
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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, 2022

OR

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

For the transition period from _____ to _____

Commission File Number: 001-40950

The Vita Coco Company, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

**250 Park Avenue South
Seventh Floor
New York, NY**
(Address of principal executive offices)

11-3713156
(I.R.S. Employer
Identification No.)

10003
(Zip Code)

(212) 206-0763
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value \$0.01 Per Share	COCO	The Nasdaq Stock Market LLC

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

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

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

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

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 7, 2022, there were 55,924,292 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q may be forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “targets,” “projects,” “contemplates,” “believes,” “estimates,” “forecasts,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements regarding our future results of operations and financial position, industry and business trends, equity compensation, business strategy, plans, market growth and our objectives for future operations.

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to: risks related to our supply chain and the impact of continued inflation; our dependence on third party manufacturing and co-packing partners, and any changes to their respective labor regulations and business practices; our dependence on existing suppliers for materials used to package our products; our dependence on distributor and retail customers for most of our sales; our cash flows and results of operations may be negatively affected if we are not successful in forecasting and managing our inventory at appropriate levels for our demand; our brands and reputation may be diminished due to quality or food safety issues with our products; competition in the food and beverage retail industry; a reduction in demand for and sales of our coconut water products or a decrease in consumer demand for coconut water generally; risks related to brand and company image, consumer awareness and brand loyalty; failure to introduce new products or successfully improve existing products; consumer preferences for our products are difficult to predict and may change; the impact of pandemics, epidemics or disease outbreaks, such as the COVID-19 pandemic, on our business; our ability to manage our future growth effectively; our reliance on independent certification for a number of our products; our ability to make acquisitions and successfully integrate newly acquired products or businesses; risks related to expanding our operations into countries in which we have no prior operating history; disruptions in the worldwide economy; risks related to climate change; our ability to retain our senior management and key personnel; risks related to sustainability and corporate social responsibility; food safety and food-borne illness incidents or other safety concerns, such as lawsuits, product recalls or regulatory enforcement actions; our products and operations are subject to government regulation and oversight both in the United States and abroad; risks related to the regulation of advertising and marketing and data privacy and data protection; our reliance on our information technology systems and those of our third-party vendors and business partners; our ability to protect our intellectual property; risks related to our Credit Agreement and any agreements governing any future indebtedness; and risks related to ownership of our common stock; as well as, the important factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2022 and June 30, 2022. The forward-looking statements in this Quarterly Report on Form 10-Q are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed as exhibits to this Quarterly Report on Form 10-Q with the understanding that our actual future results, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Quarterly Report on Form 10-Q, whether as a result of any new information, future events or otherwise.

As used in this Quarterly Report on Form 10-Q, unless otherwise stated or the context requires otherwise, the terms “Vita Coco,” the “company,” “we,” “us,” and “our” refer to The Vita Coco Company, Inc. and its consolidated subsidiaries.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

THE VITA COCO COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Amounts in thousands, except share data)

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,211	\$ 28,690
Accounts receivable, net of allowance of \$1,565 at September 30, 2022, and \$1,301 at December 31, 2021	65,717	47,195
Inventory	74,459	75,360
Supplier advances, current	1,519	1,170
Derivative assets	5,080	126
Asset held for sale	503	—
Prepaid expenses and other current assets	22,368	20,718
Total current assets	190,857	173,259
Property and equipment, net	2,014	2,473
Goodwill	7,791	7,791
Intangible assets, net	7,019	7,934
Supplier advances	4,878	2,808
Deferred tax assets, net	1,091	1,265
Other assets	4,728	1,954
Total assets	\$ 218,378	\$ 197,484
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 17,353	\$ 28,338
Accrued expenses and other current liabilities	45,950	42,399
Notes payable, current	24	28
Derivative liabilities	1,735	3,197
Total current liabilities	65,062	73,962
Credit facility	9,500	—
Notes payable	30	48
Other long-term liabilities	2,173	301
Total liabilities	76,765	74,311
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Common stock, \$0.01 par value; 500,000,000 shares authorized; 62,129,192 and 61,764,582 shares issued at September 30, 2022 and December 31, 2021, respectively; 55,922,992 and 55,558,382 shares outstanding at September 30, 2022 and December 31, 2021, respectively	621	618
Additional paid-in capital	143,095	134,730
Retained earnings	57,993	47,369
Accumulated other comprehensive loss	(1,168)	(616)
Treasury stock, 6,206,200 shares at cost as of September 30, 2022, and 6,206,200 shares at cost as of December 31, 2021	(58,928)	(58,928)
Total stockholders' equity attributable to The Vita Coco Company, Inc.	141,613	123,173
Total liabilities and stockholders' equity	\$ 218,378	\$ 197,484

See accompanying notes to the condensed consolidated financial statements.

THE VITA COCO COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(Amounts in thousands, except for share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales	\$ 124,043	\$ 115,669	\$ 335,796	\$ 292,929
Cost of goods sold	91,467	77,168	254,868	201,368
Gross profit	32,576	38,501	80,928	91,561
Operating expenses				
Selling, general and administrative	23,960	20,675	73,018	61,897
Income (Loss) from operations	8,616	17,826	7,910	29,664
Other income (expense)				
Unrealized gain/(loss) on derivative instruments	952	(1,964)	6,416	1,250
Foreign currency gain/(loss)	(364)	(483)	(508)	(2,013)
Interest income	20	31	30	104
Interest expense	(130)	(127)	(213)	(319)
Total other income (expense)	478	(2,543)	5,725	(978)
Income before income taxes	9,094	15,283	13,635	28,686
Income tax expense	(1,836)	(2,296)	(3,011)	(6,277)
Net income	7,258	12,987	10,624	22,409
Net loss attributable to noncontrolling interest	—	(3)	—	(23)
Net income attributable to The Vita Coco Company, Inc.	\$ 7,258	\$ 12,990	\$ 10,624	\$ 22,432
Net income attributable to The Vita Coco Company, Inc. per common share				
Basic	\$ 0.13	\$ 0.25	\$ 0.19	\$ 0.42
Diluted	\$ 0.13	\$ 0.24	\$ 0.19	\$ 0.42
Weighted-average number of common shares outstanding				
Basic	55,785,622	53,006,746	55,658,946	53,266,209
Diluted	56,579,912	53,780,060	56,029,069	53,742,048

See accompanying notes to the condensed consolidated financial statements.

THE VITA COCO COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(Amounts in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	\$ 7,258	\$ 12,987	\$ 10,624	\$ 22,409
Other comprehensive income (loss):				
Foreign currency translation adjustment	(102)	(185)	(552)	131
Total comprehensive income including noncontrolling interest	7,156	12,802	10,072	22,540
Net loss attributable to noncontrolling interest	—	(3)	—	(23)
Foreign currency translation adjustment attributable to noncontrolling interest	—	—	—	4
Total comprehensive loss attributable to noncontrolling interest	—	(3)	—	(19)
Total comprehensive income attributable to The Vita Coco Company, Inc.	\$ 7,156	\$ 12,805	\$ 10,072	\$ 22,559

See accompanying notes to the condensed consolidated financial statements.

THE VITA COCO COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF NON-CONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY
(UNAUDITED)
(Amounts in thousands, except for shares)

	Common Stock		Common Stock with Exit Warrants		Total Common Stock		Additional Paid-In	Loan to Shareholder	Retained Earnings	Accumulated Other Comprehensive Income / (Loss)	Treasury Stock		Total Shareholders' Equity Attributable to The Vita Coco Company, Inc.	Non-controlling Interest in Subsidiary	Total Shareholders' Equity
	Shares	\$ Amount	Shares	\$ Amount	Shares	\$ Amount	Capital				Shares	Amount			
Balance at December 31, 2020	51,086,945	\$ 511	8,113,105	\$ 81	59,200,050	\$ 592	\$ 100,849	\$ (17,700)	\$ 28,354	\$ (949)	1,014,195	\$ (8,925)	\$ 102,221	\$ 78	\$ 102,299
Net income	—	—	—	—	—	—	—	—	1,645	—	—	—	1,645	(5)	1,640
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	—	5,192,005	(50,003)	(50,003)	—	(50,003)
Loan to Shareholder	—	—	—	—	—	—	—	(26)	—	—	—	—	(26)	—	(26)
Stock-based compensation	—	—	—	—	—	—	487	—	—	—	—	—	487	—	487
Exercise of stock options	1,365	—	—	—	1,365	—	9	—	—	—	—	—	9	—	9
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	17	—	—	17	—	17
Balance at March 31, 2021	51,088,310	\$ 511	8,113,105	\$ 81	59,201,415	\$ 592	\$ 101,345	\$ (17,726)	\$ 29,999	\$ (932)	6,206,200	\$ (58,928)	\$ 54,350	\$ 73	\$ 54,423
Net income	—	—	—	—	—	—	—	—	7,797	—	—	—	7,797	(15)	7,782
Loan to Shareholder	—	—	—	—	—	—	—	(25)	—	—	—	—	(25)	—	(25)
Stock-based compensation expense	—	—	—	—	—	—	525	—	—	—	—	—	525	—	525
Exercise of stock options	910	—	—	—	910	—	10	—	—	—	—	—	10	—	10
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	295	—	—	295	4	299
Balance at June 30, 2021	51,089,220	\$ 511	8,113,105	\$ 81	59,202,325	\$ 592	\$ 101,880	\$ (17,751)	\$ 37,796	\$ (637)	6,206,200	\$ (58,928)	\$ 62,952	\$ 62	\$ 63,014
Net income	—	—	—	—	—	—	—	—	12,990	—	—	—	12,990	(3)	12,987
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Loan to Shareholder	—	—	—	—	—	—	—	17,751	—	—	—	—	17,751	—	17,751
Stock-based compensation expense	—	—	—	—	—	—	629	—	—	—	—	—	629	—	629
Exercise of stock options	13,195	—	—	—	13,195	—	135	—	—	—	—	—	135	—	135
Acquisition of portion of non-controlling interest	—	—	—	—	—	—	(18)	—	—	—	—	—	(18)	(36)	(54)

THE VITA COCO COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF NON-CONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY
(UNAUDITED)
(Amounts in thousands, except for shares)

