could slow or our revenue could decline for a number of reasons, including changes in our business operations and strategy (such as our transition to a distributor model in a given country), a decline in demand for our products, an increase in competition, a decrease in the growth of our overall market, our entry into new geographies where our prior operating history is less relevant or predictive, or our failure, for any reason, to continue to capitalize on growth opportunities. In addition, we regularly release new products and it is difficult to predict the commercial success of newly released products. For example, in 2022 we recognized a non-cash inventory write-down in our consolidated statement of operations and comprehensive loss, primarily related to certain first-generation apparel products which were not purchased in sufficient quantities by our customers. In September 2023, we entered into asset purchase agreements for the sale of certain net assets used in connection with the operations of our businesses in South Korea and Canada, respectively, resulting in losses based on the difference between the net book value of assets and liabilities sold against the consideration received: we may experience similar losses in connection with future transitions to a distributor model. We have also encountered, and will continue to encounter, risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described herein. If our assumptions regarding these risks and uncertainties (which we use to plan our business) are incorrect or change due to (i) changes in our market or the geographies where we operate and where we sell our products or (ii) changes to our business models, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations, and our business could suffer. The impact of one or more of the foregoing and other factors may cause our results of operations to vary significantly. As such, period-over-period comparisons of our results of operations may not be meaningful and should not be relied upon as an indication of future performance.

Fluctuations in our results of operations may be particularly pronounced in the current economic environment due to the uncertainty caused by consumer spending patterns, inflationary pressures, liquidity concerns at, and failures of, banks and other financial institutions, the COVID-19 pandemic, overall economic conditions, and geopolitical events, such as wars in Ukraine and Israel. Fluctuations in our results of operations may cause those results to fall below our financial guidance or other projections, or the expectations of analysts or investors.

Our efforts to transition our international go-to-market strategy from a direct model to a distributor model may not be successful and may negatively impact our operating results and brand value.

In September 2023, we entered into asset purchase agreements with an unaffiliated distributor in Canada and an unaffiliated distributor in South Korea to purchase certain assets used in the operation of our Canadian and South Korean businesses. Under the distribution agreements, each third party operates our existing stores and sells products, purchased from us, through various distribution channels, including the stores and eCommerce platform, under our brand names in their particular country. Historically, we have no experience operating through these types of third-party arrangements, and we can provide no assurance that these arrangements will be successful. While we expect that this will be a small part of our business in the near future, our plan is to increase the number of countries in which we enter into these types of arrangements over time as part of our efforts to transition our international go-to-market strategy. For example, in October 2023 we entered into a non-binding letter of intent with an unaffiliated distributor for Australia and New Zealand, contingent on an employee consultation process in New Zeeland, and we entered into a non-binding letter of intent with an unaffiliated distributor in Japan in November 2023. The effect of these arrangements on our business and results of operations is uncertain and will depend upon various factors, including the demand for our products in existing markets internationally and our ability to successfully identify appropriate third parties to act as distributors, negotiate the terms of our agreements with such third parties and complete the implementation of our agreements with them. In addition, certain aspects of these arrangements will not be directly within our control, such as the completion of any employee consultation process that may apply to us in connection with the transition of any particular country (such as New Zealand) and the ability of these third parties to meet their projections regarding sales, to comply with their own legal and contractual obligations, and to maintain good business practices in a manner that reflects positively on the Allbirds brand. Moreover, while we expect that the agreements we plan to enter into in the future will provide us with certain termination rights, to the extent that these third parties do not operate their stores and eCommerce platforms in a manner consistent with our brand identity requirements, customer experience standards, and sustainability and ESG-related expectations, the value of our brands could be impaired. Failure to successfully execute the distributor arrangements, or a failure to protect the value of our brands, could have a material adverse effect on our results of operations.

Additionally, as part of a transition from a direct model to a distributor model in certain countries, we may incur expenses and charges, including but not limited to, those associated with employees, inventory, leases and long-lived assets.

Economic uncertainty in our key markets may affect consumer purchases of discretionary items, which has affected and may continue to adversely affect demand for our products.

Our products may be considered discretionary items for consumers. Factors affecting the level of consumer spending for such discretionary items include general economic conditions and other factors such as interest rates, inflation, consumer confidence in future economic conditions, fears of recession and trade wars, the availability and cost of consumer credit, the COVID-19 pandemic or future pandemics or public health crises, international trade relations, political turmoil, geopolitical events, lower corporate earnings, reductions in business confidence and activity, levels of unemployment, and tax rates. As global economic conditions continue to be volatile or economic uncertainty remains, and with increasing inflation and interest rates and liquidity concerns at, and failures of, banks and other financial institutions, trends in consumer discretionary spending also remain unpredictable and subject to reductions as a result of significant increases in unemployment, financial market instability, uncertainties about the future, and other factors. Unfavorable economic conditions have led and, in the future, may lead consumers to delay or reduce purchases of our products. Consumer demand for our products may also decline as a result of store closures, an economic downturn, or economic uncertainty in our key markets, particularly in North America, Europe, and Asia. Our sensitivity to economic cycles and any related fluctuation in consumer demand may have a material adverse effect on our business, results of operations, and financial condition.

We have a significant amount of long-lived assets, which are assessed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. In addition, we may never realize the full value of our long-lived assets, causing us to record material impairment charges.

Under generally accepted accounting principles in the United States, we assess our long-lived assets, principally property and equipment, operating lease right-of-use assets, and other long-lived assets, including identifiable intangible assets with definite lives, for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For example, in the fourth quarter of 2022, we determined that triggering events, primarily related to our operating cash flow losses, required an impairment review of our long-lived assets. This resulted in us recording a non-cash impairment charge of $3.3 million related to long-lived assets associated with our stores in China. Similarly, in September 2023, we entered into asset purchase agreements for the sale of certain net assets used in connection with the operations of our businesses in South Korea and Canada, respectively, resulting in losses based on the difference between the net book value of assets and liabilities sold against the consideration received; we may experience similar losses in connection with future transitions to a distributor model.

The footwear and apparel business is extremely capital-intensive. There is uncertainty in the projected undiscounted future cash flows used in our impairment review analysis, which requires the use of estimates and assumptions. Our projections are estimates, which could vary significantly from actual results if future economic conditions, consumer demand and competitive environments differ from our expectations and there can be no assurance that a material impairment charge of long-lived assets will be avoided. Such impairment charges could have a material adverse effect on our business, results of operations and financial condition.

One factor in our success is the strength of our brand; if we are unable to maintain and enhance the value and reputation of our brand and/or counter any negative publicity, we may be unable to sell our products, which would harm our business and could materially adversely affect our financial condition and results of operations.

The Allbirds brand is integral to our business strategy and our ability to attract and engage customers. As a result, our success depends on our ability to maintain and enhance the value and reputation of the Allbirds brand. Maintaining, promoting, and positioning our brand will depend largely on the success of our design and marketing efforts, including advertising, social media, and consumer campaigns, as well as our product innovation, product quality, and sustainability initiatives. Our commitment to product innovation, quality, and sustainability and our continuing investment in design (including materials) and marketing efforts may not have the desired impact on our brand image and reputation.

We rely on social media, as one of our key marketing strategies, to have a positive impact on both our brand value and reputation. Our brand also depends on our ability to maintain a positive consumer perception of our corporate integrity, culture, mission, vision, and values, including our status as a Delaware public benefit corporation, or PBC, and our commitment to environmental conservation and sustainability. Any actions or any public statements or social media posts about Allbirds or our products by our customers, consumers who have not yet bought our products, our current or former employees, former Allgood Collective Ambassadors (which is what we call the community of influencers whom we engage to help promote our brand), brand affiliates and partners, social media influencers, celebrities, or other public figures, whether authorized or not, that are contrary to our values may negatively affect consumer perception of our brand. Any incidents involving our company, our suppliers or manufacturers, our brand affiliates and partners, or others, or the products we sell, could erode the trust and confidence of our customers, and damage the strength of our brand, especially if such incidents result in adverse publicity, governmental investigations, product recalls, or litigation.

Our brand and reputation could be adversely affected by any number of factors or events, including if our public image is tarnished by negative publicity due to our actions or those of persons associated with us or formerly associated with us (including employees, celebrities, social media influencers, brand affiliates and partners or others who speak publicly or post on social media about our brand or our products, whether authorized or not), if we fail to deliver innovative and high quality products, if we face or mishandle a product recall, or if we are subject to claims of “greenwashing” (e.g., if the carbon footprint of one or more of our products is alleged to be greater than what we claim, or if we fail or are alleged to have failed to achieve our sustainability goals). Our brand and reputation could also be negatively impacted by adverse publicity, whether or not valid, regarding allegations that we, or persons associated with us or formerly associated with us, have violated applicable laws or regulations, including but not limited to those related to product labeling and safety, marketing, employment, discrimination, harassment, whistle-blowing, privacy, corporate citizenship, improper business practices, or cybersecurity. Negative publicity regarding our suppliers, manufacturers, or distributors could adversely affect our reputation and sales and could force us to identify and engage alternative suppliers, manufacturers, or distributors. Additionally, while we devote considerable efforts and resources to protecting our intellectual property, if these efforts are not successful, the value of our brand may be harmed. Any harm to our brand and reputation could adversely affect our ability to attract and engage customers and could have a material adverse effect on our business, financial condition, and results of operations.

In addition, the importance of our brand may increase to the extent we experience increased competition, which has required and could continue to require additional expenditures on our brand promotion activities. Maintaining and enhancing our brand image also has required us and may require us to continue to make additional investments in areas such as merchandising, marketing, and online operations. These investments may be substantial and may not ultimately be successful.

We have incurred significant net losses since inception and anticipate that we will continue to incur losses for the foreseeable future.

We incurred full year net losses of $101.4 million, $45.4 million and $25.9 million in 2022, 2021 and 2020, respectively, and we had an accumulated deficit of $334.4 million as of September 30, 2023. We expect to continue to incur significant losses in the future. We will need to generate and sustain increased revenue levels in future periods to achieve profitability, and even if we achieve profitability, we may not be able to maintain or increase our level of profitability. Although the strategic transformation plan announced in March 2023 includes cost and cash optimization efforts, our operating expenses may increase substantially in the future as we continue to, among other things:

- execute on our long-term growth strategy and strategic plans;
- invest in our relationships with third parties, including retail partners and distributors;
- update our product and style mix;
- invest in new materials innovation and technology;
- focus on sustainable and environmentally friendly practices in our supply chain (which are often more expensive than traditional alternatives);
- invest in advertising and marketing initiatives to engage existing and new customers, enhance awareness of our brand, and grow market share;
- optimize our number of retail store locations;
- invest in the overall health and well-being of our employees;
- address increased competition;
- recruit and retain talent; and

- incur significant accounting, legal, and other expenses as a public company that we did not incur as a private company.

These expenditures will make it more difficult for us to achieve and maintain profitability. Our efforts to grow our business may be more costly than we expect or may not result in the returns we anticipate, and we may not be able to increase our revenue enough to offset our higher operating expenses. If we are forced to reduce our expenses beyond what we expect as a result of our cost savings initiative, it could negatively impact our growth and growth strategy. As a result, we can provide no assurance as to whether or when we will achieve profitability. If we are not able to achieve and maintain profitability, the value of our company and our Class A common stock could decline significantly.

We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can, which could result in a loss of our market share and a decrease in our net revenue and profitability.

The market for footwear and apparel is highly competitive. Our competitors include athletic and leisure footwear companies, as well as athletic and leisure apparel companies. We also compete directly against wholesalers and direct retailers of footwear and apparel, including large, diversified apparel companies with substantial market share and established companies expanding their production and marketing of technical footwear, as well as against retailers specifically focused on footwear. Competition has and may in the future result in pricing pressures, reduced profit margins, lost market share, or a failure to grow or maintain our market share, any of which could substantially harm our business and results of operations. Many of our competitors are large apparel and/or footwear companies with strong worldwide brand recognition, while others are new market participants with low barriers to entry. Because of the fragmented nature of the industry, we also compete with other footwear and apparel sellers, including those specializing in athletic footwear and other casual footwear. Many of our competitors have significant competitive advantages, including longer operating histories, larger and broader customer bases, more established relationships with a broader set of suppliers and distributors, greater brand recognition, and greater financial, research and development, store development, marketing, distribution, and other resources than we do.

We rely on technical and materials innovation to offer high-quality products.

Technical and materials innovation and quality control in the design and manufacturing process of our footwear and apparel is essential to the commercial success of our products. Research and development play a key role in technical and materials innovation. We rely upon specialists in the fields of materials sciences, sustainability, and related fields. While we strive to produce products that are comfortable and environmentally sustainable, if we fail to introduce technical and materials innovation in our products, then consumer demand for our products could decline and we may be unable to meet our sustainability goals, which could harm our brand and reputation, and if we experience problems with the quality of our products, we may incur substantial expense to remedy the problems.

Our focus on using sustainable high-quality materials and environmentally friendly manufacturing processes and supply chain practices may increase our cost of revenue and hinder our growth.

We are dedicated to prioritizing sustainable materials, which meet our quality standards, an environmentally friendly supply chain, and manufacturing processes that collectively limit our carbon footprint. As our business evolves, it may be increasingly challenging to cost-effectively secure enough sustainably sourced high-quality materials to support our growth and achieve our sustainability goals while also achieving and maintaining profitability. In addition, our ability to expand into new product categories depends in part on our ability to identify new sustainable materials that are suitable for our products. Our inability to source materials that meet our sustainability requirements and quality standards in sufficient volumes could result in slower growth, increased costs, and/or lower net profits. Additionally, as our business evolves, we may not be able to identify suppliers, manufacturers, and distributors with business practices that reflect our commitment to sustainability, which may harm our ability to expand our supply chain to meet the expected growth of our business. If any of these factors prevent us from meeting our sustainability goals or increase the carbon footprint of any of our products, then it could have an adverse effect on our brand, reputation, results of operations, and financial condition.

If we fail to attract new customers, retain existing customers, or maintain or increase sales to customers, our business, financial condition, results of operations, and growth prospects will be harmed.

Our success depends in large part upon widespread adoption of our products by our customers. In order to attract new customers and continue to expand our customer base, we must appeal to and attract customers who identify with our sustainable footwear and apparel products. If the number of people who are willing to purchase our products does not continue to increase, if we fail to deliver a high quality shopping experience, if our third-party arrangements are not successful, if we make products that our customers do not buy in sufficient quantities, or if our current or potential future customers are not convinced that our products are superior to alternatives, then our ability to retain existing customers, acquire new customers, and grow our business may be harmed. For example, since the launch of our first generation of apparel products, our customers have not purchased certain of these products in sufficient quantities, and, in the second quarter of 2022, we determined that we needed to adjust our overall apparel strategy and discontinue the product line. As a result, in 2022, we recognized a non-cash inventory write-down in our consolidated statement of operations and comprehensive loss, primarily related to these certain first-generation apparel products.

We have made significant investments in enhancing our brand and attracting new customers, and we expect to continue to make significant investments to promote our products, including in connection with our strategic transformation plan for our focused product strategy. Such campaigns can be expensive and may not result in new customers or increased sales of our products. Further, as our brand becomes more widely known, we may not attract new customers or increase our net revenue at the same rates as we have in the past. If we are unable to acquire new customers who purchase products in numbers sufficient to grow our business, we may not be able to generate the scale necessary to drive beneficial network effects with our suppliers, our net revenue may decrease, and our business, financial condition, and results of operations may be materially adversely affected.

In addition, our future success depends in part on our ability to increase sales to our existing customers over time, as a significant portion of our net revenue is generated from sales to existing customers, particularly those existing customers who are highly engaged and make frequent and/or large purchases of the products we offer. If existing customers no longer find our products appealing or are not satisfied with our customer service, or if we are unable to timely update our products to meet current trends and customer demands, our existing customers may not make purchases, or if they do, they may make fewer or smaller purchases in the future.

If we are unable to continue to attract new customers or our existing customers decrease their spending on the products we offer or fail to make repeat purchases of our products, our business, financial condition, results of operations, and growth prospects will be harmed.

Climate change and increased focus by governments, organizations, customers, and investors on sustainability issues, including those related to climate change and socially responsible activities, may adversely affect our reputation, business, and financial results.

Climate change is occurring around the world and may impact our business in numerous ways. Such change could lead to an increase in prices of raw materials, commodities, and/or packaging, as well as reduced availability of key manufacturing components. Increased frequency of extreme weather, such as storms, hurricanes, and floods, could cause increased disruption to the production and distribution of our products and have an adverse impact on consumer demand and spending.