	Common Stock		Common Stock with Exit Warrants		Total Common Stock		Additional Paid-In	Loan to Shareholder	Retained Earnings	Accumulated Other Comprehensive Income / (Loss)	Treasury Stock		Total Shareholders' Equity Attributable to The Vita Coco Company, Inc.	Non-controlling Interest in Subsidiary	Total Shareholders' Equity
	Shares	\$ Amount	Shares	\$ Amount	Shares	\$ Amount	Capital				Shares	Amount			
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	(185)	—	—	(185)	—	(185)
Balance at September 30, 2021	51,102,415	\$ 511	8,113,105	\$ 81	59,215,520	\$ 592	\$ 102,626	\$ —	\$ 50,786	\$ (822)	6,206,200	\$(58,928)	\$ 94,254	\$ 23	\$ 94,277
Balance at December 31, 2021	53,651,477	\$ 537	8,113,105	\$ 81	61,764,582	\$ 618	\$ 134,730	—	\$ 47,369	\$ (616)	6,206,200	\$(58,928)	\$ 123,173	\$ —	\$ 123,173
Net income	—	—	—	—	—	—	—	—	2,227	—	—	—	2,227	—	2,227
Stock-based compensation	—	—	—	—	—	—	2,386	—	—	—	—	—	2,386	—	2,386
Exercise of stock options	26,845	—	—	—	26,845	—	151	—	—	—	—	—	151	—	151
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	(254)	—	—	(254)	—	(254)
Balance at March 31, 2022	53,678,322	\$ 537	8,113,105	\$ 81	61,791,427	\$ 618	\$ 137,267	\$ —	\$ 49,596	\$ (870)	6,206,200	\$(58,928)	\$ 127,683	\$ —	\$ 127,683
Net income	—	—	—	—	—	—	—	—	1,139	—	—	—	1,139	—	1,139
Stock-based compensation	—	—	—	—	—	—	1,814	—	—	—	—	—	1,814	—	1,814
Exercise of stock options	66,272	1	—	—	66,272	1	89	—	—	—	—	—	90	—	90
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	(196)	—	—	(196)	—	(196)
Balance at June 30, 2022	53,744,594	\$ 538	8,113,105	\$ 81	61,857,699	\$ 619	\$ 139,170	\$ —	\$ 50,735	\$ (1,066)	6,206,200	\$(58,928)	\$ 130,530	\$ —	\$ 130,530
Net income	—	—	—	—	—	—	—	—	7,258	—	—	—	7,258	—	7,258
Stock-based compensation expense	—	—	—	—	—	—	1,457	—	—	—	—	—	1,457	—	1,457
Exercise of stock options	271,493	2	—	—	271,493	2	2,468	—	—	—	—	—	2,470	—	2,470
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	(102)	—	—	(102)	—	(102)
Balance at September 30, 2022	54,016,087	\$ 540	8,113,105	\$ 81	62,129,192	\$ 621	\$ 143,095	\$ —	\$ 57,993	\$ (1,168)	6,206,200	\$(58,928)	\$ 141,613	\$ —	\$ 141,613

See accompanying notes to the condensed consolidated financial statements.

THE VITA COCO COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Amounts in thousands)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 10,624	\$ 22,409
Adjustments required to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	1,442	1,557
(Gain)/loss on disposal of equipment	—	89
Bad debt expense	348	20
Unrealized (gain)/loss on derivative instruments	(6,416)	(1,250)
Stock-based compensation	5,657	1,641
Impairment loss on assets held for sale	619	—
Noncash lease expense	963	—
Changes in operating assets and liabilities:		
Accounts receivable	(20,696)	(26,940)
Inventory	(255)	(15,362)
Prepaid expenses, net supplier advances, and other assets	(4,433)	(12,766)
Accounts payable, accrued expenses, and other liabilities	(6,034)	14,251
Net cash provided by (used in) operating activities	(18,181)	(16,351)
Cash flows from investing activities:		
Cash paid for property and equipment	(907)	(127)
Net cash used in investing activities	(907)	(127)
Cash flows from financing activities:		
Proceeds from exercise of stock options/warrants	2,675	153
Borrowings on credit facility	22,000	16,500
Repayments of borrowings on credit facility	(12,500)	(34,000)
Proceeds from settlement of loan to stockholder	—	17,700
Cash received (paid) on notes payable	(22)	30,028
Cash paid to acquire treasury stock	—	(50,003)
Cash paid to acquire portion of non-controlling interest	—	(54)
Net cash provided by (used in) financing activities	12,153	(19,676)
Effects of exchange rate changes on cash and cash equivalents	(544)	(117)
Net decrease in cash and cash equivalents	(7,479)	(36,271)
Cash and cash equivalents at beginning of the period	28,690	72,181
Cash and cash equivalents at end of the period	\$ 21,211	\$ 35,910

See accompanying notes to the condensed consolidated financial statements.

THE VITA COCO COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Amounts in thousands, except share and per share amounts)

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

The Vita Coco Company, Inc. and subsidiaries (formerly known as All Market Inc.) (the “Company”) develop, market, and distribute various coconut water products under the brand name *Vita Coco* and for retailers' own brands, predominantly in the United States. Other products include coconut milk, natural energy drinks (under the brand name *Runa*), coconut oil, water (under the brand name *Ever & Ever*), protein infused fitness drinks (under the brand name *PWR LIFT*) and coconut as a commodity.

The Company was incorporated in Delaware on January 17, 2007. In 2018, the Company purchased certain assets and liabilities of *Runa*, which is marketed and distributed primarily in the United States. Effective as of September 9, 2021, the name of the Company was changed from All Market Inc. to The Vita Coco Company, Inc.

We are a public benefit corporation under Section 362 of the Delaware General Corporation Law. As a public benefit corporation, our Board of Directors is required by the Delaware General Corporation Law to manage or direct our business and affairs in a manner that balances the pecuniary interests of our stockholders, the best interests of those materially affected by our conduct and the specific public benefits identified in our certificate of incorporation.

The Company has nine wholly-owned subsidiaries including four wholly-owned Asian subsidiaries established between fiscal year 2012 and 2015, one North American subsidiary established in 2015, as well as All Market Europe, Ltd. (“AME”) in the United Kingdom. AME was established in fiscal year 2009 and has 100% ownership in two European subsidiaries established in 2015. The non-controlling interest in AME represented minority stockholders' proportionate share of the equity in AME during fiscal year 2021, which was fully acquired by the Company as of December 31, 2021. One of the wholly-owned Asian subsidiaries, All Market Singapore Pte Ltd (“AMS”), has 100% ownership in one subsidiary established in fiscal year 2018 in Ecuador.

Initial Public Offering

The Company's registration statement on Form S-1, as amended, was declared effective by the Securities and Exchange Commission (“SEC”) on October 20, 2021 and related to the initial public offering (“IPO”) of its common stock in the prospectus dated October 20, 2021, filed with the SEC in accordance with Rule 424(b)(4) of the Securities Act on October 22, 2021 (the “Prospectus”). On October 21, 2021, the Company's shares began trading on the NASDAQ under the ticker symbol “COCO”. On October 25, 2021, we completed our IPO by issuing 2,500,000 shares of our common stock, \$0.01 par value per share, at a price to the public of \$15 per share, resulting in net proceeds to us of approximately \$30,000, after deducting the underwriting discount and commissions of approximately \$2,000 and offering expenses of approximately \$5,000. Additionally, certain selling stockholders sold an aggregate of 9,000,000 shares. On October, 27, 2021, the Company used the net proceeds from the IPO to repay the outstanding balance on the 2021 Term Loan.

Concurrent with the IPO, various agreements were amended or newly effective, which are further described in our Prospectus, which include:

- The Registration Rights agreement;
- The Investor Rights agreement;
- Amendments to the employment agreements for the then co-CEOs, Mike Kirban and Martin Roper;
- Adoption of the 2021 Stock Incentive Award Plan and grants of awards to employees and directors, and
- Adoption of the 2021 Employee Stock Purchase Plan.

Impact of the COVID-19 Pandemic and Current Geopolitical Instability

Disruptions in the worldwide economy may affect our business, and the macroeconomic environment continues to be affected by the COVID-19 pandemic and the current geopolitical instability (including the effects of the conflict between Ukraine and Russia). As a result, the Company has seen significant cost inflation to domestic and international shipping costs and some inflationary pressures on other cost elements; only some of which have been covered by pricing actions to date. The Company is continuing to monitor the situation carefully to understand any future potential impact on

its people and business. As a result, it is not currently possible to ascertain the overall impact of COVID-19 or the ongoing geopolitical instability on the Company's business, results of operations, financial condition or liquidity. Future events and effects related to COVID-19 or the ongoing geopolitical instability cannot be determined with precision and actual results could significantly differ from estimates or forecasts. The Company has also seen greater volatility on foreign exchange rates. A strong dollar generally benefits the Company's supply chain activities while negatively impacting our reported international revenues.

Unaudited interim financial information

The Company's condensed consolidated interim financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and Article 10 of Regulation S-X. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. GAAP can be condensed or omitted. In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the Company's financial information for the interim period presented. These interim results are not necessarily indicative of the results to be expected for the year ending December 31, 2022 or for any other interim period or for any other future year. The condensed consolidated balance sheet as of September 30, 2022 is unaudited and should be read in conjunction with the audited consolidated financial statements and the related notes thereto for the fiscal year ended December 31, 2021.

During the nine months ended September 30, 2022, there were no significant changes to the Company's significant accounting policies as described in the Company's audited consolidated financial statement as of and for the year ended December 31, 2021, except for the adoption of the new lease standard described in "Recently Adopted Accounting Pronouncements" in the Summary of Significant Accounting Policies (Note 2).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements are presented in accordance with U.S. GAAP.

Principles of Consolidation

The condensed consolidated financial statements include all the accounts of the wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The non-controlling interest in consolidated subsidiaries presented in the accompanying condensed consolidated financial statements for periods prior to December 31, 2021 represents the portion of AME stockholders' equity, which was not directly owned by the Company.

Use of Estimates

Preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management considers many factors in selecting appropriate financial accounting policies and controls in developing the estimates and assumptions that are used in the preparation of these condensed consolidated financial statements. Management must apply significant judgment in this process. In addition, other factors may affect estimates, including expected business and operational changes, sensitivity and volatility associated with the assumptions used in developing estimates, and whether historical trends are expected to be representative of future trends. The estimation process often may yield a range of reasonable estimates of the ultimate future outcomes, and management must select an amount that falls within that range of reasonable estimates. The most significant estimates in the condensed consolidated financial statements relate to share-based compensation, assessing long-lived assets for impairment, estimating the net realizable value of inventories, the determination of allowance for uncollectible accounts, assessing goodwill for impairment, the determination of the value of trade promotions, and assessing the realizability of deferred income taxes. Actual results could differ from those estimates.

Concentration of Credit Risk

The Company's cash and accounts receivable are subject to concentrations of credit risk. The Company's cash balances are primarily on deposit with banks in the U.S. which are guaranteed by the Federal Deposit Insurance

Corporation ("FDIC") up to \$250. At times, such cash may be in excess of the FDIC insurance limit. To minimize the risk, the Company's policy is to maintain cash balances with high quality financial institutions and any excess cash above a certain minimum balance may be invested in overnight money market treasury deposits in widely diversified accounts. Substantially all of the Company's customers are either wholesalers or retailers of beverages. A material default in payment, a material reduction in purchases from these or any large customers, or the loss of a large customer or customer groups could have a material adverse impact on the Company's financial condition, results of operations and liquidity. The Company is exposed to concentration of credit risk from its major customers for which two customers in aggregate represented 55% of total net sales for both the nine months ended September 30, 2022 and 2021. In addition, the two customers in aggregate also accounted for 49% and 37% of total accounts receivable as of September 30, 2022 and December 31, 2021, respectively. The Company has not experienced credit issues with these customers.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued *ASC 842, ASU 2016-02, Leases* (Topic 842), which was amended by subsequent Accounting Standard Updates ("ASUs"), to enhance the comparability and usefulness of financial reporting around leasing activity. The new standard supersedes the existing authoritative literature for lease accounting under *ASC 840*, with a focus on applying a "right-of-use model." The guidance for leases under *ASC 842* results in a right-of-use asset ("ROU asset") and lease liability being reported on the balance sheet for leases with a lease term greater than twelve months. In June 2020, the FASB issued *ASU 2020-05, Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842): Effective Dates for certain entities, which deferred the effective date of *ASU 2016-02* for certain entities. *ASC 842* is effective for the Company, as an Emerging Growth Company ("EGC"), for annual reporting periods beginning after December 15, 2021 and for interim periods beginning after December 15, 2022. The Company adopted the standard on January 1, 2022 using the alternative modified retrospective transition approach in accordance with *ASU 2018-11, Leases* (Topic 842): Targeted Improvements, where the adoption date represents the initial date of application.

As part of its adoption, the Company elected to apply the package of practical expedients requiring no reassessment of whether any expired or existing contracts are or contain leases, the lease classification of any expired or existing leases, or the capitalization of initial direct costs for any existing leases. Additionally, the Company elected the practical expedient that permits the exclusion of leases considered to be short-term.

Under the alternative modified retrospective transition approach, the reported results for 2022 reflect the application of *ASC 842* guidance, whereas comparative periods and the respective disclosures prior to the adoption of *ASC 842* are presented using the legacy guidance of *ASC 840*. As a result of adopting the new standard, the Company recognized right-of-use assets and lease liabilities of \$1,866 and \$2,097, respectively, on the Company's consolidated balance sheet as of January 1, 2022. The difference of \$231 between the operating lease right-of-use assets and operating lease liabilities represents reclassification of deferred rent liability from other liabilities to operating lease right-to-use assets at the adoption date. The adoption of the standard did not have a material impact on the Company's consolidated statements of operations, or consolidated statements of cash flows.

In June 2022, the Company extended its lease agreement for the New York office to April 30, 2025 and remeasured the lease liability and right-of-use asset as of June 30, 2022.

Recently Issued Accounting Pronouncements

As a company with less than \$1.07 billion of revenue during the last fiscal year, the Company qualifies as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act. This classification allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use the adoption dates applicable to private companies. As a result, the Company's 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.

Leases

Prior to adopting *ASC 842* on January 1, 2022 as described in "Recently Adopted Accounting Pronouncements" within this Note, the Company applied the lease accounting guidance as issued in *ASC 840*. Under *ASC 840*, the Company classified its leases as operating or capital based on the evaluation of certain criteria that served to indicate whether the risks and rewards of ownership of the underlying asset had been transferred to the lessee. For leases that contained rent

escalations or rent holidays, the Company recorded the total rent expense on a straight-line basis over the lease term and recorded the difference between the rent paid and the straight-line rent expense as deferred rent on the balance sheet. Any tenant incentives received from the lessor were recorded as a reduction to rent expense over the lease term.

Under ASC 842, at the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present in the arrangement, including which party controls the use of identified assets. The Company classifies leases with a term greater than one year as either operating or finance leases at the commencement date and records a right-of-use asset and current and non-current lease liabilities, as applicable on the balance sheet. The Company has elected not to recognize on the balance sheet leases with terms of one year or less, but payments are recognized as expense on a straight-line basis over the lease term. If a lease includes options to extend the lease term, the Company does not assume the option will be exercised unless there is reasonable certainty that the Company will renew based on an assessment of economic factors present at the lease commencement date.

The Company measures its lease liability for each leased asset as the present value of lease payments, as defined in ASC 842, discounted using a discount rate specific to the terms of the underlying lease. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Company estimated its incremental borrowing rate for each leased asset based on the interest rate the Company would incur to borrow an amount equal to the lease payments on a collateralized basis over a similar term in a similar economic environment. The Company's right-of-use assets are equal to the lease liability, adjusted for prepaid rent, initial direct costs and incentives, as applicable. After lease commencement and the establishment of a right-to-use asset and operating lease liability, lease expense is recorded on a straight-line basis over the lease term.

In accordance with the guidance in ASC 842, components of a lease should be split into three categories: lease components (e.g. land, building, etc.), non-lease components (e.g. common area maintenance, consumables, etc.) and non-components (e.g. property taxes, insurance, etc.). The fixed and in-substance fixed contract consideration (including any related to non-components) must be allocated to the lease components and non-lease components based on their relative fair values. The Company elected the accounting policy available under ASC 842 to not separate lease and non-lease components for its real estate and equipment leases. Therefore, each lease component and the related non-lease components and non-components are accounted for together as a single component. Variable costs associated with the lease, such as maintenance and utilities, are not included in the measurement of right-to-use assets and lease liabilities but rather expensed when the events determining the amount of variable consideration to be paid have occurred.

3. REVENUE RECOGNITION

Revenues are accounted for in accordance with ASC 606. The Company disaggregates revenue into the following product categories:

- **Vita Coco Coconut Water**—This product category consists of all branded coconut water product offerings under the *Vita Coco* labels, where the majority ingredient is coconut water. The Company determined that the sale of the products represents a distinct performance obligation as customers can benefit from purchasing the products on their own or together with other resources that are readily available to the customers. For these products, control is transferred upon customer receipt, at which point the Company recognizes the transaction price for the product as revenue.
- **Private Label**—This product category consists of all private label product offerings, which includes coconut water and oil. The Company determined the production and distribution of private label products represents a distinct performance obligation. Since there is no alternative use for these products and the Company has the right to payment for performance completed to date, the Company recognizes the revenue for the production of these private label products over time as the production for open purchase orders occurs, which may be prior to any shipment.
- **Other**—This product category consists of all other products, which includes *Runa*, *Ever & Ever* and *PWR LIFT* product offerings and *Vita Coco* product extensions beyond coconut water, such as *Vita Coco Sparkling*, coconut milk products, and other revenue transactions (e.g., bulk product sales). For these products, control is transferred upon customer receipt, at which point the Company recognizes the transaction price for the product as revenue.

The Company excludes from revenues all taxes assessed by a governmental authority that are imposed on the sale of its products and collected from customers.

Disaggregation of Revenue

The following table disaggregates net revenue by product type and reportable segment:

	Three Months Ended September 30, 2022		
	Americas	International	Consolidated
Vita Coco Coconut Water	\$ 82,643	\$ 10,637	\$ 93,280
Private Label	24,786	3,810	28,596
Other	1,367	800	2,167
Total	\$ 108,796	\$ 15,247	\$ 124,043

	Three Months Ended September 30, 2021		
	Americas	International	Consolidated
Vita Coco Coconut Water	\$ 71,825	\$ 10,093	\$ 81,918
Private Label	25,973	4,117	30,090
Other	3,135	526	3,661
Total	\$ 100,933	\$ 14,736	\$ 115,669

	Nine Months Ended September 30, 2022		
	Americas	International	Consolidated
Vita Coco Coconut Water	\$ 217,934	\$ 30,110	\$ 248,044
Private Label	68,413	9,521	77,934
Other	7,553	2,265	9,818
Total	\$ 293,900	\$ 41,896	\$ 335,796

	Nine Months Ended September 30, 2021		
	Americas	International	Consolidated
Vita Coco Coconut Water	\$ 176,229	\$ 26,445	\$ 202,674
Private Label	66,457	9,648	76,105
Other	8,246	5,904	14,150
Total	\$ 250,932	\$ 41,997	\$ 292,929

4. INVENTORY

Inventory consists of the following:

	September 30, 2022	December 31, 2021
Raw materials and packaging	\$ 6,076	\$ 4,868
Finished goods	68,383	70,492
Inventory	\$ 74,459	\$ 75,360

5. GOODWILL AND INTANGIBLE ASSETS

Goodwill and Intangible Assets, net consist of the following:

	September 30, 2022	December 31, 2021
Goodwill	\$ 7,791	\$ 7,791

The goodwill is allocated to the Americas reporting unit and is tax deductible.

	September 30, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets, net						
Trade names	\$ 6,200	\$ (2,652)	\$ 3,548	\$ 6,200	\$ (2,187)	\$ 4,013
Distributor relationships	6,000	(2,567)	3,433	6,000	(2,117)	3,883
Other	38	—	38	38	—	38
Total intangible assets subject to amortization	\$ 12,238	\$ (5,219)	\$ 7,019	\$ 12,238	\$ (4,304)	\$ 7,934

All the intangible assets, net as of September 30, 2022 and December 31, 2021 were associated with the acquisition of *Runa*, which was acquired in June 2018.

Amortization expense of \$915 associated with intangible assets was recorded for both the nine months ended September 30, 2022 and 2021, which were included in selling, general and administrative expenses on the condensed consolidated statements of operations. For both the three months ended September 30, 2022 and 2021, the Company recorded \$305 of amortization expense related to these intangible assets.

As of September 30, 2022, the estimated future expense for amortizable intangible assets is as follows:

Fiscal Years	
2022 (excluding the nine months ended September 30, 2022)	\$ 305
2023	1,220
2024	1,220
2025	1,220
2026	1,220
Thereafter	1,834
	\$ 7,019

6. DEBT

The table below details the outstanding balances on the Company's credit facility and notes payable as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
2020 Credit facility	\$ 9,500	\$ —
Notes payable		
Vehicle loans	54	76
	\$ 54	\$ 76
Current	24	28
Non-current	\$ 30	48

2020 Credit Facility

As of December 31, 2021, the Company had no outstanding borrowings under its 2020 Credit Facility. As of September 30, 2022, \$9,500 was outstanding, and \$50,500 undrawn and available under its 2020 Credit Facility. The 2020 Credit Facility is collateralized by substantially all of the Company's assets. Borrowings under the 2020 Credit Facility bear interest at a rate per annum equal to, at our option, either (a) adjusted LIBOR (or current LIBOR replacement rate),

which shall not be less than 0.0%, plus the applicable rate or (b) base rate (determined by reference to the greatest of the prime rate published by Wells Fargo, the federal funds effective rate plus 1.5% and one-month LIBOR (or current LIBOR replacement) plus 1.5%). The applicable rate for LIBOR borrowings under the 2020 Credit Facility is subject to step-downs based on our total net leverage ratio (as defined in the credit agreement) for the immediately preceding fiscal quarter. In addition, the Company is currently subject to an unused commitment fee ranging from 0.05% and 0.20% on the unused amount of the line of credit, with the rate being based on the Company's leverage ratio (as defined in the credit agreement). The maturity date on the 2020 Credit Facility is May 12, 2026.