Investor advocacy groups, certain institutional investors, investment funds, other market participants, stockholders, and stakeholders have focused increasingly on the environmental, social, and governance, or ESG, and related sustainability practices of companies. These parties have placed increased importance on the implications of the social cost of their investments. In addition to our status as a PBC and certified B Corporation, or B Corp, we are focused on being an ESG leader in our industry. If our ESG practices do not meet investor or other stakeholder expectations and standards (which are continually evolving and may emphasize different priorities than the ones we choose to focus on), or if our ESG practices, including our periodic reporting, change or otherwise do not live up to our own values or ESG- and sustainability-related goals, then our brand, reputation, and employee retention may be negatively impacted. It is possible that stakeholders may not be satisfied with our ESG practices or the speed of their adoption. We could also incur additional costs and require additional resources to monitor, report, and comply with various ESG practices and regulations and to achieve our sustainability goals. Also, our failure, or perceived failure, to manage reputational threats and meet expectations with respect to socially responsible activities and sustainability commitments could negatively impact our brand credibility, employee retention, and the willingness of our customers and suppliers to do business with us.

If we are unable to anticipate product trends and consumer preferences and successfully develop and introduce new products, we may not be able to maintain or increase our revenue and profits.

Our success depends on our ability to identify, originate, and define product trends within the footwear and apparel industry, as well as to anticipate, gauge, and react to changing consumer preferences in a timely manner. However, lead times for many of our products may make it more difficult for us to respond rapidly to new or changing product trends or consumer preferences. For example, our lead times may be longer due to our preference for ocean shipping and other more sustainable supply chain practices to reduce carbon emissions, which may take longer and be more expensive than less sustainable alternatives. If we are unable to introduce new products in a timely manner, or our new products are not accepted by consumers, our competitors may introduce similar products in a more timely fashion, which could hurt our goal to be viewed as a leader in comfortable and sustainable footwear and apparel. All of our products are subject to changing consumer preferences regarding footwear and apparel, generally, and sustainable footwear and apparel, specifically, that cannot be predicted with certainty. Our new products may not receive consumer acceptance as consumer preferences could shift rapidly to different types of styles and our future success depends in part on our ability to anticipate and respond to these changes. For example, during the COVID-19 pandemic, there was a shift of consumer preferences to more casual and informal apparel and footwear as greater numbers of consumers have shifted to working remotely from home. In addition, our experience in anticipating consumer preferences in one category, such as footwear, may not help us predict or anticipate consumer preferences in other new categories, such as apparel. For example, we did not successfully anticipate customer demand and preferences in designing and launching certain of our first-generation apparel products. As a result, demand for such products failed to meet our expectations and, in the second quarter of 2022, we determined that we needed to adjust our overall apparel strategy and discontinue the product line. During 2022, we recognized a non-cash inventory write-down in our consolidated statements of operations and comprehensive loss, primarily related to these certain first-generation apparel products. If we fail to anticipate accurately and respond to trends and shifts in consumer preferences, we could experience lower sales, excess inventories, or lower profit margins, any of which could have an adverse effect on our results of operations and financial condition.

We utilize a range of marketing, advertising, and other initiatives to increase existing customers’ spend and to acquire new customers; if the costs of advertising or marketing increase, or if our initiatives fail to achieve their desired impact, we may be unable to grow the business profitably.

We create differentiated brand marketing content and utilize performance marketing to drive customers from awareness to consideration to conversion, and promoting awareness of our brand and products is important to our ability to grow our business, drive customer engagement, and attract new customers. Our marketing strategy includes brand marketing campaigns across platforms, including email, digital, display, site, direct-mail, streaming audio, television, and social media, as well as performance marketing efforts, including retargeting, paid search and product listing advertisements, paid social media advertisements, search engine optimization, personalized emails, and mobile push notifications through our app. In addition, our marketing strategy is global in scale, reaching consumers in the over 35 countries where we sell our products.

We seek to engage with our customers and build awareness of our brands through sponsoring unique events and experiences. If our marketing efforts and messaging are not appropriately tailored to and accepted by our target customers, we may fail to attract customers, and our brand and reputation may be harmed. In addition, our marketing initiatives may become increasingly expensive as competition increases, and generating a meaningful return on those initiatives may be difficult. We also expect to make increased investments into brand marketing as part of our strategic transformation plan to have a more focused product strategy. Our future growth and profitability and the success of our brand will depend in part upon the effectiveness and efficiency of these marketing efforts.

We receive a significant number of visits to our digital platform via social media or other channels used by our existing and prospective customers. As eCommerce and social media continue to rapidly evolve, we must continue to establish relationships with these channels and may be unable to develop or maintain these relationships on acceptable economic and other terms. In addition, we currently receive a significant number of visits to our website and mobile app via search engine results. Search engines frequently change the algorithms that determine the ranking and display of results of a user’s search, which could reduce the number of visits to our website, in turn reducing new customer acquisition and adversely affecting our results of operations. If we are unable to cost-effectively drive traffic to our digital platform, our ability to acquire new customers and our financial condition would suffer. Email marketing efforts are also important to our marketing efforts. If we are unable to successfully deliver emails to our customers or if customers do not engage with our emails, whether out of choice, because those emails are marked as low priority or spam, or for other reasons, our business could be adversely affected. Our marketing initiatives have become increasingly expensive and may continue to increase in cost, and generating a meaningful return on those initiatives may be difficult or unpredictable. Even if we successfully increase net revenue as a result of our marketing efforts, it may not offset the additional marketing expenses we incur.

If our marketing efforts are not successful in promoting awareness of our products, driving customer engagement, or attracting new customers, or if we are not able to cost-effectively manage our marketing expenses, our results of operations could be adversely affected.

Failure to accurately forecast consumer demand could lead to excess inventories or inventory shortages, which could result in decreased operating margins, reduced cash flows, and harm to our business.

To meet anticipated demand for our products, we must forecast inventory needs and place orders with our manufacturers based on our estimates of future demand for particular products. Our ability to accurately forecast demand for our products could be affected by many factors, including an increase or decrease in customer demand for our products or for products of our competitors, changing consumer preferences, changing product trends, our failure to accurately forecast consumer acceptance of new products, product introductions by competitors, unanticipated changes in general market conditions, store closures (including, for example, due to the COVID-19 pandemic), declines in overall consumer spending, and weakening of economic conditions or consumer confidence in future economic conditions. If we fail to accurately forecast consumer demand, we may experience excess inventory levels or a shortage of products available for sale in our stores or for delivery to customers.

Inventory levels in excess of customer demand may result in inventory write-offs, donations by us of our unsold products, inventory write-downs, and/or the sale of excess inventory at discounted prices, any of which could cause our gross margin to suffer, impair the strength and exclusivity of our brand, and have an adverse effect on our results of operations, financial condition, and cash flows. For example, we have in the past donated excess unsold products to third parties and sold certain of our products at discounted prices through various channels including our website and retail stores, third-party discounters and our outlet store in Northern California. Additionally, in 2022, we recognized non-cash inventory write-downs, primarily related to the discontinuation of certain first-generation apparel products. Similarly, in 2023 we recognized losses related to our transition to a distributor model in Canada and in South Korea, which involved selling certain assets used in the operation of our businesses in those countries to third-party distributors; we may experience similar losses in connection with future transitions to a distributor model.

Conversely, if we underestimate consumer demand for our products and fail to place sufficient orders with our manufacturers in advance, then our manufacturers may not be able to deliver products to meet our requirements and we may experience inventory shortages. Inventory shortages in our stores or third-party distribution centers could result in delayed shipments to customers, lost sales, a negative customer experience, lower brand loyalty, and damage to our reputation and customer relationships, any of which could have an adverse effect on our results of operations, financial condition, and cash flows.

As a company that operates retail stores, we are subject to various risks, including commercial real estate and labor and employment risks.

As of September 30, 2023, we operated 60 retail store locations across seven countries. We lease our stores under operating leases. We expect to continue to evaluate the total number of stores we operate over the next few years, domestically and internationally, and may choose to optimize the total number of retail stores we operate by, for example, entering into arrangements with distributors and closing existing stores.

When we open new retail stores, our ability to effectively obtain real estate to open new retail stores, both domestically and internationally, depends on the availability of real estate that meets our criteria for traffic, square footage, co-tenancies, lease economics, demographics, and other factors. We also must be able to effectively renew our existing real estate leases. In addition, from time to time, we have sought to and may again seek to downsize, consolidate, reposition, or close some of our retail stores, which may require modification of various contracts, including an existing lease. We generally cannot cancel these leases at our option. For example, due to the COVID-19 pandemic, across all of 2020, our stores were closed for approximately 20% of the total number of days we expected to operate. During this period, our stores were not generating any revenue, but we were generally required to continue paying rent. Similarly, if an existing or new store is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. We may also be committed to perform our obligations under the applicable leases even if current locations of our stores become unattractive as demographic patterns change. Failure to secure adequate new locations or successfully modify leases for existing locations, or failure to effectively manage the profitability of our existing fleet of retail stores or efficiently manage any retail store closure process, could have an adverse effect on our results of operations and financial condition.

Additionally, the economic environment may make it difficult to determine the fair market rent of real estate properties domestically and internationally. This could impact the quality of our decisions to exercise lease options at previously negotiated rents and to renew expiring leases at negotiated rents. Any adverse effect on the quality of these decisions could impact our ability to retain real estate locations adequate to meet our targets or efficiently manage the profitability of our existing fleet of stores, which could have an adverse effect on our results of operations and financial condition.

As of September 30, 2023, we had over 700 employees in our retail store operations. As a result, we are subject to costs and risks related to compliance with domestic and international labor and employment laws and regulations, which could cause our business, financial condition, results of operations, or cash flows to suffer. From time to time, we have had to and may again need to downsize, consolidate, reposition, or close some of our retail store locations, which may result in additional employee-related costs.

We have significant exposure to changes in domestic and international laws governing our relationships with our workforce, including wage and hour laws and regulations, fair labor standards, minimum wage requirements, overtime pay, unemployment tax rates, union protections, workers' compensation rates, pension contributions, citizenship requirements, and payroll taxes, which could have a direct impact on our operating costs. These laws change frequently, exist at multiple levels with respect to a single physical location (e.g., federal, state, and local) and may be difficult to interpret and apply. For example, we may incur employee-related costs to comply with relevant laws associated with a transition from a direct model to a distributor model for certain markets.

A significant increase in minimum wage or overtime rates in countries where we have employees could have a significant impact on our operating costs and may require that we take steps to mitigate such increases, all of which may cause us to incur additional costs. There is also a risk of potential claims related to discrimination and harassment, health and safety, wage and hour laws, criminal activity, personal injury, and other claims. In addition, if a large portion of our workforce were to become members of labor organizations or parties to collective bargaining agreements, we could be vulnerable to a strike, work stoppage, or other labor action, which could have an adverse effect on our business. Our business operations and financial performance could be adversely affected by changes in our relationship with our workforce or changes to U.S. or foreign labor and employment laws and regulations.

We may be unable to successfully open new store locations in existing or new geographies in a timely manner, if at all, which could harm our results of operations.

Our ability to successfully open and operate new stores depends on many factors, including, among others, our ability to:

- identify suitable store locations, the availability of which is outside of our control and may require expensive and long-term lease obligations;
- gain brand recognition and acceptance, particularly in geographies or regions that are new to us;
- negotiate acceptable lease terms;
- hire, train, and retain store personnel and field management who possess the required customer service and other skills and who share our commitment to sustainability;
- invest sufficient capital in store build-out and opening;
- immerse new store personnel and field management into our corporate culture and shared values;
- source sufficient inventory levels; and
- successfully integrate new stores into our existing operations and information technology systems.

We may be unsuccessful in identifying new markets where our sustainable footwear and apparel products and brand image will be accepted. In addition, we may not be able to open or profitably operate new stores in existing, adjacent, or new locations due to market saturation and/or other macro conditions (e.g., the impact of the COVID-19 pandemic).

Our growth strategy involves expansion of our retail partnerships, which presents risks and challenges to our business.

In 2022, we began entering into broad-based agreements with third-party retailers, and we have limited operating experience executing this channel distribution strategy at scale. In addition, one of the initiatives under our strategic transformation plan announced in March 2023 is to reduce the pace of new retail store openings and leverage our agreements with third-party retailers to increase brand awareness and reach new customers. This strategy has required, and will continue to require, investment in cross-functional operations and management focus, along with investment in logistics, channel management, supporting technologies, and headcount.

If our third-party retail partners discontinue or decelerate our partnership or otherwise do not satisfy their obligations to us, if we are unable to meet our retail partners' expectations and demands, or if we decide to enter into additional partnerships and are unable to identify suitable retail partners or reach agreements with them, we may fail to meet our business objectives with respect to our partnership strategy. In addition, the terms of any additional retail partnerships that we establish may not be favorable to us. Our inability to successfully implement retail partnerships may lead consumers to negatively perceive our brand and adversely affect our business, financial condition, and results of operations. Also, in most cases, our agreements with such third-party retailers allow for significant variability in the amount of product purchased from us, and there are risks that eventual order volumes may be lower than initially projected. Third-party retailers may take actions that affect us for reasons that we cannot anticipate or control, such as their financial condition or changes in their business strategy or operations. There can be no assurance that we will be able to continue our relationships with our retail partners on the same or more favorable terms in future periods or that these relationships will continue beyond the terms of our existing contracts with our retail partners.

Further, our retail partners may reduce their number of stores or operations or consolidate, undergo restructurings or reorganizations, realign their affiliations, or promote products of our competitors over ours or liquidate. These events may result in a decrease in the number of stores or eCommerce platforms that carry our products or cause us to lose customers, decreasing our revenues and earnings growth.

Our business depends on our ability to maintain a strong community of engaged customers, including through the use of social media. We may be unable to maintain and enhance our brand if we experience negative publicity related to our marketing efforts or use of social media, or otherwise fail to meet our customers' expectations.

We use third-party social media platforms to raise awareness of our brand and engage with our community. As existing social media platforms evolve and new platforms develop, we must continue to maintain a presence on these platforms and establish a presence on emerging popular social media platforms. If we are unable to cost-effectively use social media platforms as marketing tools, our ability to acquire new customers and our financial condition may suffer. Furthermore, as laws and regulations governing the use of these platforms evolve, any failure by us, or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms could subject us to regulatory investigations, class action lawsuits, liability, fines, or other penalties and adversely affect our business, financial condition, and results of operations. In addition, an increase in the use of social media for product promotion and marketing may cause an increase in the burden on us to monitor compliance of such content and increase the risk that such content could contain problematic product or marketing claims in violation of applicable regulations.

Negative commentary regarding us, our products, and other third parties who are affiliated with us, whether accurate or not, may be posted on social media platforms at any time and may adversely affect our reputation, brand, and business. The harm may be immediate, without affording us an opportunity for redress or correction, and could have an adverse effect on our business, financial condition, and results of operations.

In addition, customer complaints or negative publicity related to our website, mobile app, products, product delivery times, customer data handling, marketing efforts, security practices, customer support, especially on blogs and social media websites or customer responses to the actions of our vendors or distributors, could diminish customer loyalty and community engagement and harm our brand and business.

If we grow at a rapid pace, we may be unable to effectively manage our growth and the increased complexity of our business and, as a result, our brand, business, and financial performance may suffer.

We have expanded our operations rapidly since our inception in 2015, and our full year net revenue has increased from $126.0 million in 2018 to $297.8 million in 2022. If our operations grow at a rapid pace, we may experience difficulties in obtaining sufficient raw materials and manufacturing capacity to produce our products, as well as delays in production and shipments, as our products are subject to risks associated with overseas sourcing and manufacturing. We could be required to continue to expand our sales and marketing, product development, and distribution functions, invest in opening and operating a greater number of retail stores in our existing jurisdictions and/or in new jurisdictions (or invest in distribution partners' operations in lieu of or in addition to retail stores operated by us), upgrade our management information systems and other processes and technology, and obtain more space for our expanding workforce. This expansion could increase the strain on our resources, expose us to legal and compliance risk across new jurisdictions, and cause us to experience operating difficulties, including difficulties in hiring, training, and managing an increasing number of employees, especially to the extent the growth in our "flock" exposes us to a greater number of jurisdictions' employment, health, and safety and other regulatory and compliance requirements. Any of these or other difficulties in effectively managing our growth and the increased complexity of our business could result in the erosion of our brand image which could have a material adverse effect on our financial condition.

Our financial results may be adversely affected if substantial investments in businesses and operations, including in our retail stores, fail to produce expected returns.

From time to time, we may invest in technology, business infrastructure, new businesses, product offering, and manufacturing innovation and expansion of existing businesses, such as the addition of distributors in new international markets, which may require substantial cash investments and management attention. We expect to continue to evaluate the number and geographic reach of our retail stores in the short- and mid-term and invest in a strategic manner, including in connection with our strategic transformation plan to slow the pace of store openings in the U.S. and transition our international go-to-market strategy to a distributor model. We believe cost-effective investments are essential to business growth and profitability; however, significant investments are subject to typical risks and uncertainties inherent in developing a new business or expanding an existing business. The failure of any significant investment to provide expected returns or profitability could have a material adverse effect on our financial results and divert management attention from more profitable business operations.

We are subject to risks related to our ESG activities and disclosures, and our reputation and brand could be harmed if we fail to meet our public sustainability targets and goals.

In 2020, we began making our carbon footprint calculations available for our products. In 2021, we announced a highly ambitious sustainability strategy in service of our aim to help to reverse climate change through better business. Our sustainability strategy has three strategic priorities: (1) Regenerative Agriculture, (2) Renewable Materials, and (3) Responsible Energy. These priorities are underpinned by 10 targets, which we intend to achieve by the end of 2025, or the 2025 Targets. In addition, we have announced a goal to reduce our per-unit carbon emissions to less than 1 kg of carbon dioxide equivalent emissions by 2030, or the 2030 Goal. We are aligning our ESG disclosures with the Sustainability Accounting Standards Board and Task Force on Climate-Related Financial Disclosure frameworks, and we anticipate continuing to make ESG disclosures.

While our sustainability strategy and practices and the level of transparency with which we are approaching them are foundational to our business, they expose us to several risks, including:

- that we may fail or be unable to fully achieve one or more of the 2025 Targets or the 2030 Goal due to a range of factors within or beyond our control (including a failure for governments and other third parties to make the investments that are required to make infrastructure improvements, such as greater availability of cleaner energy grids), or that we may adjust or modify our stated goals in light of new information, adjusted projections, or a change in business strategy, any of which could negatively impact our brand, reputation, and business;

- that achieving the 2025 Targets and/or 2030 Goal may require us to expend significant resources, which could divert the attention of our senior management and key personnel, delay the time by which we can achieve profitability, harm us competitively, or otherwise limit our ability to make investments in our growth;

- that our disclosures related to ESG may result in heightened scrutiny from stakeholders or other third parties of our ESG performance, activities, and decisions;

- that a failure to or perception of a failure to disclose metrics and set goals that are rigorous enough or in an acceptable format, a failure to appropriately manage selection of goals, a failure to or perception of a failure to make appropriate disclosures, stakeholder perception of a failure to prioritize the "correct" ESG goals, or an unfavorable ESG-related rating by a third party could negatively impact our brand, reputation, and business;

- that certain metrics we utilize receive limited or no assurance from and/or verification by third parties, may involve a less rigorous review process than assurance sought in connection with more traditional audits, such a review process may not identify errors and may not protect us from potential liability under the securities laws, and, if we were to seek more extensive assurance or attestation with respect to such ESG metrics, we may be unable to obtain such assurance or attestation or may face increased costs related to obtaining and/or maintaining such assurance or attestation;

- that the third-party data used in our carbon footprint calculations are determined to be wrong or become unavailable to us for whatever reason, which would require us to find a new source of quality third-party data or develop our own, either of which could require significant resources, a temporary suspension of sharing a carbon footprint for each product, or an adjustment to carbon footprint numbers because of variations in the underlying data, and if our stakeholders react unfavorably to any such situation or we fail to adequately manage any transition, it could negatively impact our brand, reputation, and business;

- that the ESG or sustainability standards, norms, or metrics, which are constantly evolving, change in a manner that impacts us negatively or requires us to change the content or manner of our disclosures, and our stakeholders or third parties view such change(s) negatively, we are unable to adequately explain such changes, or we are required to expend significant resources to update our disclosures, any of which could negatively impact our brand, reputation, and business; and

- that our brand reputation, and business, could be negatively impacted if we are perceived, alleged or found to be in violation of, or non-compliant with, newly adopted or constantly evolving ESG- and sustainability - related laws and disclosure requirements that are applicable to us; and,

- that our brand, reputation, and business could be negatively impacted if any of our disclosures, including our carbon footprint numbers, reporting to third-party ESG standards, or reporting against our 2025 Targets, 2030 Goal, or other goals, are inaccurate, perceived to be inaccurate, or alleged to be inaccurate.

We are subject to risks related to our commitment to certain ESG criteria, which we call the Sustainability Principles and Objectives Framework, or the SPO Framework.

The SPO Framework, which consists of ESG criteria that we have satisfied or that we intend to satisfy, was originally described more fully in the section titled “The Sustainability Principles and Objectives Framework” in our final prospectus filed with the U.S. Securities and Exchange Commission, or the SEC, on November 4, 2021 pursuant to Rule 424(b)(4). This is a new and untested framework, which was not developed solely by disinterested third parties but was developed with input from Allbirds and other partners. There is no basis for investors to, or track record by which investors can, assess the impact of the SPO Framework on our operations, financial condition, and the market price of our Class A common stock. Our adherence to the SPO Framework may result in additional costs to us in operating our business, including, for example, costs of the third-party ESG assessment, costs related to meeting the carbon emissions reduction target, etc. We may not meet all of the SPO Framework (or any part thereof) in the future. We may also change the frequency and manner of reporting our progress against the SPO Framework. Further, any or all elements of the SPO Framework may be considered insufficient and/or unsatisfactory and/or the credibility of the SPO Framework may be disregarded entirely. Because we committed publicly to the SPO Framework, if we fail to make meaningful progress on ESG practices and matters or to continue to report transparently across ESG practices and matters relating to the SPO Framework, our reputation could be harmed. We could also damage our reputation and the value of our brand if we fail to act responsibly in the areas in which we report or fail to demonstrate that our commitment to ESG principles enhances our overall financial performance. Any harm to our reputation resulting from our failure or perceived failure to meet the SPO Framework could also impact employee engagement and retention, the willingness of our supplier or manufacturers to do business with us, or investors’ willingness to purchase or hold shares of our common stock, any of which could have a material and adverse effect on our business, results of operations, and financial condition.

Our future success is substantially dependent on the continued service of our co-founders, including our Chief Executive Officer, as well as other senior management, and our ability to attract and retain talent.

We depend on the continued services and performance of our senior management and other key personnel, including Joseph Zwillinger, our co-founder and Chief Executive Officer, and Timothy Brown, our co-founder and Chief Innovation Officer. Mr. Zwillinger’s and Mr. Brown’s employment with us is at-will, which means that they may resign or could be terminated for any reason at any time. Should either of them stop working for us for any reason, it is unlikely that the other co-founder would be able to fulfill the responsibilities of the departing co-founder, nor is it likely that we would be able to immediately find a suitable replacement. Our other senior management and key employees are also employed on an at-will basis. We currently do not have “key person” insurance on any of our employees. The loss of key personnel, including members of management, supply chain, innovation and sustainability, product development, marketing, and sales personnel, could disrupt our operations and seriously harm our business.

To successfully grow and operate our business and execute our strategic plans, we must attract and retain highly qualified personnel. Competition for executives and highly skilled personnel is often intense, especially in Northern California, where our headquarters is located. As we become a more mature company, we may find our recruiting efforts more challenging. Many of the companies with which we compete for experienced personnel have greater resources than we have, and some of these companies may offer more attractive compensation packages. The incentives to attract, retain, and motivate employees provided by our equity awards (especially in light of the relatively low trading price of our Class A common stock in recent quarters) or by future arrangements, such as through cash bonuses, may not be as effective as our past incentive or as the current incentives offered by our competitors. If the perceived value of our equity awards declines further, or if the mix of equity and cash compensation that we offer is unattractive, it may adversely affect our ability to recruit and retain employees. We may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. We may experience difficulty in hiring and retaining highly skilled employees with appropriate qualifications. Our recruiting efforts may also be limited or delayed by laws and regulations, such as restrictive immigration laws, and restrictions on travel or availability of visas. For example, as we expand into new geographies, including hiring of remote employees, we must navigate the recruiting and employment-related aspects of local rules and requirements in each such jurisdiction as part of our hiring plans. Similarly, our rate of employee attrition could be impacted by the pace and recovery of businesses and the job market as the COVID-19 pandemic subsides, the general health of the economy, the rate of unemployment, the perceived or actual mobility of our highly skilled employees who may be recruited away by our competitors, or our existing employees' preferences with respect to remote or "hybrid" working arrangements based on their experiences during the COVID-19 pandemic, which preferences may diverge from the nature and conditions of the roles we believe are most appropriate for our business once the COVID-19 pandemic subsides. If our employee attrition is higher than expected, we may find it difficult to fill our hiring needs without substantial expense. Failure to manage our employee base and hiring needs effectively, including successfully recruiting and integrating our new hires, or to retain and motivate our current personnel may adversely affect our business, financial condition, and results of operations.

If we cannot maintain our culture and values as we grow, our business could be harmed.

We believe that a critical component of our success has been our corporate culture and values. We have invested substantial time and resources in building our culture, which is rooted in innovation, teamwork, and achieving profit with purpose. Relatedly, we believe that our status as a PBC, our commitment to environmental conservation and sustainability, and our certified B Corp status, all of which are foundational aspects of our culture and values, distinguish us from our competitors and promote a relationship among our customers, partners, and employees founded on trust.

However, as we continue to grow, including geographically expanding our presence outside of our headquarters in San Francisco, California, and developing the infrastructure associated with being a public company, we face a number of challenges that may affect our ability to sustain our corporate culture and shared values, including:

- a need to identify, attract, reward, and retain people in key leadership positions in our organization who share and further our culture, values, mission, and public benefit objective;
- the increasing size and geographic diversity of our workforce, which may limit our ability to promote a uniform and consistent culture and set of shared values across all of our offices and employees globally;
- the wider array of alternative working arrangements we now permit or may in the future permit, including part-time or flexible roles, fully remote roles, or "hybrid" roles (where a mix of in-person and remote work is permitted);
- the costs of our employee health and well-being initiatives and other ESG investments, which are required to maintain our corporate culture and live up to our values, but which may be more expensive than those of our competitors;
- the loss of our certified B Corp status;
- competitive pressures that may divert us from our mission, vision, and values, and may cause us to take actions that are contrary to, or that our workforce views as contrary to, our culture or values;
- our rapidly evolving industry; and
- the increasing need to develop expertise in new areas of business that affect us.

Any failure to preserve our corporate culture (or localize it authentically) or any failure to live up to our values as a company, particularly those related to environmental conservation and sustainability, could negatively affect our brand and reputation, harm our business, and limit our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives.

Merchandise returns could harm our business.

We generally allow customers to return products under a return policy that we believe is more generous than the industry standard. For example, for footwear, unless otherwise stated such as for final sale items, we generally accept merchandise returns for full refund or exchange if returned within 30 days of the original purchase date. Our revenue is reported net of returns, discounts, and any taxes collected from customers and remitted to government authorities. We estimate an allowance for expected product returns based on historical return trends. Revenue is presented net of the sales return allowance, and the expected inventory right of recovery is presented as a reduction of cost of revenue. The introduction of new products, changes in customer confidence or shopping habits or other competitive and general economic conditions could cause actual returns to exceed our estimates. If actual return costs differ from previous estimates, the amount of the liability and corresponding revenue are adjusted in the period in which such costs occur. In addition, from time to time, our products may be damaged in transit, which can also increase return rates. Returned goods may also be damaged in transit as part of the return process which can impede our ability to resell the returned goods. From time to time, customers have abused our return policy by, for example, not appropriately returning shoes or returning shoes that have been worn repeatedly for all or most of the 30-day return window and cannot be resold. Competitive pressures could cause us to alter our return policies or our shipping policies, which could result in an increase in damaged products and an increase in product returns. If the rate of product returns increases significantly or if product return economics become less efficient, our business, financial condition, and results of operations could be harmed.

Counterfeit or "knock-off" products, as well as products that are "inspired-by-Allbirds," may siphon off demand we have created for sustainable footwear and apparel, and may result in customer confusion, harm to our brand, a loss of our market share, and/or a decrease in our results of operations.

We face competition from counterfeit or "knock-off" products manufactured and sold by third parties in violation of our intellectual property rights, as well as from products that are inspired by our footwear in terms of sustainability, design, and style, including private label offerings by digital retailers. In the past, third parties have established websites to target users on Facebook or other social media platforms with "look alike" websites intended to trick users into believing that they were purchasing Allbirds shoes at a steep discount. Some individuals who actually made purchases from such "look alike" websites believed they had purchased from our actual website and subsequently submitted complaints to us.

These activities of third parties may result in customer confusion, require us to incur additional administrative costs to manage customer complaints related to counterfeit goods, divert customers from us, cause us to miss out on sales opportunities, and result in a loss of our market share. We could also be required to increase our marketing and advertising spend. If consumers are confused by these other products and believe them to be actual Allbirds, we could be forced to deal with dissatisfied customers who mistakenly blame us for poor service or poor-quality goods.

In addressing these or similar issues in the future, we may also be required to incur substantial expense to protect our brand and enforce our intellectual property rights, including through legal action in the United States or in foreign countries, which could negatively impact our results of operations and financial condition.

These and similar "counterfeit" or "inspired-by-Allbirds" issues could reoccur and could again result in customer confusion, harm to our brand, a loss of our market share, and/or a decrease in our results of operations.

Certain of our key operating metrics are subject to inherent challenges in measurement, and any real or perceived inaccuracies in such metrics or the underlying data may cause a loss of investor confidence in such metrics, and the market price of our Class A common stock may decline.

We track certain key operating metrics using internal and/or external data analytics tools, which have certain limitations, including, but not limited to, imperfect data collection (e.g., lack of emails and/or other identifiers for certain customers who purchase via our retail channels and do not supply such information). In addition, we rely on data received from third parties, including third-party platforms, to track certain performance indicators, and we may be limited in our ability to verify such data. In addition, our methodologies for tracking metrics may change over time, which could result in changes to the metrics we report. If we undercount or overcount performance due to the internal data analytics tools we use or issues with the data received from third parties, if our internal data analytics tools contain algorithmic or other technical errors, or if changes in access to third party data or external reporting standards require modifications to how we calculate certain operating metrics, the data we report may not be accurate or comparable with prior periods. In addition, limitations, changes, or errors with respect to how we measure data may affect our understanding of certain details of our business, which could affect our longer-term strategies. If our performance metrics are not, or are not perceived to be, accurate representations of our business, if we discover material inaccuracies in our metrics or the data on which such metrics are based, or if we can no longer calculate any of our key performance metrics with a sufficient degree of accuracy, investors could lose confidence in the accuracy and completeness of such metrics, which could cause the price of our Class A common stock to decline.

Our business is affected by seasonality.

Our business is affected by the general seasonal trends common to the retail footwear and apparel industry. As a result, historically, we have typically generated a higher proportion of net revenue, and incurred higher selling and marketing expenses, during the holiday season in the fourth quarter of the year compared to other quarters, and we expect these trends to continue. This seasonality may adversely affect our business and cause our results of operations to fluctuate.

Risks Related to Our Supply Chain

Our reliance on suppliers and manufacturers to provide materials for and to produce our products could cause problems in our supply chain.

We do not manufacture our products or the raw materials for them and rely instead on suppliers. Many of the materials used in our products are developed and manufactured by third parties and may be available, in the short-term, from only one or a very limited number of sources, some of whom were and may continue to be impacted by the COVID-19 pandemic and other external factors. Our contracts with some suppliers and manufacturers may not adequately meet our production requirements, and we compete with other companies for raw materials and production.