Interest expense and unused commitment fee for the 2020 Credit Facility amounted to \$140 and \$44 for the three months ended September 30, 2022 and 2021, respectively. Interest expense and unused commitment fee for the 2020 Credit Facility amounted to \$249 and \$197 for the nine months ended September 30, 2022 and 2021, respectively.

The 2020 Credit Facility contains certain affirmative and negative covenants that, among other things, limit the Company's ability to, subject to various exceptions and qualifications: (i) incur liens; (ii) incur additional debt; (iii) sell, transfer or dispose of assets; (iv) merge with or acquire other companies; (v) make loans, advances or guarantees; (vi) make investments; (vii) make dividends and distributions on, or repurchases of, equity; and (viii) enter into certain transactions with affiliates. The 2020 Credit Facility also requires the Company to maintain certain financial covenants including a maximum leverage ratio, a minimum fixed charge coverage ratio, and a minimum asset coverage ratio. As of September 30, 2022, the Company was compliant with all financial covenants.

7. COMMITMENTS AND CONTINGENCIES

Contingencies:

Litigation—The Company may engage in various litigation matters in the ordinary course of business. The Company intends to vigorously defend itself in such matters, based upon the advice of legal counsel, and is of the opinion that the resolution of these matters will not have a material effect on the condensed consolidated financial statements. Reserves are recorded for specific legal proceedings when the Company determines that the likelihood of an unfavorable outcome is probable and the amount of loss can be reasonably estimated. As of September 30, 2022 and December 31, 2021, the Company has not recorded any liabilities relating to legal settlements.

Business Risk—The Company imports finished goods predominantly from manufacturers located in South America and Southeast Asian countries. The Company may be subject to certain business risks due to potential instability in these regions.

Major Customers—The Company's customers that accounted for 10% or more of total net sales and total accounts receivable were as follows:

	Net sales		Accounts receivable	
	Nine Months Ended September 30,		September 30, 2022	December 31, 2021
	2022	2021		
Customer A	31 %	33 %	28 %	18 %
Customer B	24 %	22 %	21 %	19 %

One of the customers acquired less than 5% ownership in the Company upon consummation of the IPO.

Major Suppliers—The Company's suppliers that accounted for 10% or more of the Company's purchases were as follows:

	Nine Months Ended September 30,	
	2022	2021
Supplier A	16 %	19 %
Supplier B	13 %	14 %

8. DERIVATIVE INSTRUMENTS

The Company accounts for derivative instruments in accordance with the ASC Topic 815, Derivatives and Hedging ("ASC 815"). These principles require that all derivative instruments be recognized at fair value on each balance sheet date unless they qualify for a scope exclusion as a normal purchase or sales transaction, which is accounted for under the accrual method of accounting. In addition, these principles permit derivative instruments that qualify for hedge accounting to reflect the changes in the fair value of the derivative instruments through earnings or stockholders' equity as other comprehensive income on a net basis until the hedged item is settled and recognized in earnings, depending on whether the derivative is being used to hedge changes in fair value or cash flows. The ineffective portion of a derivative instrument's change in fair value is immediately recognized in earnings. As of September 30, 2022 and December 31, 2021, the Company did not have any derivative instruments that it had designated as fair value or cash flow hedges.

The Company is subject to the following currency risks:

Inventory Purchases from Brazilian, Malaysian and Thai Manufacturers—In order to mitigate the currency risk on inventory purchases from its Brazilian, Malaysian and Thai manufacturers, which are settled in Brazilian Real ("BRL"), Malaysian Ringgit ("MYR") and Thai Baht ("THB"), the AMS subsidiary enters a series of forward currency swaps to buy BRL, MYR and THB.

Intercompany Transactions Between AME and AMS—In order to mitigate the currency risk on intercompany transactions between AME and AMS, AMS enters into foreign currency swaps to sell British Pounds ("GBP").

Intercompany Transactions with Canadian Customer and Vendors—In order to mitigate the currency risk on transactions with Canadian customer and vendors, the Company enters into foreign currency swaps to sell Canadian Dollars ("CAD").

The notional amount and fair value of all outstanding derivative instruments in the condensed consolidated balance sheets consist of the following at:

September 30, 2022				
Derivatives not designated as hedging instruments under ASC 815-20	Notional Amount		Fair Value	Balance Sheet Location
Assets				
Foreign currency exchange contracts				
Receive USD/pay GBP	\$ 26,041	\$	3,502	Derivative assets
Receive BRL/sell USD	41,515		1,275	Derivative assets
Receive USD/pay CAD	4,633		303	Derivative assets
Liabilities				
Foreign currency exchange contracts				
Receive THB/sell USD	17,786		(1,735)	Derivative liabilities
December 31, 2021				
Derivatives not designated as hedging instruments under ASC 815-20	Notional Amount		Fair Value	Balance Sheet Location
Assets				
Foreign currency exchange contracts				
Receive USD/pay GBP	\$ 22,323	\$	125	Derivative assets
Receive MYR/sell USD	392		1	Derivative assets
Liabilities				
Foreign currency exchange contracts				
Receive BRL/sell USD	\$ 43,174	\$	(2,389)	Derivative liabilities
Receive USD/pay CAD	4,731		(57)	Derivative liabilities
Receive THB/sell USD	18,488		(751)	Derivative liabilities

The amount and location of realized and unrealized gains and losses of the derivative instruments in the condensed consolidated statements of operations for the three and nine months ended September 30, 2022 and 2021 are as follows:

	Three Months Ended September 30,	
	2022	2021
Unrealized gain/(loss) on derivative instruments	\$ 952	\$ (1,964)
Location	Unrealized gain/(loss) on derivative instruments	Unrealized gain/(loss) on derivative instruments
Foreign currency gain / (loss)	\$ 881	\$ (483)
Location	Foreign currency gain/(loss)	Foreign currency gain/(loss)
	Nine Months Ended September 30,	
	2022	2021
Unrealized gain/(loss) on derivative instruments	\$ 6,416	\$ 1,250
Location	Unrealized gain/(loss) on derivative instruments	Unrealized gain/(loss) on derivative instruments
Foreign currency gain / (loss)	\$ 1,839	\$ (2,013)
Location	Foreign currency gain/(loss)	Foreign currency gain/(loss)

The Company applies recurring fair value measurements to its derivative instruments in accordance with *ASC Topic 820, Fair Value Measurements* ("ASC 820"). In determining fair value, the Company used a market approach and incorporated the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable internally developed inputs.

9. FAIR VALUE MEASUREMENTS

ASC 820 provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. Based upon observability of the inputs used in valuation techniques, the Company's assets and liabilities are classified as follows:

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

Level 2—Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted market prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes internally developed models and methodologies utilizing significant unobservable inputs.

Forward Currency Swap Contracts—The Company's valuation methodology for forward currency swap contracts is based upon third-party institution data.

Contingent Consideration Liability—The Company utilized a probability weighted scenario-based model to determine the fair value of the contingent consideration.

The Company's fair value hierarchy for those assets (liabilities) measured at fair value on a recurring basis at September 30, 2022 and December 31, 2021, is as follows:

	Level 1	Level 2	Level 3	Total
		Forward Currency Swaps/Contracts	Contingent consideration liability	
September 30, 2022	\$ —	\$ 3,345	\$ —	\$ 3,345
December 31, 2021	\$ —	\$ (3,071)	\$ —	\$ (3,071)

In connection with the Company's acquisition of the entity currently known as AMI Runa USA LLC ("Runa"), the Company is obligated to pay contingent payments to Runa's former shareholders only if a certain revenue growth rate is achieved. Assuming the revenue growth is achieved, the former shareholders could elect for payment to be calculated based on quarterly data available between December 2021 and December 2022, as follows: 49% of the product of (a) the net revenue for the trailing 12 calendar months and (b) a specified multiple, which is contingent on the revenue growth achieved since December 31, 2017. Per the acquisition agreement, the contingent payment cannot exceed \$51,500. If a certain revenue growth rate is not achieved, the Company is not required to pay any contingent payment.

The fair value of contingent consideration of \$15,700 determined on the acquisition date in 2019 was initially recognized as a liability and then subsequently remeasured to fair value at each reporting date with changes in fair value recognized as a component of operating income/expenses in the accompanying condensed consolidated statements of operations.

The contingent consideration liability related to the acquisition of Runa was considered a Level 3 liability, as the fair value was determined based on significant inputs not observable in the market, and recorded within other long-term liabilities in the accompanying condensed consolidated balance sheets. The Company estimated the fair value of the contingent consideration liability based on a probability-weighted present value of various future cash payment outcomes. The technique considered the following unobservable inputs as of each valuation date:

- The probability and timing of achieving the specified milestones;
- Revenue performance expectations; and
- Market-based discount rates.

Based on updated revenue performance expectations during the earn-out period for Runa, the Company measured the contingent consideration as zero for the periods ended September 30, 2022 and December 31, 2021.

There were no transfers between any levels of the fair value hierarchy for any of the Company's fair value measurements.

10. STOCKHOLDERS' EQUITY

Common and Treasury Stock—Each share of common stock entitles its holder to one vote on matters required to be voted on by the stockholders of the Company and to receive dividends, when and if declared by the Company's Board of Directors.

As of September 30, 2022 and December 31, 2021, the Company held 6,206,200 shares in treasury stock. As of September 30, 2022 and December 31, 2021, the Company had 4,542,480 and 3,431,312 shares, respectively, of common stock available for issuance upon the conversion of outstanding warrants and stock options under the 2021 Incentive Award Plan, of which 2,892,361 and 2,170,975, respectively, were reserved for future issuance. In January 2021, the Company entered into a Stock Purchase Agreement with RW VC S.a.r.l, f/k/a Vita Coco S.a.r.l (the "Seller"). The Company repurchased 5,192,005 shares of its own common stock from the Seller at a purchase price of \$9.63 per share, or an aggregate purchase price of approximately \$50,000. The purchase price per share approximated the most recent third-party common stock valuation prepared in conjunction with the accounting of stock-based compensation discussed within this Note.

Non-controlling Interest—On December 31, 2021, the Company purchased the remaining outstanding AME shares directly from minority stockholders, resulting in a zero non-controlling interest as of December 31, 2021 and September 30, 2022.

Warrants—All service and exit warrants expired as of December 31, 2021. As such, there was no warrant activity for the nine months ended September 30, 2022.