We have experienced, and may in the future experience, a significant disruption in the supply of raw materials from current sources and we may be unable to locate alternative materials suppliers of comparable quality at an acceptable price in time, or at all. These issues and risks were exacerbated by the COVID-19 pandemic, which resulted in travel limitations and stay-at-home orders in most or all parts of the world for much of 2020 and the early part of 2021. In addition, if we experience significant increased demand, or if we need to replace an existing supplier or manufacturer, we may be unable to locate additional supplies of raw materials or additional manufacturing capacity on terms that are acceptable to us, or at all, or we may be unable to locate any supplier or manufacturer with sufficient capacity to meet our requirements or to fill our orders in a timely manner. These issues and risks are increased as a result of our commitments to sustainability, including our use of specific materials and manufacturing processes and the sustainability and ESG-related requirements we impose on our suppliers, which generally limit the number of suppliers who could potentially satisfy our requirements. Identifying a suitable supplier is an involved process that requires us to become satisfied with its quality control, responsiveness and service, financial stability, environmental impact, and labor and other ethical practices. Even if we are able to expand existing or find new manufacturing or materials sources, we may encounter delays in production and added costs as a result of the time it takes to train our suppliers and manufacturers in our methods, products, and quality control standards. Delays related to supplier changes could also arise due to an increase in shipping times if new suppliers are located farther away from our markets or from other participants in our supply chain or if an alternative shipping and transportation route is required, any of which could increase our overall environmental impact and which could also negatively impact our reputation and the carbon footprint scoring of our products. Any delays, interruption, or increased costs in the supply of materials or manufacture of our products could have an adverse effect on our ability to meet customer demand for our products and result in lower net revenue and income from operations both in the short and long term.

Our business is subject to the risk of manufacturer concentration.

We depend significantly on a very limited number of third-party contract manufacturers for the sourcing of the vast majority of our products. For example, during 2023, we transitioned all new footwear manufacturing to one footwear manufacturer in Vietnam. As a result of this concentration in our supply chain, our business and operations would be negatively affected if our footwear manufacturer in Vietnam or any of our other key manufacturers, were to experience significant disruption affecting the price, quality, availability, or timely delivery of products. The partial or complete loss of these key manufacturers, or a significant adverse change in our relationship with any of these manufacturers, could result in lost sales, added costs, and distribution delays that could harm our business and customer relationships. In addition, as a result of our commitments to sustainability, including our use of specific materials and manufacturing processes and the sustainability and ESG-related requirements we impose on our contract manufacturers, there are generally fewer manufacturers who could potentially satisfy our requirements without substantial lead time or without requiring us to incur much higher costs, so we may be unable to replace a key manufacturer without substantial time and expense.

Failure of our contractors or our licensees' contractors to comply with our supplier code of conduct, contractual obligations, local laws, and other standards could harm our business.

We work with contractors, most of which are located outside of the United States, to manufacture our products. We require the contractors that directly manufacture our products as well as those that manufacture the materials used to manufacture our products to comply with our supplier code of conduct and other social, environmental, health, and safety standards for the benefit of workers. We also require these contractors to comply with applicable standards for product safety. Notwithstanding their contractual obligations to comply with our policies and applicable standards, from time to time, contractors may not comply with such standards or applicable local law or our licensees may fail to enforce such standards or applicable local law on their contractors. Significant or continuing noncompliance with such standards and laws by one or more contractors could harm our reputation or result in a product recall and, as a result, could have an adverse effect on our sales and financial condition. Similarly, agreements that we enter into with these contractors generally do not require blanket exclusivity with us; as a result, some contractors may be permitted to work with parties who could be deemed competitive, which could harm our business.

In addition, failure of one or more contractors to comply with applicable laws and regulations and contractual obligations could lead to litigation against us or require us to initiate litigation to enforce our contracts, resulting in increased legal expenses and costs. Furthermore, the failure of any such contractors to provide safe and humane factory conditions and oversight at their facilities could damage our reputation with customers or result in legal claims against us. Furthermore, any such noncompliance by our contractors, product recalls, or negative publicity regarding production methods, alleged practices, or workplace or related conditions of any of our suppliers, manufacturers, or licensees could adversely affect our brand image, result in lost sales, require us to divert resources to address and remediate these issues, expose us to legal claims, and force us to locate alternative suppliers, manufacturers or licensees, any of which could have an adverse effect on our business, financial condition, and results of operations. Any of these issues with our contractors could have a greater negative impact on us, due to the importance of ESG and sustainability practices to our brand and business.

Failure of our suppliers or manufacturers to consistently provide high-quality materials and products could adversely affect our brand and reputation and cause our business and results of operations to suffer.

Our success depends on our ability to provide our customers with the sustainable footwear and apparel they seek, which in turn depends on the quantity and quality of the finished products provided by our manufacturing partners, which depends on the quantity and quality of the raw materials they receive from our supply partners. We may be unable to provide customers with the high-quality sustainable footwear and apparel they seek if our supply chain partners do not consistently produce high-quality products for us to sell.

We believe that many of our new customers find us by word of mouth and other non-paid referrals from existing customers. If existing customers are dissatisfied with their product experience due to defects in the materials or manufacturing of our products or other quality related concerns, then they may stop buying our products and may stop referring others to us, and we could experience an increase in the rate of product returns. If we are unable to retain existing customers and attract new customers due to quality issues that we fail to identify and remedy, our growth prospects would be harmed and our business could be adversely affected. If product quality issues are widespread or result in product recalls, our brand and reputation could be harmed, we could incur substantial costs, and our results of operations and financial condition could be adversely affected.

The fluctuating cost of raw materials could increase our cost of revenue and cause our results of operations and financial condition to suffer.

The raw materials and commodities used by our suppliers and manufacturers include tree fiber, merino wool, sugarcane, castor bean oil, natural rubber, recycled plastic bottles, and paper products. Our suppliers and manufacturers' costs for raw materials and commodities are affected by, among other things, weather, consumer demand, rising interest rates, inflation, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries, and other factors that are generally unpredictable and beyond our control. In addition, if key suppliers, the footwear and apparel industry, or a group of countries adopt and enforce carbon pricing, then the price of raw materials and commodities could increase. Increases in the cost of raw materials have had and could continue to have a material adverse effect on our cost of revenue, results of operations, financial condition, and cash flows. As a result, this may have an impact on pricing of our products. For example, in August 2021, we implemented a slight price increase in certain of our products, and had further price increases in March 2022. It is uncertain if we will have to consider additional future price increases in our products as a result of increases in the cost of raw materials and supplies, partially due to the current inflationary environment. If we continue increasing the prices of our products, this may adversely impact demand for our products by our customers.

The operations of our suppliers, most of which are located outside of the United States, are subject to additional risks that are beyond our control and that could harm our business, financial condition, and results of operations.

Currently, most of our suppliers are located outside of the United States. As a result of our global suppliers, we are subject to risks associated with doing business abroad, including:

- political unrest, terrorism, geopolitical events, war and other violent conflicts, labor disputes, and economic instability resulting in the disruption of trade from foreign countries in which our products are manufactured, including, for example, Vietnam, China, and Peru;
- the imposition of new laws and regulations, including those relating to labor conditions, quality, and safety standards, imports, duties, taxes, and other charges on imports, as well as trade restrictions and restrictions on currency exchange or the transfer of funds, particularly new or increased tariffs imposed by the United States on imports from countries where our products are manufactured, including, for example, Vietnam, China, and Peru;
- greater challenges and increased costs with enforcing and periodically auditing or reviewing our suppliers and manufacturers' compliance with our supplier code of conduct, including their labor and sustainability practices, given that their facilities are located outside of the United States and, in many cases, far away from our offices and management;
- reduced protection for intellectual property rights, including trademark protection, in some countries, particularly China;
- disruptions in operations due to global, regional, or local public health crises (for example, the COVID-19 pandemic) or other emergencies or natural disasters;
- disruptions or delays in shipments; and

• changes in local economic conditions in countries where our manufacturers, suppliers, or customers are located.

These and other factors beyond our control, particularly in light of the COVID-19 pandemic, could interrupt our suppliers' production, influence the ability of our suppliers to export our products cost-effectively or at all, and inhibit our suppliers' ability to procure certain materials, any of which could harm our business, financial condition, and results of operations.

Shipping and delivery are critical parts of our business and any changes in, or disruptions to, our shipping and delivery arrangements could adversely affect our business, financial condition, and results of operations.

We rely on several ocean, air parcel, and "less than truckload" carriers to deliver the products we sell. If we are not able to negotiate acceptable pricing and other terms with these providers, or if these providers experience performance problems or other difficulties in processing our orders or delivering our products to customers, it could negatively impact our results of operations, financial condition, and our customers' experience. For example, changes to the terms of our shipping arrangements or the imposition of surcharges or surge pricing may adversely impact our margins and profitability. In addition, our ability to receive inbound inventory efficiently and ship merchandise to customers may be negatively affected by factors beyond our and these providers' control, including pandemic, weather, fire, flood, power loss, earthquakes, acts of war or terrorism, or other events specifically impacting other shipping partners, such as labor disputes, financial difficulties, system failures, and other disruptions to the operations of the shipping companies on which we rely. We have in the past experienced, and may in the future experience, shipping delays for reasons outside of our control. We are also subject to risks of damage or loss during delivery by our shipping vendors. If the products ordered by our customers are not delivered in a timely fashion, including to international customers, or are damaged or lost during the delivery process, our customers could become dissatisfied and cease buying products from us, which would adversely affect our business, financial condition, and results of operations.

If we do not successfully optimize, operate, and manage our global network of third-party owned and operated logistics and distribution centers, our business, financial condition, and results of operations could be harmed.

Our success depends on our global logistics and distribution network. Currently, we rely predominantly on a few third-party logistics providers to store our finished products in, and distribute our products to customers from, their distribution center locations in the United States, United Kingdom, the Netherlands, China, Japan, and New Zealand. Our ability to meet customer expectations, manage inventory, complete sales, and achieve objectives for operating efficiencies and growth, particularly in emerging markets, depends on the proper operation of these third parties' distribution facilities, the development or expansion of additional distribution capabilities, and the timely performance of services by third parties (including those involved in shipping product to and from our distribution facilities). If we continue to add third-party logistics providers, require them to expand their fulfillment, distribution, and warehouse capabilities, including adding additional locations in new countries, add products categories with different fulfillment requirements, or change the mix of products that we sell, our global logistics and distribution network will become increasingly complex and operating it will become more challenging for us and our third-party logistics providers. The expansion and growth of our logistics and distribution center network may put pressure on our managerial, financial, operational, and other resources. In addition, we may be required to expand our capacity sooner than we anticipate. If we are unable to secure new or expand existing third-party logistics providers to meet our future needs, our order fulfillment and shipping times may be delayed and our business, financial condition, and results of operations could be adversely affected. The third-party owned and operated logistics and distribution centers we rely on could be interrupted by issues beyond our control, including information technology problems, disasters such as earthquakes or fires, or outbreaks of disease or government actions taken to mitigate their spread. For example, during the COVID-19 pandemic, several logistics providers we rely on faced staffing shortages, which impacted their businesses and resulted in delayed shipping and delivery times. Any significant failure in our distribution facilities could result in an adverse effect on our business. We maintain business interruption insurance, but it may not adequately protect us from adverse effects caused by significant disruptions in our third-party logistics and distribution centers.

Risks Related to Intellectual Property, Information Technology, and Data Security and Privacy

Our failure or inability to protect or enforce our intellectual property rights could diminish the value of our brand and weaken our competitive position.

We currently rely on a combination of trademark, trade dress, copyright, patent, and unfair competition laws, as well as confidentiality procedures and licensing arrangements, to establish and protect our intellectual property rights. The steps we take to protect our intellectual property rights may not be adequate to prevent infringement of these rights by others. We regularly face the imitation of our products, the manufacture and distribution of "knock-off" and counterfeit products, and the misappropriation of our brand and product names. For instance, we have had to litigate against a third party misappropriating our WOOL RUNNERS trademark and have had to enforce against third parties manufacturing and selling products that violate our design patents.

In addition, intellectual property protection may be unavailable or limited in some foreign countries where laws or law enforcement practices may not protect our intellectual property rights as fully as in the United States, and it may be more difficult for us to successfully challenge the use of our intellectual property rights by other parties in these countries. For instance, some of our trademark or trade dress applications may not be approved by the applicable governmental authorities because they are determined to lack sufficient distinctiveness, and, even if approved, may be challenged by third parties for this same reason. If we fail to protect and maintain our intellectual property rights, the value of our brand could be diminished, and our competitive position may suffer.

Our trademarks and other proprietary rights could potentially conflict with the rights of others, and we may be prevented from selling some of our products.

Our success depends in large part on our brand image. We believe that our trademarks and other proprietary rights have significant value and are important to identifying and differentiating our products from those of our competitors and creating and sustaining demand for our products. We have applied for and obtained some U.S., E.U., and foreign trademark registrations, and will continue to evaluate the registration of additional trademarks as appropriate. However, some or all of these pending trademark applications may be refused due to prior conflicting trademarks or for other reasons. We also have and may continue to encounter "squatters" or bad actors that either apply to register or "squat" on previously acquired trademarks that are identical or related to our trademarks. In such scenarios, third parties hope to use their prior rights as leverage to extract a favorable monetary settlement or acquisition of their rights; in some instances, we are required to expend both financial and internal resources to address such filings.

Moreover, even if our applications are approved, third parties may seek to oppose, invalidate, or otherwise challenge these registrations for these same reasons, particularly as we expand our business and the number of products we offer. For example, currently, we are defending invalidation actions in China against a number of our granted registrations.

Our defense of any claim, regardless of its merit, could be expensive and time consuming and could divert management resources. Successful infringement claims against us could result in significant monetary liability or prevent us from selling some of our products. In addition, resolution of claims may require us to redesign our products, license rights from third parties, or cease using those rights altogether. Any of these events could harm our business and cause our results of operations, liquidity, and financial condition to suffer.

The inability to acquire, use, or maintain our marks and domain names for our websites could substantially harm our business, financial condition, and results of operations.

We currently are the registrant of marks for our products in numerous jurisdictions and are the registrant of the internet domain name for the website allbirds.com, as well as various related domain names. However, we have not registered our marks represented by our domain names in all international jurisdictions. Domain names generally are regulated by internet regulatory bodies and may not be generally protectable as trademarks in and of themselves. We have incurred, and as our business grows, may continue to incur material costs in connection with the registration, maintenance, and protection of our marks. If we do not have or cannot obtain on reasonable terms the ability to use our marks in a particular country, or to use or register our domain name, we could be forced either to incur significant additional expenses to market our products within that country, including the development of a new brand and the creation of new promotional materials and packaging, or to elect not to sell products in that country. Either result could adversely affect our business, financial condition, and results of operations.

Furthermore, the regulations governing domain names and laws protecting marks and similar proprietary rights could change in ways that block or interfere with our ability to use relevant domains or the Allbirds brand. Regulatory bodies also may establish additional generic or country-code top-level domains or may allow modifications of the requirements for registering, holding, or using domain names. As a result, we might not be able to register, use, or maintain the domain names that use the name Allbirds in all of the countries and territories in which we currently or intend to conduct business.

Additionally, we might not be able to prevent third parties from registering, using, or retaining domain names that interfere with our customer communications or infringe or otherwise decrease the value of our marks, domain names, and other proprietary rights. For example, we have in the past been the target of, and may in the future be the target of, fraudulent websites with similar domain names or content to us that attempt to divert our customer traffic and defraud our customers. Any inability to prevent these practices could adversely affect our brand and make it more difficult for users to find our website.

Any material disruption of our information technology systems or unexpected network interruption could disrupt our business and reduce our sales.

We are increasingly dependent on information technology networks and systems, our website, and various third parties to market and sell our products and to manage a variety of business processes and activities and to comply with regulatory, legal, and tax requirements. For example, we depend on information technology systems and third parties to operate our websites, process transactions online and in our stores, respond to customer inquiries, manage inventory, purchase, sell, and ship goods on a timely basis, and maintain cost-efficient operations. In addition, third-party distributors may utilize their own information technology systems and other infrastructure of as we transition to a distributor model in certain countries outside of the United States. We also depend on our information technology infrastructure for digital marketing activities and for electronic communications among our personnel, customers, manufacturers, and suppliers around the world. Our website, portions of which are run through Shopify, and information technology systems, some of which are managed by third parties, may be susceptible to a variety of interruptions or outages, including those caused by damage, disruptions, slowdowns, or shutdowns due to failures during the process of upgrading or replacing software, databases, or components, fire, flood, power outages, hardware failures, terrorist attacks, acts of war, break-ins, earthquakes, or catastrophic events.

Due to the importance of our website and internet-related operations, we are vulnerable to website downtime and other technical failures, which may be outside of our control. Further, any slowdown or material disruption of our systems, or the systems of our third-party service providers, or our website could disrupt our ability to track, record, and analyze the products that we sell and could negatively impact our operations, shipment of goods, ability to process financial information and transactions, and our ability to receive and process customer orders or engage in normal business activities. Our third-party technology providers may also change their policies, terms, or offerings from time to time, may fail to introduce new features and offerings that meet our needs as we expand, or may cease to provide services to us on favorable terms, or at all, which could require us to adjust how we use our information technology systems, including our website, or switch to alternative third-party service providers which could be costly, cause interruptions, and could ultimately adversely affect our business, financial condition, results of operations, and growth prospects. Furthermore, we could experience delays in reporting our financial results.

We use complex custom-built proprietary software in our technology infrastructure. Our proprietary software may contain undetected errors or vulnerabilities, some of which may be significant and may only be discovered after the software has been implemented in our production environment or released to end users. In addition, we seek to continually update and improve our software, and we may not always be successful in executing these upgrades and improvements, and the operation of our systems may be subject to slowdown or failure. For example, in the past we have experienced minor slowdowns and/or impaired functionality while updating our website. Moreover, new technologies or infrastructures may not be fully integrated with existing systems on a timely basis, or at all. Any errors or vulnerabilities discovered in our software after commercial implementation or release could result in damage to our reputation, loss of customers, exploitation by bad actors resulting in data breaches or unauthorized modification of our software, disruption to our digital channels, loss of revenue, or liability for damages, any of which could adversely affect our growth prospects and our business.

Additionally, if we expand our use of third-party services, including cloud-based services, our technology infrastructure may be subject to increased risk of slowdown or interruption as a result of integration with or subsequent dependence on such services and/or failures by such third parties, which are out of our control. Our net revenue depends on the number of visitors who shop on our website and the volume of orders we can handle. Unavailability of our website or mobile app or reduced order fulfillment performance would reduce the volume of goods sold and could also adversely affect customer perception of our brand. In addition, continued growth in our transaction volume, as well as surges in online traffic and orders associated with promotional activities or seasonal trends in our business, place additional demands on our technology platform, and could cause or exacerbate slowdowns or interruptions. If there is a substantial increase in the volume of traffic on our website or the number of orders placed by customers, we will be required to further expand, scale, and upgrade our technology, transaction processing systems, and network infrastructure. There can be no assurance that we will be able to accurately project the rate or timing of increases, if any, in the use of our website or mobile app or expand, scale, and upgrade our technology, systems, and infrastructure to accommodate such increases on a timely basis. In order to remain competitive, we must continue to enhance and improve the responsiveness, functionality, and features of our website, mobile app and underlying technology infrastructure, which is particularly challenging given the rapid rate at which new technologies, customer preferences and expectations, and industry standards and practices are evolving in the eCommerce industry. These types of activities subject us to inherent costs and risks associated with replacing and changing these systems, including impairment of our ability to fulfill customer orders, potential disruption of our internal control structure, capital expenditures, additional administration, and operating expenses, acquisition, and retention of sufficiently skilled personnel to implement and operate the new systems, demands on management time, the introduction of errors or vulnerabilities, and other risks and costs of delays or difficulties in transitioning to or integrating new systems into our current systems. Our or our third-party vendors' inability to continue to update, improve, and scale our website or mobile app and the underlying technology infrastructure (including upgrades to or replacement of legacy systems with successor systems or building new policies, procedures, training programs, and monitoring tools) could harm our reputation and our ability to acquire, retain, and serve our customers, which could adversely affect our business, financial condition, and results of operations.

Further, we endeavor to continually upgrade existing technologies and business applications, and we may be required to implement new technologies or business applications in the future. The implementation of upgrades and changes requires significant investments. Our results of operations may be affected by the timing, effectiveness, and costs associated with the successful implementation of any upgrades or changes to our systems and infrastructure.

If the technology-based systems that give our customers the ability to shop with us online do not function effectively, our results of operations, as well as our ability to grow our digital business globally, could be materially adversely affected.

Any failure on our part to provide attractive, effective, reliable, user-friendly digital platforms that offer a wide assortment of merchandise with rapid delivery options and that continually meet the changing expectations of online shoppers could place us at a competitive disadvantage, result in the loss of digital and other sales, harm our reputation with customers, have a material adverse impact on the growth of our digital business globally, and could have a material adverse impact on our business and results of operations.

Risks specific to our digital business also include diversion of sales from our company-operated stores, difficulty in recreating the in-store experience through direct channels and liability for online content. Our failure to successfully respond to these risks might adversely affect sales in our digital business, as well as damage our reputation and brand.

In the event that it is more difficult for our customers to buy products from us on their mobile devices, or if our customers choose not to buy products from us on their mobile devices or to use mobile products that do not offer access to our websites, our customer growth could be harmed and our business, financial condition, and results of operations may be adversely affected.

We are subject to risks related to online payment methods.

We currently accept payments using a variety of methods, including credit cards and debit cards. As we offer new payment options to consumers, we may be subject to additional regulations, compliance requirements, fraud and other risks. For certain payment methods, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We are also subject to payment card association operating rules and certification requirements, including the Payment Card Industry Data Security Standard, or PCI DSS, and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. Failure to comply with PCI DSS or to meet other payment card or other industry standards may result in the imposition of financial penalties or the allocation by the card brands of the costs of fraudulent charges to us.

If sensitive information about our customers is actually or alleged to have been disclosed, or if we or our third-party providers are subject to real or perceived cyberattacks or misuse, our customers may curtail use of our website or mobile app, we may be exposed to liability, and our reputation could suffer.

Operating our business and platform involves the collection, storage, and transmission of a variety of sensitive information, such as names, phone numbers, mailing and billing addresses and email addresses, and other similar personal information, which we may share with our third-party service providers. In an effort to protect sensitive information, we rely on a variety of security measures, but advances in computer capabilities, increasingly sophisticated tools and methods used by hackers and cyber terrorists, new discoveries in the field of cryptography, or other developments may result in our or our third party service providers' (a) failure or inability to detect cyberattacks or (b) failure or inability to adequately protect sensitive information.

Like other eCommerce companies, we are also vulnerable to hacking, malware, supply chain attacks, computer viruses, unauthorized access, and various other attacks by computer hackers (such as phishing or social engineering attacks, ransomware attacks, credential stuffing attacks, denial-of-service attacks, exploitation of software vulnerabilities, and other real or perceived cyberattacks) as well as cybersecurity incidents caused by telecommunication failures, user errors, or intentional or accidental actions or inactions by users with authorized access to our systems. Additionally, certain functional areas of our workforce operate in a "hybrid" or fully remote work environment, which has heightened the risk of these potential vulnerabilities. Any of these issues could lead to interruptions or shutdowns of our platform, loss or corruption of data or unauthorized access to, or disclosure of sensitive information. Cyberattacks could also result in the theft of our intellectual property or sensitive information of our business partners and suppliers, damage to our IT systems or disruption of our ability to make financial reports, and other public disclosures required of public companies. We have been subject to attempted cyber, phishing, or social engineering attacks in the past and may continue to be subject to such attacks and other cybersecurity incidents in the future. We and our third-party service providers may not have the resources or technical sophistication to anticipate or prevent all such cyberattacks. Moreover, techniques used to obtain unauthorized access to systems change frequently and may not be known until launched against us or our third-party service providers. Security breaches can also occur as a result of non-technical issues, including intentional or inadvertent actions by our employees, our third-party service providers, or their personnel.

If we, our distributors, or our third-party service providers experience, or are believed to have experienced, security breaches that result in marketplace performance or availability problems or the loss or corruption of, or unauthorized access to or disclosure of, sensitive information, consumers may become unwilling to provide us the information necessary to make purchases on our website. Existing customers may also decrease or stop their purchases altogether. While we maintain cyber errors and omissions insurance coverage that covers certain aspects of cyber risks, these losses may not be adequately covered by insurance or other contractual rights available to us. The successful assertion of one or more large claims against us that exceed or are not covered by our insurance coverage or changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could make us unable to acquire such insurance and may have an adverse effect on our business, financial condition, and results of operations.

Furthermore, we may be required to disclose personal data pursuant to demands from individuals, privacy advocates, regulators, government agencies, and law enforcement agencies in various jurisdictions with conflicting privacy and security laws. Any disclosure or refusal to disclose personal data may result in a breach of privacy and data protection policies, notices, laws, rules, court orders, and regulations and could result in proceedings or actions against us in the same or other jurisdictions, damage to our reputation and brand, and inability to provide our products to customers in certain jurisdictions. Additionally, changes in the laws and regulations that govern our collection, use, and disclosure of customer data could impose additional requirements with respect to the retention and security of customer data, could limit our marketing activities, and have an adverse effect on our business, financial condition, and results of operations.

We are subject to federal, state, or foreign laws and regulations as well as our contractual obligations and industry requirements relating to privacy, data protection, and customer protection; the expansion of current or the enactment of new laws and regulations relating to privacy, data protection, and customer protection, or failure to comply with those laws or obligations, whether or not inadvertent, could materially adversely affect our business, financial condition and results of operations.

We collect and maintain significant amounts of data relating to our customers and employees, and we face risks inherent in handling large volumes of data, transferring such data to third parties, processing such data for tracking and marketing purposes (or providing such data to third parties for tracking and marketing purposes), and protecting the security of such data. Our actual or perceived failure to comply with any federal, state, or foreign laws and regulations, or applicable industry standards that govern or apply to our collection, use, retention, sharing, and security of data, or any failure by any of our third party service providers to protect such data that they may maintain on our behalf, could result in enforcement actions that require us to change our business practices in a manner that may negatively impact our revenue, result in indemnity obligations to our customers, distract our management, increase our costs of doing business, as well as expose ourselves to litigation, fines, civil, and/or criminal penalties and adverse publicity that could cause our customers to lose trust in us, negatively impacting our reputation and business (including our brand) in a manner that harms our financial position, results in a loss of customers and suppliers or an inability to process credit card payments, and may result in the imposition of monetary penalties. Laws and regulations in the United States and around the world restrict how information about individuals is collected, processed, stored, used, transferred, and disclosed, as well as set standards for its security, implement notice requirements regarding privacy practices, and provide individuals with certain rights regarding the use, disclosure, and sale of their protected personal information. These laws and regulations are still being tested in courts, and they are subject to new and differing interpretations by courts and regulatory officials. We are working to comply with the privacy and data protection laws and regulations that apply to us, and we anticipate needing to devote significant additional resources to complying with these laws and regulations. It is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent from jurisdiction to jurisdiction or inconsistent with our current policies and practices.

In the United States, both federal and various state governments have adopted, or are considering, laws, guidelines, or rules for the collection, distribution, use, and storage of information collected from or about consumers or their devices. For example, California enacted the California Consumer Privacy Act, or the CCPA, which went into effect on January 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as statutory damages and a private right of action for data breaches that is expected to increase data breach litigation. Further, in November 2020, California voters passed the California Privacy Rights Act, or CPRA. The CPRA took effect on January 1, 2023 and creates obligations with respect to certain data relating to consumers as of January 1, 2022, significantly expands the CCPA, including by introducing additional obligations such as data minimization and storage limitations, granting additional rights to consumers, such as correction of personal information and additional opt-out rights, and creates a new entity, the California Privacy Protection Agency, to implement and enforce the law. Personal information we handle may be subject to the CCPA and CPRA, which may increase our compliance costs and potential liability. Further, Virginia, Colorado, Utah, and Connecticut have all passed privacy laws that took effect or will take effect in 2023, but aspects of these state privacy statutes remain unclear, resulting in further legal uncertainty and potentially requiring us to modify our data practices and policies and to incur substantial additional costs and expenses in an effort to comply. Other states have considered similar bills, which could be enacted in the future. In addition to fines and penalties that may be imposed for failure to comply with state law, some states also provide for private rights of action to customers for misuse of or unauthorized access to personal information.

Certain requirements from our third-party technology and platform providers may also cause us to modify our offerings due to privacy concerns or negatively affect our revenue due to reduced availability of information about consumers. For example, Apple iOS 14.5 requires apps in the Apple App Store to opt in to the tracking of users across apps and websites owned by third parties for advertising and measurement purposes. Google introduced a similar feature in early 2022. Changes like this may reduce the quality of the data and related metrics that can be collected or used by us and/or our partners. In addition, such changes could significantly inhibit the effectiveness of our targeted advertising and related activities.

In addition to risks posed by new privacy laws, we could be subject to claims alleging violations of long-established federal and state privacy and consumer protection laws, including those related to telephone and email communications with consumers. As an example, the Telephone Consumer Protection Act, or TCPA, is a federal law that imposes significant restrictions on the ability to make telephone calls or send text messages to mobile telephone numbers without the prior consent of the person being contacted. The TCPA provides for substantial statutory damages for violations, which has generated extensive class action litigation. In addition, class action plaintiffs in the United States are employing novel legal theories to allege that federal and state eavesdropping/wiretapping laws and state constitutions prohibit the use of analytics technologies widely employed by website and mobile app operators to understand how their users interact with their services. Despite our compliance efforts, our use of text messaging communications or similar analytics technologies could expose us to costly litigation, government enforcement actions, damages, and penalties, which could adversely affect our business, financial condition, and results of operations.

Outside of the United States, certain foreign jurisdictions, including the European Economic Area, or EEA, and the United Kingdom, have laws and regulations which are more restrictive in certain respects than those in the United States. For example, the EEA and the United Kingdom have adopted the GDPR, which may apply to our collection, control, use, sharing, disclosure, and other processing of data relating to an identified or identifiable living individual (personal data). The GDPR, and national implementing legislation in EEA member states and the United Kingdom, impose a strict data protection compliance regime including: providing detailed disclosures about how personal data is collected and processed (in a concise, intelligible and easily accessible form); granting new rights for data subjects in regard to their personal data (including the right to be “forgotten” and the right to data portability), as well as enhancing current rights (e.g., data subject access requests); requirements to have data processing agreements in place to govern the processing of personal data on behalf of other organizations; introducing the obligation to notify data protection regulators or supervisory authorities (and in certain cases, affected individuals) of significant data breaches; maintaining a record of data processing; and complying with the principal of accountability and the obligation to demonstrate compliance through policies, procedures, trainings, and audits.

In addition, we are subject, or may become subject, to various other data privacy and security laws and regulations of other foreign jurisdictions, including those in China and South Korea. On June 10, 2021, the Peoples Republic of China, or the PRC, passed the PRC Data Security Law, or the DSL. The DSL, which became effective on September 1, 2021, imposes data privacy and cybersecurity obligations on entities carrying out processing of personal data and stipulates that entities processing of data outside China will be liable for damages to the interests of PRC citizens. Also, on August 20, 2021, the PRC passed the Personal Information Protection Law, or the PIPL. The PIPL, which took effect in November 2021, puts in place rules for processing personal information of PRC citizens. Like the GDPR and CCPA, the DSL and PIPL apply to processing of personal information outside China but for purpose of providing products or services to PRC citizens.

Since we collect and process personal information on PRC citizens, we are or may become subject to and may be ordered to comply with PRC regulations associated with the DSL and PIPL. In addition, we may be subject to heightened PRC regulatory scrutiny in the future. As there remains significant uncertainty in the interpretation and enforcement of the DSL and the PIPL, we cannot assure you that we will comply with such regulations in all respects. Any non-compliance may subject us to fines, orders to remediate or terminate any actions that are deemed illegal by regulatory authorities, as well as damage to our reputation, or legal proceedings against us, which may affect our business, financial condition, or results of operations.

We also may be subject to European Union rules with respect to cross-border transfers of personal data out of the EEA. Recent legal developments in Europe have created complexity and uncertainty regarding transfers of personal data from the EEA to the United States. We may make use of alternative data transfer mechanisms such as standard contractual clauses, or SCCs, approved by the European Commission on June 4, 2021. These new SCCs may require us to expend significant resources to update our contractual arrangements and to comply with such obligations. Further, data protection authorities may require measures to be put in place in addition to SCCs for transfers to countries outside of the EEA, as well as Switzerland and the United Kingdom. Our third-party service providers may also be affected by these changes. In addition to other impacts, we may experience additional costs to comply with these changes, and we and our customers face the potential for regulators in the EEA, Switzerland, or the United Kingdom to apply different standards to the transfer of personal data to the United States and other non-EEA countries, and to block, or require ad hoc verification of measures taken with respect to certain data flows to the United States and other non-EEA countries. We also may be required to engage in new contract negotiations with third parties that aid in processing data on our behalf, to the extent that any of our service providers or consultants have been relying on invalidated or insufficient contractual protections for compliance with evolving interpretations of and guidance for cross-border data transfers pursuant to the GDPR. In such cases, we may not be able to find alternative service providers, which could limit our ability to process personal data from the EEA, Switzerland, or the United Kingdom and increase our costs.