Stock Options—The stockholders of the Company approved the adoption of the Company's 2014 Stock Option and Restricted Stock Plan (the "Stock Option Plan"). The Stock Option Plan allowed for a maximum of 8% of the sum of the Available Equity defined as the sum of (i) the total then outstanding shares of common shares and (ii) all available stock options (i.e., granted and outstanding stock options and stock options not yet granted). Under the terms of the Stock Option Plan, the Company could grant employees, directors and consultants stock options and restricted stock awards and had the authority to establish the specific terms of each award, including exercise price, expiration and vesting. Generally, stock options issued pursuant to the Stock Option Plan contained exercise prices no less than the fair value of the Company's common stock on the date of grant and have a ten-year contractual term.

The stockholders of the Company approved the adoption of the 2021 Incentive Award Plan, which was effective after the closing of the IPO discussed in Note 1. On and after closing of the offering and the effectiveness of the 2021 Incentive Award Plan, no further grants will be made under the Stock Option Plan.

The Company recognized stock-based compensation expense of \$1,142 and \$629 for the three months ended September 30, 2022 and 2021, respectively, in selling, general and administrative expenses. Additionally, the stock compensation expense of \$4,722 and \$1,641 was recognized for the nine months ended September 30, 2022 and 2021, respectively, in selling, general and administrative expenses. For the restricted stock units ("RSUs") previously granted to a major customer, \$315 and \$935 was recognized for the three and nine months ended September 30, 2022, respectively, as stock-based sales incentive based on guidance in ASC 606 and reflected as a reduction in the transaction price revenue.

Awards with Service-based Vesting Conditions

Most of the stock option awards granted under the Stock Option Plan vest based on continuous service. Generally, 50% of the stock options granted vest two years after the grant date and 50% of the stock options granted vest four years after the grant date. For options granted under the 2021 Incentive Award Plan, 25% of the stock options granted vest annually in each of the four years after the grant date. There were 128,940 new service-based stock option awards granted during the nine months ended September 30, 2022. Exercises of stock options during the nine months ended September 30, 2022 are disclosed in the Condensed Consolidated Statements of Non-controlling Interests and Stockholders' Equity.

Awards with Performance and Market-based Vesting Conditions

During the nine months ended September 30, 2022, certain awards that contained performance-based vesting condition were modified. The modification adjusted the performance condition to allow for 50% of the performance awards to meet the criteria to vest, and no other terms were modified. Since it did not affect any terms that would affect the fair value, and only the number of awards, it is considered an improbable-to-probable modification. The impact of the modification was not material.

Restricted Stock and Restricted Stock Unit Awards

Restricted stock and RSUs were granted under the 2021 Incentive Award Plan and primarily vest based on continuous service. Currently, there are no restricted stock or RSUs that contain any performance or market conditions. The RSUs awarded to the employees have differing vesting schedules as specified in each grant agreement. The RSUs granted to non-employee directors vest in full on the earlier of (i) the day immediately preceding the date of the first Annual Shareholders Meeting following the date of grant and (ii) the first anniversary of the date of grant.

During the nine months ended September 30, 2022, there were 339,153 RSUs granted, which had an aggregate grant date fair value of \$4,408.

11. INCOME TAXES

For the three months ended September 30, 2022 and 2021, the Company recorded income tax expense of \$1,836 and \$2,296, respectively. For the nine months ended September 30, 2022 and 2021, the Company recorded \$3,011 and \$6,277, respectively, in income tax expense in its condensed consolidated statements of operations.

In assessing the recoverability of its deferred tax assets, the Company continually evaluates all available positive and negative evidence to assess the amount of deferred tax assets for which it is more likely than not to realize a benefit. For

any deferred tax asset in excess of the amount for which it is more likely than not that the Company will realize a benefit, the Company establishes a valuation allowance.

As of September 30, 2022, the Company had liabilities for uncertain tax positions of \$326 which, if recognized, would impact the Company's tax provision and effective income tax rate. The Company's policy is to record interest and penalties related to income taxes as part of its income tax provision. The Company does not expect its uncertain tax positions to change significantly over the next twelve months. The Company is subject to income tax examinations by the Internal Revenue Service ("IRS") and various state and location jurisdictions for the open tax years between December 31, 2018 to December 31, 2021.

12. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net income attributable to The Vita Coco Company, Inc.	\$ 7,258	\$ 12,990	\$ 10,624	\$ 22,432
Denominator:				
Weighted-average number of common shares used in earnings per share—basic	55,785,622	53,006,746	55,658,946	53,266,209
Effect of conversion of stock options	794,290	773,314	370,123	475,839
Weighted-average number of common shares used in earnings per share—diluted	56,579,912	53,780,060	56,029,069	53,742,048
Earnings per share—basic	\$ 0.13	\$ 0.25	\$ 0.19	\$ 0.42
Earnings per share—diluted	\$ 0.13	\$ 0.24	\$ 0.19	\$ 0.42

All exit warrants expired as of December 31, 2021. Before expiration, for the nine months ended September 30, 2021, the exit warrants, which expired upon a liquidity event and only vest when proceeds from a liquidity event provide an annual internal rate of return of less than 30%, were not considered in the basic and diluted earnings per share, as the contingency of a liquidity event had not occurred.

The following potentially dilutive securities, prior to the use of the treasury stock method, have been excluded from the computation of diluted weighted-average number of common shares outstanding, as they would be anti-dilutive:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Awards to purchase common stock	1,123,845	116,322	1,954,406	1,198,005

13. SEGMENT REPORTING

The Company has two operating and reportable segments:

- Americas—Comprised primarily of the U.S. and Canada, and derives its revenues from the marketing and distribution of various coconut water and non-coconut water products (e.g., oil and milk). The Company's Guayusa leaf products (*Runa*), aluminum bottle canned water (*Ever and Ever*), and protein infused fitness drink (*PWR LIFT*) are marketed only in the Americas segment.
- International—Comprised primarily of Europe, Middle East, and Asia Pacific, which includes the Company's procurement arm and derives its revenues from the marketing and distribution of various coconut water and non-coconut water products.

Information about the Company's operations by operating segment as of September 30, 2022 and 2021 and for the three and nine months ended September 30, 2022 and 2021 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales	\$ 124,043	\$ 115,669	\$ 335,796	\$ 292,929
Americas	108,796	100,933	293,900	250,932
International	15,247	14,736	41,896	41,997
Gross profit	\$ 32,576	\$ 38,501	\$ 80,928	\$ 91,561
Americas	30,279	34,679	73,285	81,502
International	2,297	3,822	7,643	10,059

	As of September 30,		As of December 31,	
	2022	2021	2022	2021
Total segment assets	\$ 218,378	\$ 197,484		
Americas			171,291	141,973
International			47,087	55,511

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Reconciliation				
Total gross profit	\$ 32,576	\$ 38,501	\$ 80,928	\$ 91,561
Less:				
Selling, general, and administrative expenses	23,960	20,675	73,018	61,897
Income (loss) from operations	\$ 8,616	\$ 17,826	\$ 7,910	\$ 29,664
Less:				
Unrealized gain/(loss) on derivative instruments	952	(1,964)	6,416	1,250
Foreign currency gain/(loss)	(364)	(483)	(508)	(2,013)
Interest income	20	31	30	104
Interest expense	(130)	(127)	(213)	(319)
Income before income taxes	\$ 9,094	\$ 15,283	\$ 13,635	\$ 28,686

Geographic Data:

The following table provides information related to the Company's net sales by country, which is presented on the basis of the location that revenue from customers is recorded:

Nine Months Ended September 30,	2022	2021
United States	\$ 277,987	\$ 250,933
All other countries(1)	57,809	41,996
Net sales	\$ 335,796	\$ 292,929

(1) No individual country is greater than 10% of total net sales for the nine months ended September 30, 2022 and 2021.

The following table provides information related to the Company's property and equipment, net by country:

	September 30, 2022	December 31, 2021
United States	\$ 644	\$ 890
Ecuador	503	870
Singapore	1,261	536
All other countries(1)	109	177
Property and equipment, net	<u>\$ 2,517</u>	<u>\$ 2,473</u>

(1) No individual country is greater than 10% of total property and equipment, net as of September 30, 2022 and December 31, 2021.

14. RELATED-PARTY TRANSACTIONS

Management Fees—The Company was subject to an arrangement with one of its stockholders for as long as such stockholder held at least 5% of the Company's capital stock. Pursuant to the terms of the amended arrangement, the Company was required to make fixed annual management fee payments of \$281. On October 20, 2021, in connection with the IPO discussed in Note 1, the Stockholder's Agreement was revised and the new Investor Rights Agreement does not provide for payment of a management fee to this stockholder. For the nine months ended September 30, 2021 and the year ended December 31, 2021, the Company had amounts due in accounts payable of \$227 for the portion of the year prior to the execution of the new Investor Rights Agreement, which was paid as of September 30, 2022.

Director Nominee Agreements - On May 24, 2022, two members of the Board of Directors appointed as nominees under the Investor Rights Agreement by Verlinvest Beverages SA, a stockholder of the Company, entered into nominee agreements instructing the Company to pay all cash compensation earned in connection with their Board of Director services to Verlinvest Beverages SA. Based on aforementioned nominee agreements, RSUs granted to these two directors, based on the aforementioned nominee agreements, will be held by them as nominees for Verlinvest Beverages SA and, upon vesting of the RSUs, the shares will be transferred to Verlinvest Beverages SA. The nominee agreements are primarily between the directors and Verlinvest Beverages SA. The Company is a party to this arrangement solely to agree to the manner in which it would satisfy the compensation obligations to these directors.

Loan to Employee—On September 18, 2019, the Company extended a five year promissory note of \$17,700 to Martin Roper, the current CEO, in order for him to buy 1,739,010 shares of The Vita Coco Company, Inc.'s common stock in conjunction with his employment agreement. The interest on the note accrued annually at a rate of 1.78% with the principal balance due at maturity. The purchase of the Company's shares occurred simultaneously with the commencement of the loan, as a result, no funds were actually disbursed by the Company. The purchased Company shares were pledged as collateral to the loan until full repayment of the principal balance. On May 18, 2020, the Company amended the interest rate on the note to 0.58%.

On September 16, 2021, Martin Roper repaid the outstanding principal balance and accrued interest in full satisfaction of the promissory note.

Distribution Agreement with Shareholder—On October 1, 2019, the Company entered into a distribution agreement with one of its stockholders. The distribution agreement grants the stockholder the right to sell, resell, and distribute designated products supplied by the Company within a specified territory. The amount of revenue recognized related to this distribution agreement was \$1,371 and \$1,636 for the three months ended September 30, 2022 and 2021, respectively, and \$4,777 and \$4,944 for the nine months ended September 30, 2022 and 2021, respectively. The amounts due from the stockholder in Accounts Receivable, net were \$408 and \$600 as of September 30, 2022 and December 31, 2021, respectively. Related to this distribution arrangement, the Company and the stockholder have a service agreement where the Company shares in the compensation costs of the stockholder's employee managing the China market. The Company recorded \$63 and \$39 for the three months ended September 30, 2022 and 2021, respectively, and \$160 and \$119 for the nine months ended September 30, 2022 and 2021, respectively, in selling, general and administrative expense for this service agreement.