These recent developments may require us to review and amend the legal mechanisms by which we make and/or receive personal data transfers to/in the United States. As supervisory authorities issue further guidance on personal data export mechanisms, including circumstances where the standard contractual clauses cannot be used and/or start taking enforcement action, we could suffer additional costs, complaints, and/or regulatory investigations or fines, and/or if we are otherwise unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we provide our services, the geographical location or segregation of our relevant systems and operations, and could adversely affect our business, financial condition, and results of operations.

Fines for certain breaches of the GDPR are up to the greater of 20 million euros or 4% of total global annual turnover. In addition to the foregoing, a breach of the GDPR could result in regulatory investigations, reputational damage, orders to cease/change our processing of our data, enforcement notices, and/or assessment notices (for a compulsory audit). We may also face civil claims including representative actions and other class action type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, diversion of internal resources, and reputational harm.

The United Kingdom has implemented legislation similar to the GDPR, including the U.K. Data Protection Act and legislation similar to the GDPR referred to as the U.K. GDPR, which provides for fines of up to the greater of 17.5 million British Pounds or 4% of a company's worldwide turnover, whichever is higher. Additionally, the relationship between the United Kingdom and the European Union in relation to certain aspects of data protection law remains unclear following the United Kingdom's exit from the European Union, including with respect to regulation of data transfers between E.U. member states and the United Kingdom. On June 28, 2021, the European Commission announced a decision of "adequacy" concluding that the United Kingdom ensures an equivalent level of data protection to the GDPR, which provides some relief regarding the legality of continued personal data flows from the EEA to the United Kingdom. Some uncertainty remains, however, as this adequacy determination must be renewed after four years and may be modified or revoked in the interim. We cannot fully predict how the Data Protection Act, the U.K. GDPR, and other U.K. data protection laws or regulations may develop in the medium to longer term nor the effects of divergent laws and guidance regarding how data transfers to and from the United Kingdom will be regulated.

We are also subject to evolving E.U. privacy laws on cookies and e-marketing. In the European Union, regulators are increasingly focusing on compliance with requirements in the online behavioral advertising ecosystem, and current national laws that implement the ePrivacy Directive will be replaced by an E.U. regulation known as the ePrivacy Regulation which will significantly increase fines for non-compliance. In the European

Union, informed consent is required for the placement of a cookie or similar technologies on a user's device and for direct electronic marketing. The GDPR also imposes conditions on obtaining valid consent, such as a prohibition on pre-checked consents and a requirement to ensure separate consents are sought for each type of cookie or similar technology. While the text of the ePrivacy Regulation is still under development and not expected to take effect until sometime in 2023, a European court decision and regulators' recent guidance are driving increased attention to cookies and tracking technologies. If regulators start to enforce the strict approach in recent guidance, this could lead to substantial costs, require significant systems changes, limit the effectiveness of our marketing activities, divert the attention of our technology personnel, adversely affect our margins, increase costs, and subject us to additional liabilities. Regulation of cookies and similar technologies, and any decline of cookies or similar online tracking technologies as a means to identify and potentially target individuals, may lead to broader restrictions and impairments on our marketing and personalization activities, and may negatively impact our efforts to understand users.

Furthermore, compliance with legal and contractual obligations may require us to make public statements about our privacy and data security practices, including the statements we make in our online privacy policy. Although we endeavor to comply with these statements, should they prove to be untrue or be perceived as untrue, even through circumstances beyond our reasonable control, we may face litigation, claims, investigations, inquiries, or other proceedings by the U.S. Federal Trade Commission, state attorneys general, and other federal, state, and foreign regulators and private litigants alleging violations of privacy or consumer protection laws.

Any actual or perceived non-compliance with these rapidly changing laws, regulations, or standards or our contractual obligations relating to privacy, data protection, and consumer protection by us or the third-party companies we work with could result in litigation and proceedings against us by governmental entities, consumers, or others, fines and civil or criminal penalties for us or company officials, obligations to cease offerings or to substantially modify our business in a manner that makes it less effective in certain jurisdictions, negative publicity, and harm to our brand and reputation, and reduced overall demand for our products, any of which could have an adverse effect on our business, financial condition, and results of operations.

Use of social media, emails, push notifications, and text messages in ways that do not comply with applicable laws and regulations, lead to the loss or infringement of intellectual property, or result in unintended disclosure may harm our reputation or subject us to fines or other penalties.

We use social media, emails, push notifications, and text messages as part of our omni-channel approach to marketing. As laws and regulations evolve to govern the use of these channels, the failure by us, our employees, or third parties acting at our direction to comply with applicable laws and regulations in the use of these channels could adversely affect our reputation or subject us to fines or other penalties. In addition, our employees or third parties acting at our direction may knowingly or inadvertently make use of social media in ways that could lead to the loss or infringement of intellectual property, as well as the public disclosure of proprietary, confidential, or sensitive personal information of our business, employees,customers, third-party vendors, or others. Information concerning us or our customers, whether accurate or not, may be posted on social media platforms at any time and may have an adverse impact on our brand, reputation, or business. The harm may be immediate without affording us an opportunity for redress or correction and could have a material adverse effect on our reputation, business, results of operations, financial condition, and prospects.

Risks Related to Other Legal, Regulatory, and Taxation Matters

Government regulation of the internet and eCommerce is evolving, and unfavorable changes or failure by us to comply with these regulations, whether or not inadvertent, could substantially harm our business, financial condition, and results of operations.

We are subject to general business regulations and laws as well as regulations and laws specifically governing the internet and eCommerce. Existing and future regulations and laws could impede the growth of the internet, eCommerce, or mobile commerce, which could in turn adversely affect our growth. These regulations and laws may involve taxes, tariffs, privacy and data security, anti-spam, content protection, electronic contracts and communications, customer protection, and internet neutrality. It is not clear how existing laws governing issues such as property ownership, sales, and other taxes and customer privacy apply to the internet as the vast majority of these laws were adopted prior to the advent of the internet and do not contemplate or address the unique issues raised by the internet or eCommerce. It is possible that general business regulations and laws, or those specifically governing the internet or eCommerce, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot be sure that our practices comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business, and proceedings or actions against us by governmental entities, customers, suppliers, or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business, decrease the use of our website and mobile app by customers and suppliers, and may result in the imposition of monetary liabilities. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of our own non-compliance with any such laws or regulations. As a result, adverse developments with respect to these laws and regulations could substantially harm our business, financial condition, and results of operations.

We have and may continue to face exposure to foreign currency exchange rate fluctuations.

Certain of our foreign revenue is denominated in currencies of the countries and territories where we sell our products outside of the United States. Similarly, certain of our foreign operating expenses are denominated in the currencies of the countries and territories in which our third-party vendors are located. For example, to acquire the supply of raw materials or commodities such as wool that we expect to require for our business, we may enter into long-term contracts with pricing denominated in currencies other than the U.S. dollar. Accordingly, changes in the value of foreign currencies relative to the U.S. dollar have affected and may in the future continue to affect our net revenue and results of operations. For example, in 2022, our full year net revenue and results of operations were negatively impacted by approximately $8.0 million from unfavorable foreign exchange rates due to the strengthening U.S. dollar in certain international markets. As a result of such foreign currency exchange rate fluctuations, it has been and may continue to be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our Class A common stock could be lowered. We do not currently maintain a program to hedge transactional exposures in foreign currencies. However, in the future, we may use derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place and may introduce additional risks if we are unable to structure effective hedges with such instruments

Existing and potential tariffs imposed by the United States or other governments or a global trade war could increase the cost of our products, which could have an adverse effect on our business, financial condition and results of operations; new trade restrictions could prevent us from importing or selling our products profitably.

The United States and the countries in which our products are produced or sold have imposed and may impose additional quotas, duties, tariffs, or other restrictions or regulations, or may adversely adjust prevailing quota, duty, or tariff levels. The results of any audits or related disputes regarding these restrictions or regulations (including, for example, regarding the proper import classification code, or HTS code, for a given product) could have an adverse effect on our financial statements for the period or periods for which the applicable final determinations are made. Countries impose, modify, and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions, which make it impossible for us to predict future developments regarding tariffs and other trade restrictions. For example, the U.S. government has in recent years imposed increased tariffs on imports from certain foreign countries, such as China, and any imposition of additional tariffs by the United States could result in the adoption of tariffs by other countries, leading to a global trade war. Any such future tariffs by the United States or other countries could have a significant impact on our business. While we may attempt to renegotiate prices with suppliers or diversify our supply chain in response to tariffs or shift production between manufacturers in different countries, such efforts may not yield immediate results or may be ineffective or not possible in the near-term. For example, we shifted production capacity from China to Vietnam, which means that the U.S. government’s tariffs on certain imports from China currently only affect a small portion of our existing production volume. But we may be required to shift production capacity back to China (or other countries for which the U.S. government has imposed higher tariffs) due to lack of manufacturing expertise or capacity in relatively lower-tariff countries. We might also consider increasing prices to the end customer; however, this could reduce the competitiveness of our products and adversely affect net revenue.

Trade restrictions, including tariffs, quotas, economic sanctions, embargoes, safeguards, and customs restrictions, could increase the cost or reduce the supply of products available to us, could increase shipping times, or may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition, and results of operations.

We are also dependent on international trade agreements and regulations. The countries in which we produce and sell our products could impose or increase tariffs, duties, or other similar charges that could negatively affect our results of operations, financial position, or cash flows.

Adverse changes in, or withdrawal from, trade agreements or political relationships between the United States and countries where we sell or source our products, could negatively impact our results of operations or cash flows.

General geopolitical instability and the responses to it, such as the possibility of sanctions, trade restrictions, and changes in tariffs, including tariffs imposed by the United States and China, and the possibility of additional tariffs or other trade restrictions between the United States and other countries where we currently or might in the future manufacture or sell our products, could adversely impact our business. It is possible that further tariffs may be introduced, or increased. Such changes could adversely impact our business and could increase the costs of sourcing our products that are manufactured in countries other than the United States, or could require us to source more of our products from other countries.

If we fail to anticipate and manage any of these dynamics successfully, our gross margin and profitability could be adversely affected.

Any failure to comply with trade, anti-corruption, and other regulations could lead to investigations or actions by government regulators and negative publicity.

The labeling, distribution, importation, marketing, and sale of our products are subject to extensive regulation by various federal agencies, including the Federal Trade Commission, as well as by various other federal, state, provincial, local, and international regulatory authorities in the countries in which our products are currently distributed or sold. If we fail to comply with any of these regulations, we could become subject to enforcement actions or the imposition of significant penalties or claims, which could harm our results of operations or our ability to conduct our business. Legal proceedings or any investigations or inquiries by governmental agencies related to these or any other matters, could result in significant settlement amounts, damages, fines, or other penalties, divert financial and management resources, and result in significant legal fees. An unfavorable outcome of any particular proceeding could have an adverse impact on our business, financial condition, and results of operations. In addition, the adoption of new regulations or changes in the interpretation of existing regulations may result in significant compliance costs or discontinuation of product sales and could impair the marketing of our products, resulting in significant loss of net revenue.

Most of our products are derived from third-party supply and manufacturing partners in foreign countries and territories, including countries and territories perceived to carry an increased risk of corrupt business practices. We also have subsidiaries and/or employees and other agents working in several foreign countries and territories, including, but not limited to, the United Kingdom, the People's Republic of China, and Hong Kong. We are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended, or FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the U.K. Bribery Act 2010, and possibly other anti-bribery and anti-money laundering laws in countries in which we conduct activities. These laws prohibit companies and their employees and third-party intermediaries from corruptly promising, authorizing, offering or providing, directly or indirectly, improper payments or anything of value to foreign government officials, political parties and private-sector recipients for the purpose of obtaining or retaining business, directing business to any person or securing any advantage. In addition, U.S. public companies are required to maintain records that accurately and fairly represent their transactions and have an adequate system of internal accounting controls. In many foreign countries, including countries in which we may conduct business, it may be a local custom that businesses engage in practices that are prohibited by the FCPA or other applicable laws and regulations. We face significant risks if we or any of our directors, officers, employees, agents, or other partners or representatives fail to comply with these laws, and governmental authorities in the United States and elsewhere could seek to impose substantial civil and/or criminal fines and penalties, which could adversely affect our reputation, business, financial condition, and results of operations.

While we have implemented policies and procedures relating to anti-bribery and anti-corruption compliance, our employees, contractors, and agents, and companies to which we outsource certain of our business operations, may take actions in violation of our policies and applicable law, for which we may be ultimately held responsible and which could lead to an adverse effect on our reputation, business, financial condition, and results of operations.

Any violation of the FCPA, other applicable anti-corruption laws, or anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, or severe criminal or civil sanctions, any of which could have an adverse effect on our business, financial condition, and results of operations. In addition, responding to any enforcement action may result in a significant diversion of management's attention and resources and significant defense costs and other professional fees.

Uncertainties in the interpretation and application of existing, new and proposed tax laws and regulations could materially affect our tax obligations and effective tax rate.

The tax regimes to which we are subject or under which we operate are unsettled and may be subject to significant change. The issuance of additional guidance related to existing or future tax laws, or changes to tax laws or regulations proposed or implemented by the current or a future U.S. presidential administration, Congress, or taxing authorities in other jurisdictions, including jurisdictions outside of the United States, could materially affect our tax obligations and effective tax rate. To the extent that such changes have a negative impact on us, our suppliers, manufacturers, or our customers, including as a result of related uncertainty, these changes may adversely impact our business, financial condition, results of operations, and cash flows.

The amount of taxes we pay in different jurisdictions depends on the application of the tax laws of various jurisdictions, including the United States, to our international business activities, tax rates, new or revised tax laws, or interpretations of tax laws and policies, and our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for pricing intercompany transactions and maintaining our intercompany arrangements, or disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest, and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows, and lower overall profitability of our operations. Our financial statements could fail to reflect adequate reserves to cover such a contingency. Similarly, a taxing authority could assert that we are subject to tax in a jurisdiction where we believe we have not established a taxable connection, often referred to as a "permanent establishment" under international tax treaties, and such an assertion, if successful, could increase our expected tax liability in one or more jurisdictions.

Although we believe that we currently collect sales taxes in all jurisdictions that require us to do so, a successful assertion by one or more jurisdictions requiring us to collect sales taxes where we currently do not collect sales taxes, or to collect additional sales taxes in a jurisdiction in which we currently collect sales taxes, could result in substantial tax liabilities (including penalties and interest). In addition, the imposition of additional sales tax collection obligations, whether for prior years or prospectively, could create additional administrative burdens for us, put us at a competitive disadvantage if similar obligations are not imposed on our competitors and decrease our future sales, which could have an adverse impact on our business and results of operations.

Our ability to use our net operating loss carryforwards may be limited.

We have incurred substantial net operating losses during our history. Subject to the limitations described below, unused net operating losses generally may carry forward to offset future taxable income if we achieve profitability in the future, unless such net operating losses expire under applicable tax laws. Under current law, unused U.S. federal net operating losses generated in tax years beginning after December 31, 2017, will not expire and may be carried forward indefinitely, but the deductibility of such federal net operating loss carryforwards is limited to 80% of taxable income. It is uncertain if and to what extent various states will conform to current federal tax law. In addition, our ability to utilize our federal net operating carryforwards may be limited under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code. The limitations apply if we experience an “ownership change,” which is generally defined as a greater than 50 percentage point change (by value) in the ownership of our equity by certain stockholders or groups of stockholders over a rolling three-year period. Similar provisions of state tax law may also apply to limit the use of our state net operating loss carryforwards. We have not yet completed a Section 382 analysis, and therefore, there can be no assurances that any previously experienced ownership changes have not materially limited our utilization of affected net operating loss carryforwards. Past or future changes in our stock ownership, including as a result of our initial public offering, some of which may be outside of our control, may have triggered or may trigger an ownership change that materially impacts our ability to utilize pre-change net operating loss carryforwards. Moreover, there may be periods during which the use of net operating loss carryforwards in various jurisdictions is suspended or otherwise subject to additional limitations. Accordingly, our ability to use our net operating loss carryforwards to offset taxable income may be subject to such limitations or special rules that apply at the state level, which could adversely affect our results of operations.

We are currently and may again in the future be subject to claims and litigation that could result in unexpected expenses and could ultimately be resolved against us.

From time to time, we may be involved in litigation and other proceedings, including matters related to product liability claims, stockholder class action and derivative claims, commercial disputes, and copyright infringement, challenging trademarks, and other intellectual property claims, as well as trade, regulatory, employment, and other claims related to our business or our sustainability and ESG practices, statements, and goals. For example, on April 13, 2023, and on May 16, 2023, we and certain of our executive officers and directors were named as defendants in two substantially similar securities class action lawsuits alleging that we violated Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5, 17 C.F.R. § 240.10b-5, promulgated thereunder, and Sections 11 and 15 of the Securities Act by making materially false and/or misleading statements about our business, operations and prospects. These two cases are captioned *Shnayder v. Allbirds, Inc., et al.*, Case No. 23-cv-01811-AMO (N.D. Cal.); *Delgado v. Allbirds, Inc., et al.*, Case No. 23-cv-02372-AMO (N.D. Cal.). On July 25, 2023, the court entered an order consolidating the two cases, appointing lead plaintiffs, and approving lead plaintiffs’ selection of lead counsel. We intend to vigorously defend against these lawsuits. Any of these proceedings could result in significant settlement amounts, damages, fines, or other penalties, divert financial and management resources, and result in significant legal fees. An unfavorable outcome of any particular proceeding could exceed the limits of our insurance policies, or the carriers may decline to fund such final settlements and/or judgments and could have an adverse impact on our business, financial condition, and results of operations. In addition, any proceeding could negatively impact our reputation among our customers and our brand image.

Risks Related to Our Status as a Public Benefit Corporation and Certified B Corporation

Our status as a public benefit corporation may not result in the benefits that we anticipate.

We are a PBC under Delaware law. As a PBC, we are required to produce a public benefit and to operate in a responsible and sustainable manner, while balancing our stockholders’ pecuniary interests, the best interests of those materially affected by our conduct, and the specific public benefit of environmental conservation that is identified by our certificate of incorporation. While we believe our PBC status is meaningful to customers, brand, employees, and other business partners and that our public benefit of environmental conservation is of vital importance to our planet, there is no assurance that we will achieve our public benefit purpose or that the expected positive impact from being a PBC will be realized. Accordingly, being a PBC and complying with our related obligations could negatively impact our ability to provide the highest possible return to our stockholders.

As a PBC, we are required to provide our stockholders with a report at least biennially assessing our overall public benefit performance and our success in achieving our specific public benefit purpose. To the extent we are unable to provide this report in a timely manner, or if the report is not viewed favorably by our stockholders, parties doing business with us, regulators, or others because we are unable to report sufficient progress toward our public benefit or otherwise, our reputation and status as a PBC may be harmed, which could in turn have a material adverse effect on our business, results of operations and financial condition.

If our publicly reported certified B Corp score declines, or if we lose our certified B Corp status, our reputation could be harmed and our business could suffer.

While not required by Delaware law or the terms of our certificate of incorporation, we have elected to have our social and environmental performance, accountability, and transparency assessed against the criteria established by an independent non-profit organization, B Lab, Inc., or B Lab. As a result of this assessment, we have been designated as a certified B Corp, which refers to a company that has been certified as meeting certain levels of social and environmental performance, accountability, and transparency. The standards set for B Corp certification may change over time. Our continued certification is at the sole discretion of B Lab. We believe that our B Corp status strengthens our credibility and trust among our customers, employees and business partners as well as within our industry. Investors who are focused on ESG- and sustainability-related initiatives may also place importance on our status as a B Corp, as an independent assessment of our social and environmental performance, accountability, and transparency. Any decline in our publicly reported B Corp score or change in our status, whether due to our choice or failure to meet the B Corp certification requirements, could create a perception that we are more focused on financial performance and no longer as committed to the values and standards shared by B Corps. This could harm our reputation and brand among customers, employees or business partners, which could harm our business and results of operations, and cause the stock price of our Class A common stock to decline.

Our directors have a fiduciary duty to consider not only our stockholders' interests, but also our specific public benefit and the interests of other stakeholders affected by our conduct. If a conflict between such interests arises, there is no guarantee such a conflict would be resolved in favor of our stockholders.

While directors of traditional corporations are required to make decisions they believe to be in the best interests of their stockholders, directors of a PBC have a fiduciary duty to balance the stockholders' pecuniary interests, the best interests of other stakeholders materially affected by the PBC's conduct and the company's specific public benefit. Under Delaware law, directors are shielded from liability for breach of these fiduciary obligations if they make informed and disinterested decisions that serve a rational purpose. Thus, our directors are not merely permitted, but obligated, to consider our specific public benefit and the interests of other stakeholders. In the event of a conflict between the financial interests of our stockholders and the interests of our specific public benefit or our other stakeholders, our directors are obligated to make informed and disinterested decisions that serve a rational purpose; thus, there is no guarantee that such a conflict would be resolved in favor of our stockholders' financial interests. Accordingly, Delaware law and our PBC status could result in our board of directors making decisions which are less financially lucrative for our stockholders in the short- and/or long-term if the public benefit and other stakeholder considerations are significant; this could harm our business, results of operations, and financial condition, which in turn could cause our stock price to decline.

As a public benefit corporation, our focus on a specific public benefit purpose and producing a positive effect for society may negatively influence our financial performance.

As a PBC, our board of directors has a duty to balance (1) the pecuniary interest of our stockholders, (2) the best interests of those materially affected by our conduct, and (3) the specific public benefit of environmental conservation identified in our certificate of incorporation. While we believe our public benefit designation and obligations will benefit our stockholders, in balancing these interests our board of directors may authorize and we may take actions that we believe will benefit environmental conservation or some or all of our stakeholders, even if those actions do not maximize our short- or medium-term financial results. While we believe that this designation and obligation will benefit the company given the importance to our long-term success of our commitment to environmental conservation, it could cause our board of directors to make decisions and take actions not in keeping with the short-term or more narrow interests of our stockholders. Any longer-term benefits that are intended by or expected from such decisions or actions may not materialize within the timeframe we expect or at all and such decisions or actions may have an immediate negative effect. For example, we may choose to revise our policies in ways that we believe will further promote environmental conservation and sustainability, even though such changes may be costly; we may take actions, such as building or contracting with suppliers and service providers who have state-of-the-art manufacturing and distribution facilities with technology and quality control mechanisms that exceed the applicable legal requirements and industry standards, even though these actions may be more costly than other alternatives; we may be influenced to pursue programs and opportunities to demonstrate our commitments to our planet, the environment and the communities in which we live and work; or in responding to a possible proposal to acquire the company, our board of directors may be influenced by the interests of our stakeholders, including our flock, our suppliers, vendors, manufacturers, and distributors, and our customers, any or all of whose interests may be different from the interests of our stockholders.

We may be unable or slow to realize the benefits we expect from actions taken to promote environmental conservation, which could materially adversely affect our business, financial condition, and results of operations, which in turn could cause our stock price to decline.

As a public benefit corporation, we may be subject to increased derivative litigation concerning our duty to balance stockholder and public benefit interests, the occurrence of which may have an adverse impact on our financial condition and results of operations.

As a PBC, our stockholders (if they, individually or collectively, own at least 2% of our outstanding capital stock or shares having at least $2 million in market value (whichever is less)) are entitled to file a derivative lawsuit claiming that our directors failed to balance stockholder and public benefit interests. Such derivative actions would be subject to the provision of our amended and restated certificate of incorporation requiring that, to the fullest extent permitted by law, such lawsuits be exclusively brought in the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, the federal district court of the State of Delaware. Although traditional corporations are subject to other types of derivative actions brought by stockholders, this type of claim does not exist for traditional corporations. Therefore, we may be subject to the possibility of increased derivative litigation, which would require the attention of management and, as a result, may adversely impact management’s ability to effectively execute our strategy. Any such derivative litigation could be costly and have an adverse impact on our financial condition and results of operations.

Risks Related to Ownership of Our Class A Common Stock

The market price of our Class A common stock has declined and may decline further regardless of our operating performance, resulting in substantial losses for investors purchasing shares of our Class A common stock.

The market price of our Class A common stock has experienced and may in the future experience high volatility and significant fluctuations in response to numerous factors, many of which are beyond our control, including:

- changes to our business operations and strategy;
- actual or anticipated fluctuations in our financial condition and results of operations;
- the financial projections we may provide to the public, any changes in these projections, or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates or ratings by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures, results of operations, or capital commitments;
- changes in stock market valuations and operating performance of other footwear and apparel companies generally, or those in our industry in particular;
- the sustainability targets we may provide to the public, any changes in these targets, or our failure to meet them;

- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- changes in our board of directors or management;
- sales of large blocks of our Class A common stock, including sales by our co-founders or our other executive officers and directors or by their affiliates;
- lawsuits threatened or filed against us;
- anticipated or actual changes in laws, regulations, or government policies applicable to our business;
- changes in our capital structure, such as future issuances of debt or equity securities;
- short sales, hedging, and other derivative transactions involving our capital stock;
- general economic conditions in the United States and globally;
- other events or factors, including those resulting from war (such as Russia's invasion of Ukraine and the ongoing conflict), pandemics (including COVID-19), incidents of terrorism, or responses to these events; and
- the other factors described in this "Part II, Item 1A. Risk Factors" and in the section titled "Special Note Regarding Forward-Looking Statements" included elsewhere in this Quarterly Report on Form 10-Q.

The stock market has recently experienced extreme price and volume fluctuations. The market prices of securities of companies have experienced fluctuations that often have been unrelated or disproportionate to their results of operations. Market fluctuations could result in extreme volatility in the price of shares of our Class A common stock. Price volatility may be greater if the public float and trading volume of shares of our Class A common stock is low. Furthermore, in the past, stockholders have sometimes instituted securities class action litigation against companies following periods of volatility in the market price of their securities. For example, on April 13, 2023, and on May 16, 2023, we and certain of our executive officers and directors were named as defendants in two substantially similar securities class action lawsuits alleging that we violated Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5, 17 C.F.R. § 240.10b-5, promulgated thereunder, and Sections 11 and 15 of the Securities Act of 1933, or the Securities Act, by making materially false and/or misleading statements about our business, operations and prospects. These two cases are captioned *Shnayder v. Allbirds, Inc., et al.*, Case No. 23-cv-01811-AMO (N.D. Cal.); *Delgado v. Allbirds, Inc., et al.*, Case No. 23-cv-02372-AMO (N.D. Cal.). On July 25, 2023, the court entered an order consolidating the two cases, appointing lead plaintiffs, and approving lead plaintiffs' selection of lead counsel. We intend to vigorously defend against these lawsuits. This specific litigation and any similar such litigation against us could result in substantial costs, divert management's attention and resources, and harm our business, financial condition, and results of operations.

If we fail to satisfy all applicable requirements of Nasdaq and it determines to delist our Class A common stock, the delisting could adversely affect the market liquidity of our Class A common stock and the market price of our Class A common stock could decrease.

Our Class A common stock is currently listed on the Nasdaq Global Select Market under the symbol "BIRD." To maintain the listing of our Class A common stock on the Nasdaq Global Select Market, we are required to meet certain listing requirements, including, a minimum closing bid price of $1.00 per share. On October 9, 2023, the closing bid price for our Class A common stock was below $1.00 for the first time. If the closing bid price for our Class A common stock is below $1.00 for a period of 30 consecutive business days, then, in accordance with Nasdaq Listing Rule 5810(c)(3)(A), we will have an initial period of 180 calendar days to regain compliance with Nasdaq's bid price requirement. If, at any time before the 180-day period ends, the bid price for our Class A common stock closes at $1.00 or more for a minimum of 10 consecutive business days, then we will regain compliance with the bid price requirement, unless Nasdaq staff exercised its discretion to extend this 10-day period pursuant to Nasdaq rules. We may be eligible for an additional 180-day period to regain compliance if we elect to transfer to the Nasdaq Capital Market to take advantage of the additional compliance period on that market. To qualify, we would need to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for the Nasdaq Capital Market, with the exception of the bid price requirement, and provide written notice to Nasdaq of our intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary.

There can be no assurance that we will maintain compliance with the requirements for listing our Class A common stock on Nasdaq. If we are unable to satisfy the Nasdaq criteria for continued listing, our Class A common stock would be subject to delisting. A delisting of our Class A common stock could negatively impact us by, among other things, reducing the liquidity and market price of our Class A common stock; reducing the number of investors willing to hold or acquire our Class A common stock, which could negatively impact our ability to raise equity financing; decreasing the amount of news and analyst coverage of us; and limiting our ability to issue additional securities or obtain additional financing in the future. In addition, delisting from Nasdaq may negatively impact our reputation and, consequently, our business.

The dual class structure of our common stock may adversely affect the trading market for our Class A common stock.

We cannot predict whether our dual class structure will result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with dual class or multi-class share structures in certain of their indexes. In July 2017, S&P Dow Jones announced changes to their eligibility criteria for the inclusion of shares of public companies on certain indices, including the S&P 500, the S&P MidCap 400, and the S&P SmallCap 600, to exclude companies with multiple classes of shares of common stock from being added to these indices; however, in April 2023, S&P Dow Jones announced its decision that companies with multiple share class structures will be considered eligible candidates for addition to the S&P Composite 1500 and its component indices provided they meet all other eligibility criteria. Beginning in 2017, MSCI, a leading stock index provider, opened public consultations on their treatment of no-vote and multi-class structures and temporarily barred new multi-class listings from certain of its indices; however, in October 2018, MSCI announced its decision to include equity securities “with unequal voting structures” in its indices and to launch a new index that specifically includes voting rights in its eligibility criteria. These policies are still fairly new, and it remains unclear what effect, if any, they will have on the valuations of publicly traded companies excluded from the indices in the longer term, but it is possible that they may depress these valuations compared to those of other similar companies that are included. Furthermore, we cannot assure you that other stock indices will not take a similar approach to S&P Dow Jones or FTSE Russell in the future. Exclusion from indices could make our Class A common stock less attractive to investors and, as a result, the market price of our Class A common stock could be adversely affected.

Sales, directly or indirectly, of a substantial amount of our Class A common stock in the public markets by our existing security holders may cause the price of our Class A common stock to decline.

Sales of a substantial number of shares of our Class A common stock (including any such shares issued upon conversion of shares of our Class B common stock) into the public market, particularly sales by our directors, executive officers, and principal stockholders, or the perception that these sales might occur, could cause the market price of our Class A common stock to decline. Many of our existing security holders have substantial unrecognized gains on the value of the equity they hold and may take steps to sell their shares or otherwise secure or limit their risk exposure to the value of their unrecognized gains on those shares. We are unable to predict the timing or effect of such sales on the market price of our Class A common stock.

In addition, as of September 30, 2023, we had stock options outstanding that, if fully exercised, would result in the issuance of 9,525,973 shares of Class B common stock and 5,217,123 shares of Class A common stock. All of the shares of common stock issuable upon the exercise of outstanding stock options, the 13,291,122 shares of Class A common stock reserved and available for future issuance under our 2021 Equity Incentive Plan, and the 5,359,971 shares of Class A common stock reserved and available for future issuance under our 2021 Employee Stock Purchase Plan are registered for public resale under the Securities Act. Accordingly, these shares will be able to be freely sold in the public market upon issuance subject to applicable vesting requirements.

Further, based on shares outstanding as of September 30, 2023, holders of a substantial number of shares of our Class B common stock had rights, subject to certain conditions, to require us to file registration statements for the public resale of such shares or to include such shares in registration statements that we may file for us or other stockholders.

The dual class structure of our common stock has the effect of concentrating voting control with our co-founders, Timothy Brown and Joseph Zwillinger, our directors, our principal stockholders, and their respective affiliates, which limits or precludes the ability of our other stockholders to influence corporate matters, including the election of directors and the approval of any change of control transaction.

Our Class B common stock has 10 votes per share and our Class A common stock has one vote per share. Mr. Zwillinger, our co-founder and Chief Executive Officer, and Mr. Brown, our co-founder and Chief Innovation Officer, our directors, our principal stockholders, and their respective affiliates beneficially own a significant percentage of the voting power of our outstanding capital stock.

These stockholders will have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of our directors and the approval of any change of control transaction. This concentrated control will limit or preclude the ability of our other stockholders to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends in the foreseeable future. We expect to retain future earnings, if any, to fund the development and growth of our business. Any future determination to pay dividends on our capital stock will be at the discretion of our board of directors.

Additional stock issuances could result in significant dilution to our stockholders.