15. ASSET HELD FOR SALE

The asset group held for sale consists of a farm in Ecuador which was the source of Guayusa leaves for our *Runa* products. Since the Company is able to source Guayusa through alternative means to produce the *Runa* products, as of September 30, 2022, the Company committed to a plan for disposal through sale. The Company performed a fair value assessment on the asset group held for sale consisting of land, a production plant, equipment and inventory. The Company obtained a valuation of the assets and adjusted the carrying amount down to their fair value less costs to sell, which resulted in a \$619 impairment loss recorded in selling, general and administrative expenses. The remaining carrying amount is listed below. These assets held for sale do not qualify for discontinued operations reporting.

Asset held for sale	Amount
Land	\$ 503

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

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and related notes as disclosed in our Form 10-K, for the fiscal year ended December 31, 2021 and filed with the Securities and Exchange Commission ("SEC") on March 14, 2022 (the "Form 10-K"). This discussion contains forward-looking statements based upon current plans, expectations and beliefs involving risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in Part I, Item 1A, "Risk Factors" and other factors set forth in the Form 10-K and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2022 and June 30, 2022.

Overview

The Vita Coco Company, Inc is a leading platform for brands in the functional beverage category. We pioneered packaged coconut water in 2004 and extended our business into other healthy hydration categories. Our mission is to deliver great tasting, natural and nutritious products that are better for consumers and better for the world. Today we believe that we are the largest brand globally in the coconut and other plant waters category, and one of the largest suppliers of private label coconut water.

Our branded portfolio is led by our *Vita Coco* brand, which is the leader in the global coconut water category, and also includes coconut oil and coconut milk offerings. Our other brands include *Runa*, a leading plant-based energy drink inspired from the guayusa plant native to Ecuador, *Ever & Ever*, a sustainably packaged water, and the recently launched *PWR LIFT*, a protein-infused fitness drink. We also supply private label products to key retailers in both the coconut water and coconut oil categories.

We source our coconut water from a diversified global network of 15 factories across seven countries supported by thousands of coconut farmers. As we do not own any of the coconut water factories, our supply chain is a fixed asset-lite model designed to better react to changes in the market or consumer preferences. We also work with co-packers in America and Europe to support local packing and repacking of our products and to better service our customers' needs.

Vita Coco is available in over 30 countries, with our primary markets in North America, the United Kingdom, and China. Our primary markets for private label are North America and Europe. Our products are distributed primarily through club, food, drug, mass, convenience, e-commerce, and food service channels. We are also available in a variety of on-premise locations such as corporate offices, fitness clubs, airports, cruise lines, and educational institutions.

Key Factors Affecting Our Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities for us. There have been no material changes to such factors from those described in the Form 10-K under the heading "Key Factors Affecting our Performance" other than the changes noted below in "Impact of COVID-19 and Current Geopolitical Instability". Those factors also pose risks and challenges, including those discussed in Part I, Item 1A. "Risk Factors" of the Form 10-K.

Impact of COVID-19 and the Current Geopolitical Instability

The global macroeconomic environment continues to be affected by the COVID-19 pandemic and the current geopolitical instability (including the effects of the Ukraine - Russia War). In fiscal year 2021 and continuing into the nine months ended September 30, 2022, the Company saw significant changes to global ocean shipping availability and pricing of containers, lengthening transit times, increased domestic transportation costs and some payroll inflationary effects among other impacts. Starting in the second quarter of 2021, and recognizing the strength of our brands, we took pricing actions such as delaying promotional activities until later in the year, reducing discounting, pricing increases, and sharing cost increases with private label customers, in order to partially offset the inflationary costs of goods effects we were experiencing.

For the three months ended September 30, 2022 and the nine months ended September 30, 2022, we estimate that our gross profit absorbed incremental costs of goods on a rate/mix basis compared to the prior year periods of approximately \$7 million and \$28 million, respectively, mostly driven by transportation cost increases across both ocean freight and domestic logistics as a result of global supply chain disruptions caused by these global events. We do not

believe the current costs of goods inflated by the current economic and supply chain pressures are fully representative of our future costs of goods in a normal supply chain environment.

The Company is continuing to monitor the situations carefully to understand any future potential impact on its people and business, including but not limited to rising inflation rates, and actions taken by both U.S. and foreign governments to control such increases. The Company has also seen greater volatility on foreign exchange rates. Strong dollar generally benefits the company's supply chain activities while negatively impacting our reported international revenues. As a result, it is not currently possible to ascertain the overall impact of COVID-19 or the current geopolitical instability (including the effects of the conflict between Ukraine and Russia) on the business, results of operations, financial condition or liquidity. Future events and effects related to COVID-19 or current geopolitical instability cannot be determined with precision and actual results could significantly differ from estimates or forecasts. For a further discussion of the risks and challenges posed by these events, please see Part I, Item 1A. "Risk Factors" in our Form 10-K.

Components of Our Results of Operations

Net Sales

We generate revenue through the sale of our *Vita Coco* branded coconut water, Private Label and Other products in the Americas and International segments. Our sales are predominantly made to distributors or to retailers for final sale to consumers through retail channels, which includes sales to traditional brick and mortar retailers, who may also resell our products through their own online platforms. Our revenue is recognized net of allowances for returns, discounts, credits, and any taxes collected from consumers.

Cost of Goods Sold

Cost of goods sold includes the costs of the products sold to customers, inbound and outbound shipping and handling costs, freight and duties, shipping and packaging supplies, and warehouse fulfillment costs.

Gross Profit and Gross Margin

Gross profit is net sales less cost of goods sold, and gross margin is gross profit as a percentage of net sales. Gross profit has been, and will continue to be, affected by various factors, including the mix of products we sell, the channels through which we sell our products, the promotional environment in the marketplace, manufacturing costs, commodity prices, warehouse costs and transportation rates. We expect that our gross margin will fluctuate from period to period depending on the interplay of these variables.

Management believes gross margin provides investors with useful information related to the profitability of our business prior to considering the operating costs incurred. Management uses gross profit and gross margin as key measures in making financial, operating, and planning decisions and in evaluating our performance.

Operating Expenses

Selling, General and Administrative Expenses

Selling, general and administrative expenses include marketing expenses, sales promotion expenses, and general and administrative expenses. Marketing and sales promotion expenses consist primarily of costs incurred promoting and marketing our products and are primarily driven by investments to grow our business and retain customers. In the long-term, we generally expect selling and marketing expenses to increase in absolute dollars and to vary from period to period as a percentage of net sales. General and administrative expenses include payroll, employee benefits, stock-based compensation, broker commissions and other headcount-related expenses associated with supply chain & operations, finance, information technology, human resources and other administrative-related personnel, as well as general overhead costs of the business, including research and development for new innovations, rent and related facilities and maintenance costs, depreciation and amortization, and legal, accounting and professional fees. We expense all selling, general and administrative expenses as incurred. We expect selling, general and administrative expenses to increase in absolute dollars to support business growth and our transition to a public company.

Change in Fair Value of Contingent Consideration

In connection with our acquisition of *Runa*, we agreed to pay contingent payments to *Runa*'s former shareholders only if a certain revenue growth rate is achieved. Assuming the revenue growth is achieved, the former shareholders could elect for payment to be calculated based on quarterly data available between December 2021 and December 2022, as follows: 49% of the product of (a) the net revenue for the trailing 12 calendar months and (b) a specified multiple, which is contingent on the revenue growth achieved since December 31, 2017. The contingent consideration payout cannot exceed \$51.5 million. If a certain revenue growth rate is not achieved, the Company is not required to pay any contingent payment. The contingent consideration payable to *Runa*'s former shareholders was re-measured at fair value, which reflects estimates, assumptions and expectations on *Runa*'s revenue and revenue growth as of the valuation date. A key factor in the contingent consideration calculation is whether the growth levels specified in the contract can be met within the four year time period immediately following the acquisition. The design of the payout is to reward for high growth in the initial years following the acquisition. As of September 30, 2022, we expect the contingent consideration to be zero. The contingent consideration will continue to be re-measured until the term of the agreement ends in December 2022. However, we do not believe that the *Runa* business will achieve the growth targets required to achieve an earn out and thus we expect that the contingent consideration will be zero at December 2022.

Other Income (Expense), Net

Unrealized Gain/(Loss) on Derivative Instruments

We are subject to foreign currency risks as a result of our inventory purchases and intercompany transactions. In order to mitigate the foreign currency risks, we and our subsidiaries enter into foreign currency exchange contracts which are recorded at fair value. Unrealized gain/(loss) on derivative instruments consists of gains or losses on such foreign currency exchange contracts which are unsettled as of period end. See “— Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Exchange Risk” for further information.

Foreign Currency Gain/(Loss)

Our reporting currency is the U.S. dollar. We maintain the financial statements of each entity within the group in its local currency, which is also the entity's functional currency. Foreign currency gain/(loss) represents the transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency. See “—Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Exchange Risk” for further information.

Interest Income

Interest income consists of interest income earned on our cash and cash equivalents, and money market funds.

Interest Expense

Interest expense consists of interest on our credit facilities and term loans.

Income Tax Expense

We are subject to federal and state income taxes in the United States and taxes in foreign jurisdictions in which we operate. We recognize deferred tax assets and liabilities based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates. We regularly assess the need to record a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Operating Segments

We operate in two reporting segments:

- ***Americas***—Comprised of our operations in the Americas region, primarily in the United States and Canada.
- ***International***—Comprised of our operations primarily in Europe, the Middle East, and the Asia Pacific regions.

Each segment derives its revenues from the following product categories:

- ***Vita Coco Coconut Water***—This product category consists of all branded coconut water product offerings under the *Vita Coco* labels, where the majority ingredient is coconut water. For these products, control is

transferred upon customer receipt, at which point the Company recognizes the transaction price for the product as revenue.

- **Private Label**—This product category consists of all private label product offerings, which includes coconut water and oil. The Company determined the production and distribution of private label products represents a distinct performance obligation. Since there is no alternative use for these products and the Company has the right to payment for performance completed to date, the Company recognizes the revenue for the production of these private label products over time as the production for open purchase orders occurs, which may be prior to any shipment.
- **Other**—This product category consists of all other products, which includes *Runa*, *Ever & Ever* and *PWR LIFT* product offerings, *Vita Coco* product extensions beyond coconut water, such as *Vita Coco Sparkling*, coconut milk products, and other revenue transactions (e.g., bulk product sales). For these products, control is transferred upon customer receipt, at which point the Company recognizes the transaction price for the product as revenue.