We may issue additional equity securities to raise capital, to make acquisitions, or for a variety of other purposes. Additional issuances of our stock may be made pursuant to the exercise or conversion of new or existing convertible debt securities, warrants, stock options, or other equity incentive awards to new and existing service providers. Any such issuances will result in dilution to existing holders of our stock. We rely on equity-based compensation as an important tool in recruiting and retaining employees. The amount of dilution due to equity-based compensation of our employees and other additional issuances could be substantial.

Delaware law, our status as a public benefit corporation, and provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer, or proxy contest more difficult, limit attempts by our stockholders to replace or remove our current management and depress the market price of our Class A common stock.

Provisions in our amended and restated certificate of incorporation and our amended and restated bylaws may discourage, delay or prevent a merger, acquisition or other change in control of us or tender offer that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our Class A common stock, thereby depressing the market price of our Class A common stock.

As a PBC, we may be less attractive as a takeover target than a traditional company. PBCs may also not be attractive targets for activists or hedge fund investors because new directors would still have to consider and give appropriate weight to the public benefit along with stockholder value, and stockholders can enforce this through derivative suits. Furthermore, by requiring the boards of directors of PBCs to consider additional constituencies other than maximizing stockholder value, Delaware PBC law could potentially make it easier for such a board to reject a hostile bid, even where the takeover would provide the greatest short-term financial yield to investors.

In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management. Because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team. Among others, these provisions include those that:

- provide for a dual class common stock structure in which holders of our Class B common stock may have the ability to control the outcome of matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets, even if they own significantly less than a majority of the outstanding shares of our common stock;
- restrict the forum for certain litigation against us to Delaware or the federal courts, as applicable;
- provide that our board of directors has the exclusive right to expand the size of our board of directors and to elect directors to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- divide our board of directors into three classes, Class I, Class II, and Class III, with each class serving staggered three-year terms, which may delay the ability of stockholders to change the membership of a majority of our board of directors;
- provide that a special meeting of stockholders may be called only by the chair of our board of directors, a chief executive officer, or our board of directors, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- prohibit cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- provide that our board of directors may alter our amended and restated bylaws without obtaining stockholder approval;
- require the approval of holders of at least two-thirds of the voting power of the shares of capital stock entitled to vote at an election of directors to adopt, amend, or repeal our amended and restated bylaws or repeal the provisions of our amended and restated certificate of incorporation regarding the election and removal of directors;
- require the approval of holders of at least two-thirds of the voting power of the shares of capital stock entitled to vote at an election of directors to amend or repeal any provisions of our amended and restated certificate of incorporation relating to our status as a PBC;
- require the approval of holders of at least two-thirds of the voting power of the shares of capital stock entitled to vote at an election of directors to merge or consolidate with or into another entity if, as a result of such merger or consolidation, the capital stock of Allbirds would become, or be converted into or exchanged for the right to receive, shares or other equity interests in a domestic or foreign corporation that is not a public benefit corporation or similar entity and the certificate of incorporation (or similar governing document) of which does not contain a public benefit provision identical to ours;
- require that stockholders must provide advance notice and additional disclosures in order to nominate individuals for election to our board of directors or to propose matters that can be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of

proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company; and

- authorize our board of directors to issue shares of preferred stock and to determine the terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, or DGCL, which generally prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for certain stockholder litigation matters and the U.S. federal district courts will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees, or stockholders.

Our amended and restated certificate of incorporation provides that, unless we otherwise consent in writing, (A) (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer, other employee or stockholder of Allbirds to us or our stockholders, (3) any action asserting a claim arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation, or our amended and restated bylaws (as either may be amended or restated) or as to which the DGCL confers exclusive jurisdiction on the Court of Chancery of the State of Delaware, or (4) any action asserting a claim governed by the internal affairs doctrine of the law of the State of Delaware shall, to the fullest extent permitted by law, be exclusively brought in the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, the federal district court of the State of Delaware; and (B) the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions, and thus both state and federal courts have jurisdiction to entertain such claims. Our amended and restated certificate of incorporation includes the provision outlined in (B) to prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations. Notwithstanding the foregoing, the exclusive forum provision shall not apply to claims seeking to enforce any liability or duty created by the Securities Exchange Act of 1934, or Exchange Act.

The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us and our directors, officers, and other employees, although our stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder. While the Delaware courts have determined that such choice of forum provisions are facially valid and several state trial courts have enforced such provisions and required that suits asserting Securities Act claims be filed in federal court, there is no guarantee that courts of appeal will affirm the enforceability of such provisions and a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such an instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions. If a court were to find either exclusive forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with litigating Securities Act claims in state court, or both state and federal court, which could harm our business, financial condition, and results of operations. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provisions in our amended and restated certificate of incorporation.

General Risk Factors

Our estimates of market opportunity and forecasts of market growth may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.

Market opportunity estimates and growth forecasts, including those we have generated ourselves, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of individuals covered by our market opportunity estimates will purchase our products at all or generate any particular level of revenue for us. Even if the market in which we compete meets the size estimates and growth forecasts, our business could fail to grow for a variety of reasons outside of our control, including competition in our industry. If any of these risks materialize, it could harm our business and prospects.

We may seek to grow our business through acquisitions of, or investments in, new or complementary businesses, facilities, technologies, or products, or through strategic alliances; the failure to adequately manage these acquisitions, investments, or alliances, to integrate them with our existing business, or to realize anticipated returns, could adversely affect us.

From time to time, we may consider opportunities to acquire or make investments in new or complementary businesses, facilities, technologies, offerings, or products, or enter into strategic alliances, that may enhance our capabilities, expand our outsourcing and supplier network, complement our current products, or expand the breadth of our markets. Acquisitions, investments and other strategic alliances involve numerous risks, including:

- problems integrating the acquired business, facilities, technologies, or products, including issues maintaining uniform standards, procedures, controls, policies, and culture;
- unanticipated costs associated with acquisitions, investments, or strategic alliances;
- diversion of management’s attention from our existing business;
- adverse effects on existing business relationships with suppliers, outsourced manufacturers, and other third parties;
- risks associated with entering new markets in which we may have limited or no experience;
- potential loss of key employees of acquired businesses; and
- increased legal and accounting compliance costs.

We may be unable to identify acquisitions or strategic relationships we deem suitable. Even if we do, we may be unable to successfully complete any such transactions on favorable terms or at all, or to successfully integrate any acquired business, facilities, technologies, or products into our business or retain any key personnel, suppliers, or customers. Furthermore, even if we complete such transactions and effectively integrate the newly acquired business or strategic alliance into our existing operations, we may fail to realize the anticipated returns and/or fail to capture the expected benefits, such as strategic or operational synergies or cost savings. The efforts required to complete and integrate these transactions could be expensive and time-consuming and may disrupt our ongoing business and prevent management from focusing on our operations. If we are unable to identify suitable acquisitions or strategic relationships, or if we are unable to integrate any acquired businesses, facilities, technologies, and products effectively, or if we fail to realize anticipated returns or capture expected benefits, our business, financial condition, and results of operations could be adversely affected.

The requirements of being a public company may increase our costs, strain our resources, divert management’s attention, and affect our ability to attract and retain executive management and qualified board members.

As a public company, we are subject to the reporting requirements of the Exchange Act, the listing standards of Nasdaq , and other applicable securities rules and regulations. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources. Furthermore, several members of our management team do not have prior experience in running a public company. For example, the Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and results of operations. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, which could harm our business, financial condition, and results of operations. Although we have already hired additional employees to assist us in complying with these requirements, we may need to hire more employees in the future or engage outside consultants, which will increase our operating expenses.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time-consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest substantial resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from business operations to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us, and our business may be harmed. As a public company that is subject to these new rules and regulations, it has been more expensive for us to obtain director and officer liability insurance compared to as a private company, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly members who can serve on our audit and compensation and leadership management committees, and qualified executive officers.

As a result of the disclosure obligations required of a public company, our business and financial condition is more visible than it was as a private company, which may result in an increased risk of threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business, financial condition, and results of operations would be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, would divert the resources of our management and harm our business, financial condition, and results of operations.

As a result of being a public company, we are obligated to develop and maintain proper and effective internal control over financial reporting, and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our Class A common stock.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act, or Section 404, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment requires disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting in our first annual report required to be filed with the Securities and Exchange Commission, or SEC, following the date we are no longer an "emerging growth company." Our compliance with Section 404 has required and will continue to require that we incur substantial expenses and expend significant management efforts. We have and will likely need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404.

During the evaluation and testing process of our internal controls, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to certify that our internal control over financial reporting is effective. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our Class A common stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

We are an "emerging growth company," and we cannot be certain if the reduced reporting and disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors.

We are currently an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act, and we may take advantage of certain exemptions from reporting requirements that are applicable to other public companies that are not "emerging growth companies," including the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Pursuant to Section 107 of the JOBS Act, as an emerging growth company, we have elected to use the extended transition period for complying with new or revised accounting standards until those standards would otherwise apply to private companies. As a result, our consolidated financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make our Class A common stock less attractive to investors. In addition, if we cease to be an emerging growth company, we will no longer be able to use the extended transition period for complying with new or revised accounting standards.

We will remain an emerging growth company until the earliest of: (1) December 31, 2026, the last day of the fiscal year following the fifth anniversary of our initial public offering; (2) the last day of the first fiscal year in which our annual gross revenue is $1.235 billion or more; (3) the date on which we have, during the previous rolling three-year period, issued more than $1 billion in non-convertible debt securities; and (4) the date we qualify as a "large accelerated filer," with at least $700 million of equity securities held by non-affiliates.

We cannot predict if investors will find our Class A common stock less attractive if we choose to rely on these exemptions. For example, if we do not adopt a new or revised accounting standard, our future results of operations may not be comparable to the results of operations of certain other companies in our industry that adopted such standards. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock, and our stock price may be more volatile.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, the price of our Class A common stock and trading volume could decline.

The trading market for our Class A common stock depends in part on the research and reports that securities or industry analysts publish about us or our business, our market and our competitors. We do not have any control over these analysts. If few securities analysts commence coverage of us, or if industry analysts cease coverage of us, the trading price for our Class A common stock would be negatively affected. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, our Class A common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Class A common stock could decrease, which might cause our Class A common stock price and trading volume to decline.

We may incur losses from fraud or theft.

We have occasionally in the past incurred and may in the future incur losses from various types of fraud, including stolen credit card numbers, claims that a customer did not authorize a purchase, and merchant fraud. As a general matter, we are liable for fraudulent credit card transactions. Although we have measures in place to detect and reduce the occurrence of fraudulent activity on our digital platform, those measures may not always be effective. In addition to the direct costs of such losses, if the fraud is related to credit card transactions and becomes excessive, it could potentially result in us paying higher fees or affecting our ability to accept credit cards for payment. Our failure to adequately prevent fraudulent transactions could damage our reputation, result in litigation or regulatory action, and lead to expenses that could substantially impact our results of operations.

Additionally, we have occasionally in the past been, and may in the future be, subject to fraudulent purchases by individuals purchasing our products in bulk with the intention of unlawfully reselling such products at a premium. While we have taken steps to detect and prevent such practices, our failure to identify those activities may adversely affect our brand and reputation.

We have occasionally in the past incurred and may in the future incur losses from theft or "leakage" of our products in our stores or in our distribution centers. While we have taken steps to detect and prevent such issues, those steps may not always be effective. In addition to the direct costs of such losses, such theft or "leakage" of our products could result in lost revenue and unlawful reselling of our products, which could adversely affect our brand and reputation.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes appearing in Part I, Item 1 of this Quarterly Report on Form 10-Q. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates" in the Form 10-K. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses. Significant estimates and judgments include revenue recognition, stock-based compensation, and the fair value of our common stock. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our Class A common stock.

Extreme weather conditions, natural disasters, public health crises, political crises and instability, and other catastrophic events, including those caused or exacerbated by climate change, could negatively impact our results of operations and financial condition.

Extreme weather conditions and volatile changes in weather conditions in the areas in which our offices, retail stores, suppliers, customers, distribution centers, and vendors are located could adversely affect our results of operations and financial condition. Moreover, natural disasters such as earthquakes, hurricanes, tsunamis, floods, monsoons or wildfires, public health crises, such as pandemics and epidemics (including, for example, the COVID-19 pandemic), political crises, such as terrorist attacks, war and other political and geopolitcal instability, or other catastrophic events, whether occurring in the United States or abroad, and their related consequences and effects, including energy shortages, could disrupt our operations, the operations of our vendors and other suppliers, or result in economic instability that could negatively impact customer spending, any or all of which would negatively impact our results of operations and financial condition. For example, our principal offices are located in Northern California, an area which has a history of earthquakes and wildfires, and are thus vulnerable to damage or disruption. In particular, these types of events could impact our global supply chain, including the ability of vendors to provide raw materials where and when needed, the ability of third parties to manufacture and ship merchandise, and our ability to ship products to customers from or to the impacted region(s).

In February 2022, armed conflict escalated between Russia and Ukraine. The sanctions announced by the United States and other countries against Russia and Belarus following Russia's invasion of Ukraine to date include restrictions on selling or importing goods, services, or technology in or from affected regions and travel bans and asset freezes impacting connected individuals and political, military, business, and financial organizations in Russia and Belarus. The United States and other countries could impose wider sanctions and take other actions should the conflict further escalate. Although we do not currently do business in either Russia, Belarus, or Ukraine, it is not possible to predict the broader consequences of this ongoing conflict, which could include further sanctions, embargoes, regional instability, and geopolitical shifts. It is also not possible to predict with certainty this ongoing conflict's additional adverse effects on existing macroeconomic conditions, consumer spending habits, currency exchange rates, and financial markets, all of which have impacted and could further impact our business, financial condition, and results of operations.

We may require additional capital to support business growth, and this capital might be unavailable or might be available only by diluting existing stockholders.

We intend to continue making investments to support our business growth and may require additional funds to support this growth. Our future capital requirements will depend on many factors, including our rate of revenue growth, the timing and extent, if any, of international expansion efforts and other growth initiatives, the expansion of our marketing activities and overall economic conditions. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may need to engage in equity or debt financings to secure additional funds. Recently, there has been volatility in and disruptions to the global economy, including the equity and debt financial markets. Any such volatility in and disruptions to the equity or debt markets, or further deterioration of such markets, including as a result of political unrest or war, may make any necessary equity or debt financing more difficult to obtain in a timely manner or on favorable terms, more costly or more dilutive. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited, and our business and prospects could fail or be adversely affected.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Unregistered Sales of Equity Securities

None.

(b) Use of Proceeds

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The documents listed in the Exhibit Index of this Quarterly Report on Form 10-Q are incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Exhibit Number	Exhibit Title	Incorporated by Reference			
		Form	File Number	Exhibit	Filing Date
3.1	Ninth Amended and Restated Certificate of Incorporation of the Registrant.	8-K	001-40963	3.1	November 5, 2021
3.2	Amended and Restated Bylaws of the Registrant.	8-K	001-40963	3.1	August 21, 2023
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1†	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2†	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	The cover page from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, has been formatted in Inline XBRL and contained in Exhibits 101				

* Filed herewith.

\# Indicates a management contract or compensatory plan or arrangement.

† The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the SEC and are not to be incorporated by reference into any filing of the Registrant under the Securities Act or the Exchange Act, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

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

ALLBIRDS, INC.

Date: November 8, 2023	By:	/s/ Joseph Zwillinger
		Joseph Zwillinger Chief Executive Officer *(Principal Executive Officer)*
Date: November 8, 2023	By:	/s/ Ann Mitchell
		Ann Mitchell Chief Financial Officer *(Principal Financial Officer)*

Exhibit 31.1

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

I, Joseph Zwillinger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Allbirds, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: November 8, 2023

/s/ Joseph Zwillinger

Joseph Zwillinger
Chief Executive Officer
(Principal Executive Officer)

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

I, Ann Mitchell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Allbirds, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: November 8, 2023

/s/ Ann Mitchell
Ann Mitchell
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350) as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Joseph Zwillinger, Co-Chief Executive Officer of Allbirds, Inc. (the “Company”), hereby certifies that, to the best of his knowledge:

1. The Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2023, to which this Certification is attached as Exhibit 32.1 (the “Periodic Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

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

Date: November 8, 2023

/s/ Joseph Zwillinger
Joseph Zwillinger
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350) as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Ann Mitchell, Chief Financial Officer of Allbirds, Inc. (the "Company"), hereby certifies that, to the best of her knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2023, to which this Certification is attached as Exhibit 32.2 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

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

Date: November 8, 2023

/s/ Ann Mitchell
Ann Mitchell
Chief Financial Officer
(Principal Financial Officer)