Results of Operations

Comparison of the Three & Nine Months Ended September 30, 2022 and 2021

The following table summarizes our results of operations for the three and nine months ended September 30, 2022 and 2021, respectively:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales	\$ 124,043	\$ 115,669	\$ 335,796	\$ 292,929
Cost of goods sold	91,467	77,168	254,868	201,368
Gross profit	32,576	38,501	80,928	91,561
Operating expenses				
Selling, general, and administrative	23,960	20,675	73,018	61,897
Income (loss) from operations	8,616	17,826	7,910	29,664
Other income (expense)				
Unrealized gain/(loss) on derivative instrument	952	(1,964)	6,416	1,250
Foreign currency gain/(loss)	(364)	(483)	(508)	(2,013)
Interest income	20	31	30	104
Interest expense	(130)	(127)	(213)	(319)
Total other income (expense)	478	(2,543)	5,725	(978)
Income before income taxes	9,094	15,283	13,635	28,686
Income tax expense	(1,836)	(2,296)	(3,011)	(6,277)
Net income	\$ 7,258	\$ 12,987	\$ 10,624	\$ 22,409

Net Sales

The following table provides a comparative summary of net sales by operating segment and product category:

(in thousands)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2022	2021	Amount	Percentage	2022	2021	Amount	Percentage
Americas segment								
Vita Coco Coconut Water	\$ 82,643	\$ 71,825	\$ 10,818	15.1 %	\$ 217,934	\$ 176,229	\$ 41,704	23.7 %
Private Label	24,786	25,973	(1,187)	(4.6)%	68,413	66,457	1,956	2.9 %
Other	1,367	3,135	(1,768)	-56.4 %	7,553	8,246	(693)	-8.4 %
Subtotal	108,796	100,933	7,863	7.8 %	293,900	250,932	42,968	17.1 %
International segment								
Vita Coco Coconut Water	10,637	10,093	\$ 544	5.4 %	30,110	26,445	\$ 3,665	13.9 %
Private Label	3,810	4,117	(306)	(7.4)%	9,521	9,648	(127)	(1.3)%
Other	800	526	275	52.3 %	2,265	5,904	(3,640)	(61.7)%
Subtotal	\$ 15,247	\$ 14,736	\$ 511	3.5 %	\$ 41,896	\$ 41,997	\$ (101)	(0.2)%
Total net sales	\$ 124,043	\$ 115,669	\$ 8,374	7.2 %	\$ 335,796	\$ 292,929	\$ 42,867	14.6 %

For the three months and nine months ended September 30, 2022, the primary driver of the consolidated net sales increase of 7.2% and 14.6%, respectively, was increased case equivalents ("CE") volume reflecting expanding consumer demand, primarily for our Vita Coco Coconut Water, coupled with benefits from net pricing actions.

Volume in Case Equivalent

The following table provides a comparative summary of our volume in CE, by operating segment and product category:

(in thousands)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2022	2021	Amount	Percentage	2022	2021	Amount	Percentage
Americas segment								
Vita Coco Coconut Water	8,670	7,605	1,065	14.0 %	23,269	19,482	3,787	19.4 %
Private Label	2,346	2,934	(588)	(20.0)%	7,213	7,643	(430)	(5.6) %
Other	200	326	(126)	(38.6)%	1,092	831	261	31.4 %
Subtotal	11,216	10,865	351	3.2 %	31,574	27,956	3,618	12.9 %
International segment*								
Vita Coco Coconut Water	1,581	1,463	118	8.1 %	4,412	3,890	522	13.4 %
Private Label	492	540	(48)	(8.9)%	1,326	1,327	(1)	(0.1) %
Other	13	7	6	84.2 %	38	213	(175)	(82.2) %
Subtotal	2,086	2,010	76	3.8 %	5,776	5,430	346	6.4 %
Total volume (CE)	13,302	12,875	427	3.3 %	37,350	33,386	3,964	11.9 %

Note: A CE is a standard volume measure used by management which is defined as a case of 12 bottles of 330ml liquid beverages or the same liter volume of oil.

* International Other excludes minor volume that is treated as zero CE.

Americas Segment

Americas net sales increased by \$7.9 million, or 7.8%, to \$108.8 million for the three months ended September 30, 2022 from \$100.9 million for the three months ended September 30, 2021. The increase is primarily driven by higher CE volume, as well as benefits from net pricing actions. Americas net sales increased by \$43.0 million, or 17.1%, to \$293.9

million for the nine months ended September 30, 2022 from \$250.9 million for the nine months ended September 30, 2021. The increase is primarily driven by a CE volume increase and benefits from net pricing actions.

Vita Coco Coconut Water net sales increased by \$10.8 million, or 15.1%, to \$82.6 million for the three months ended September 30, 2022, from \$71.8 million for the three months ended September 30, 2021. The increase was driven by higher CE volume and benefits from net pricing actions. Vita Coco Coconut Water net sales increased by \$41.7 million, or 23.7%, to \$217.9 million for the nine months ended September 30, 2022, from \$176.2 million for the nine months ended September 30, 2021. The increase was driven by higher CE volume and benefits from net pricing actions.

Private Label net sales decreased \$1.2 million, or 4.6%, to \$24.8 million for the three months ended September 30, 2022, from \$26.0 million for the three months ended September 30, 2021, mostly driven by lower CE volume partly offset by benefits from net pricing actions. Private Label net sales increased \$2.0 million, or 2.9%, to \$68.4 million for the nine months ended September 30, 2022, from \$66.5 million for the nine months ended September 30, 2021, mostly driven by benefits from net pricing actions which were partly offset by a CE volume decrease.

Net sales for Other products decreased by \$1.8 million, or 56.4%, to \$1.4 million for the three months ended September 30, 2022 from \$3.1 million for the three months ended September 30, 2021. Net sales for Other products decreased by \$(0.7) million, or 8.4%, to \$7.6 million for the nine months ended September 30, 2022 from \$8.2 million for the nine months ended September 30, 2021. Over the three and nine month periods ended September 30, 2022 the Company has strategically simplified the product assortment within this category to decrease complexity and maximize profitability.

International Segment

International net sales increased by \$0.5 million, or 3.5%, to \$15.2 million for the three months ended September 30, 2022, from \$14.7 million for the three months ended September 30, 2021. The increase was primarily driven by higher CE volume, particularly in the EMEA region, which was partly offset by an unfavorable foreign currency impact, particularly in relation to the US dollar strengthening against the GBP. For the three months ended September 30, 2022 compared to the same period ended September 30, 2021, the increase was driven by CE volume growth in Vita Coco Coconut Water and Other products, offset by CE volume decline in Private Label and an unfavorable impact from foreign currency. International net sales decreased by \$0.1 million, or 0.2%, to \$41.9 million for the nine months ended September 30, 2022, from \$42.0 million for the nine months ended September 30, 2021. The decrease is primarily driven by a decline in bulk product sales in our Asia Pacific region and an unfavorable foreign currency impact which were partly offset by positive growth in Vita Coco Coconut Water CE volume.

Vita Coco Coconut Water net sales increased by \$0.5 million, or 5.4%, to \$10.6 million for the three months ended September 30, 2022, from \$10.1 million for the three months ended September 30, 2021. The increase was driven by higher CE volume, primarily in the European region, which was partially offset by an unfavorable impact related to foreign currency. Vita Coco Coconut Water net sales increased by \$3.7 million, or 13.9%, to \$30.1 million for the nine months ended September 30, 2022, from \$26.4 million for the nine months ended September 30, 2021. The increase was driven by higher CE volume, primarily in the European region, which was partially offset by an unfavorable impact related to foreign currency.

For the three months ended September 30, 2022 compared to September 30, 2021, decreases in net sales from Private Label of \$0.3 million were driven primarily by CE volume decline in the Europe and Asia Pacific regions, which was partly offset by net pricing benefits. For the nine months ended September 30, 2022 compared to September 30, 2021, decreases in net sales from Private Label of \$(0.1) million were driven by a decline in CE volumes in the Asia Pacific region, which were partly offset by net pricing benefits.

Increases in net sales from Other products of \$0.3 million were driven primarily by higher CE volumes in our Europe region for the three months ended September 30, 2022 compared to September 30, 2021. Decreases in net sales from Other products of \$3.6 million were largely driven by decreased bulk sales in our Asia Pacific region for the nine months ended September 30, 2022 compared to September 30, 2021.

Gross Profit

(in thousands)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2022	2021	Amount	Percentage	2022	2021	Amount	Percentage
Cost of goods sold								
Americas segment	\$ 78,516	\$ 66,254	\$ 12,262	18.5 %	\$ 220,615	\$ 169,430	\$ 51,185	30.2 %
International segment	12,951	10,914	2,037	18.7 %	34,253	31,938	2,315	7.2 %
Total cost of goods sold	\$ 91,467	\$ 77,168	\$ 14,299	18.5 %	\$ 254,868	\$ 201,368	\$ 53,500	26.6 %
Gross profit								
Americas segment	\$ 30,279	\$ 34,679	\$ (4,400)	(12.7)%	\$ 73,285	\$ 81,502	\$ (8,217)	(10.1)%
International segment	2,297	3,822	(1,525)	(39.9)%	7,643	10,059	(2,416)	(24.0)%
Total gross profit	\$ 32,576	\$ 38,501	\$ (5,925)	(15.4)%	\$ 80,928	\$ 91,561	\$ (10,633)	(11.6)%
Gross margin								
Americas segment	27.8 %	34.4 %		(6.5)%	24.9 %	32.5 %		(7.5)%
International segment	15.1 %	25.9 %		(10.9)%	18.2 %	24.0 %		(5.7)%
Consolidated	26.3 %	33.3 %		(7.0)%	24.1 %	31.3 %		(7.2)%

On a consolidated basis, cost of goods sold increased \$14.3 million, or 18.5%, to \$91.5 million for the three months ended September 30, 2022, from \$77.2 million for the three months ended September 30, 2021. Cost of goods sold increased \$53.5 million, or 26.6%, to \$254.9 million for the nine months ended September 30, 2022, from \$201.4 million for the nine months ended September 30, 2021. On a consolidated and segment basis, the increases in both periods were primarily driven by higher CE volume and significant increases in transportation costs across ocean freight and domestic logistics.

On a consolidated basis, gross profit decreased \$5.9 million, or 15.4%, to \$32.6 million for the three months ended September 30, 2022, from \$38.5 million for the three months ended September 30, 2021. Gross profit decreased \$10.6 million, or 11.6%, to \$80.9 million for the nine months ended September 30, 2022, from \$91.6 million for the nine months ended September 30, 2021. The primary driver for both periods was strong top line growth driven by the continued underlying strength of our *Vita Coco* brand, offset by increased transportation costs due to the global shipping environment and domestic transportation pressures. As a result, gross margin declined approximately 7 percentage points to 26.3% for the three months ended September 30, 2022, as compared to 33.3% for the three months ended September 30, 2021 and reduced by 7 percentage points to 24.1% for the nine months ended September 30, 2022, as compared to 31.3% for the nine months ended September 30, 2021.

Operating Expenses

(in thousands)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2022	2021	Amount	Percentage	2022	2021	Amount	Percentage
Selling, general, and administrative	\$ 23,960	\$ 20,675	\$ 3,285	15.9 %	73,018	61,897	11,121	18.0 %

Selling, General and Administrative Expenses

During the three months ended September 30, 2022, selling, general and administrative, or SG&A, expenses increased by \$3.3 million, or 15.9% versus the three months ended September 30, 2021 and \$11.1 million, or 18.0% versus the nine months ended September 30, 2021. The increase was primarily driven by marketing and ongoing costs related to operating a public company including higher spend in personnel expenses and insurance for the three and nine months ended September 30, 2022 versus September 30, 2021. In the three and nine months ended September 30, 2022, the Company also recognized an impairment loss on the assets in Runa Ecuador that were classified as held for sale as described in Note 15 of the condensed consolidated financial statements.

Other Income (Expense), Net

(in thousands)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2022	2021	Amount	Percentage	2022	2021	Amount	Percentage
Unrealized gain/(loss) on derivative instruments	\$ 952	\$ (1,964)	\$ 2,916	148.5 %	\$ 6,416	\$ 1,250	\$ 5,166	(413.3 %)
Foreign currency gain/(loss)	(364)	(483)	119	24.6 %	(508)	(2,013)	1,505	74.8 %
Interest income	20	31	(11)	(35.5 %)	30	104	(74)	(71.2 %)
Interest expense	(130)	(127)	(3)	(2.4 %)	(213)	(319)	106	(33.2 %)
	<u>\$ 478</u>	<u>\$ (2,543)</u>	<u>\$ 3,021</u>	<u>118.8 %</u>	<u>\$ 5,725</u>	<u>\$ (978)</u>	<u>\$ 6,703</u>	<u>(685.4 %)</u>

Unrealized Gain/(Loss) on Derivative Instruments

For the three months ended September 30, 2022 and 2021, we recorded gains of \$1.0 million and losses of \$(2.0) million, respectively, for the mark-to-market changes in fair value on the outstanding derivative instruments for forward foreign currency exchange contracts. During the nine months ended September 30, 2022 and 2021, we recorded gains of \$6.4 million and gains of \$1.3 million, respectively, for the mark-to-market changes in fair value on the outstanding derivative instruments for forward foreign currency exchange contracts, with the largest gain for the nine months ended September 30, 2022 related to the contracts hedging the Brazilian real and British pounds. All forward foreign currency exchange contracts were entered into to hedge some of our exposures to the British pound, Canadian dollar, Brazilian real, Malaysian ringgit, and Thai baht.

Foreign Currency Gain/(Loss)

For the three months ended September 30, 2022, foreign currency loss was \$0.4 million, as compared to \$0.5 million loss for the three months ended September 30, 2021. Foreign currency loss was \$0.5 million for the nine months ended September 30, 2022, as compared to \$2.0 million loss for the nine months ended September 30, 2021. The change in all periods was a result of movements in various foreign currency exchange rates related to transactions denominated in currencies other than the functional currency.

Interest Income

The decrease in interest income for the three months ended September 30, 2022 compared to the same prior year period was immaterial reflecting the interest of 0.58% on the loan to the CEO described in Note 14, *Related-Party Transactions*, to our notes to the condensed consolidated financial statements. On September 16, 2021, the CEO of the Company repaid the outstanding principal balance and accrued interest on the promissory note. The decrease in interest income for the nine months ended September 30, 2022 compared to the same prior year period was immaterial.

Interest Expense

Interest expense decreased an immaterial amount for the three months ended September 30, 2022 compared to the same prior year period. For the nine months ended September 30, 2022, interest expense decreased \$0.1 million compared to the same prior year period.

Income Tax Expense

(in thousands)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2022	2021	Amount	Percentage	2022	2021	Amount	Percentage
Income tax expense	(1,836)	(2,296)	\$ 460	(20.0)%	\$ (3,011)	\$ (6,277)	\$ 3,266	(52.0)%
Tax rate	20.2 %	15.0 %			22.1 %	21.9 %		

Our quarterly income tax provision is based on an estimated annual effective tax rate applied to our consolidated year-to-date pre-tax income or loss. The effective income tax rate is based upon the estimated income for the year, the

composition of that income in different countries, and adjustments, if any, in the applicable quarterly periods for the potential tax consequences, benefits, resolutions of tax audits or other tax contingencies.

For the nine months ending September 30, 2021 and September 30, 2022, our effective tax rate was 22%. The effective tax rate for both periods is higher than the US statutory rate of 21% primarily as a result of state income taxes for the US company and other nondeductible expenses for tax purposes, and is partially offset by lower statutory tax rates in countries outside the US that the Company operates in. The change in effective tax rates between the periods is primarily driven by the jurisdictional mix of the Company's pre-tax profits and the relative impact of other non-deductible expense in relation to the pre-tax profits.

Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA are supplemental non-GAAP financial measures that are used by management and external users of our financial statements, such as industry analysts, investors and lenders. These non-GAAP measures should not be considered as alternatives to net income as a measure of financial performance or cash flows from operations as a measure of liquidity, or any other performance measure derived in accordance with GAAP and should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

These non-GAAP measures are a key metric used by management and our Board of Directors, to assess our financial performance. We present these non-GAAP measures because we believe they assist investors in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance and because we believe it is useful for investors to see the measures that management uses to evaluate the Company.

We define EBITDA as net income before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA with adjustments to eliminate the impact of certain items, including certain non-cash and other items, that we do not consider representative of our ongoing operating performance.

A reconciliation from net income to EBITDA and Adjusted EBITDA is set forth below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)		(in thousands)	
Net income	7,258	12,987	10,624	22,409
Depreciation and amortization	497	514	1,442	1,557
Interest income	(20)	(31)	(30)	(104)
Interest expense	130	127	213	319
Income tax expense	1,836	2,296	3,011	6,277
EBITDA	9,701	15,893	15,260	30,458
Stock-based compensation (a)	1,457	629	5,657	1,641
Unrealized (gain)/loss on derivative instruments (b)	(952)	1,964	(6,416)	(1,250)
Foreign currency (gain)/loss (b)	364	483	508	2,013
Other adjustments (c)	1,240	1,678	1,240	3,401
Adjusted EBITDA	\$ 11,810	\$ 20,647	\$ 16,249	\$ 36,263

(a) Non-cash charges related to stock-based compensation, which vary from period to period depending on volume and vesting timing of awards. We adjusted for these charges to facilitate comparison from period to period.

(b) Unrealized gains or losses on derivative instruments and foreign currency gains or losses are not considered in our evaluation of our ongoing performance.

(c) Reflects other charges inclusive of legal costs, an impairment loss related to assets held for sale, and other non-recurring expenses (including costs related to public company readiness preparation).

Liquidity and Capital Resources

Since our inception, we have financed our operations primarily through cash generated from our business operations and proceeds on borrowings through our credit facilities and term loans. We had \$21.2 million and \$28.7 million of cash and cash equivalents as of September 30, 2022 and December 31, 2021, respectively. We supplemented our liquidity needs with incremental borrowing capacity under the 2020 Credit Facility.

Considering recent market conditions and the continued result of the ongoing COVID-19 pandemic, we have reevaluated our operating cash flows and cash requirements and believe that current cash, cash equivalents, future cash flows from operating activities and cash available under our 2020 Credit Facility will be sufficient to meet our anticipated cash needs, including working capital needs, capital expenditures and contractual obligations for at least 12 months from the issuance date of the condensed consolidated financial statements included herein and the foreseeable future.

Our future capital requirements will depend on many factors, including our revenue growth rate, our working capital needs primarily for inventory build, our global footprint, the expansion of our marketing activities, the timing and extent of spending to support product development efforts, the introduction of new and enhanced products and the continued market consumption of our products, as well as any shareholder distribution either through equity buybacks or dividends. Our asset-lite operating model has historically provided us with a low cost, nimble and scalable supply chain, which has allowed us to adapt to changes in the market or consumer preferences while also efficiently introducing new products across our platform. We may seek additional equity or debt financing in the future in order to acquire or invest in complementary businesses, products and/or new IT infrastructures. In the event that we require additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in continued product innovation, we may not be able to compete successfully, which would harm our business, operations and financial condition.

Cash Flows

The following tables summarize our sources and uses of cash:

	Nine Months Ended September 30,		Change	
	2022	2021	Amount	Percentage
(in thousands)				
Cash flows provided by (used in):				
Operating activities	\$ (18,181)	\$ (16,351)	\$ (1,830)	(11.2 %)
Investing activities	(907)	(127)	(780)	(614.2 %)
Financing activities	12,153	(19,676)	31,829	161.8 %
Effects of exchange rate changes on cash and cash equivalents	(544)	(117)	(427)	n/m
Net (decrease)/increase in cash and cash equivalents	\$ (7,479)	\$ (36,271)	\$ 28,792	79.4 %

n/m—represents percentage calculated not being meaningful

Operating Activities

Our main source of operating cash is payments received from our customers. Our primary use of cash in operating activities are for cost of goods sold and SG&A expenses.

During the nine months ended September 30, 2022, \$1.8 million more net cash was used in operating activities compared to the nine months ended September 30, 2021. The higher cash use was driven by lower profitability after adjusting for non-cash items, primarily reflecting elevated transportation costs and increased SG&A expenses to further expand our capabilities as a public company, partially offset by improvements in timing of working capital.

Investing Activities

During the nine months ended September 30, 2022 as compared to nine months ended September 30, 2021, cash used in investing activities increased driven by cash paid for property and equipment.

Financing Activities

During the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, net cash provided by financing activities was \$32 million higher, resulting from a one-time share buyback of \$50 million recorded in the nine months ended September 30, 2021 to repurchase 5,192,005 shares of treasury stock from RWVC S.a.r.l, a principal stockholder. Additionally, increase is also driven by cash proceeds from settlement of loan to a stockholder, net lower repayments to the 2020 Credit Facility period over period, partially offset by cash receipts from 2021 Term Loan during third quarter of 2021. For further discussion of the stock repurchase, see Note 10, *Stockholder's Equity*, and Note 14, *Related-Party Transactions*, respectively, in the condensed consolidated financial statements.

Debt

We had debt outstanding of \$9.6 million as of September 30, 2022, compared to \$0.1 million as of December 31, 2021. The outstanding balance as of September 30, 2022 related to borrowings under the 2020 Credit Facility and vehicle loans. The outstanding balance as of December 31, 2021 related to vehicle loans.

2020 Credit Facility

In May 2020, we entered into a five-year credit facility ("2020 Credit Facility") with Wells Fargo consisting of a revolving line of credit, which provided for committed borrowings of \$50 million and a \$10 million non-committed accordion feature. The 2020 Credit Facility was further amended in May 2021 and October 2021, and currently provides for committed borrowings of \$60 million. We may repay outstanding balances under the 2020 Credit Facility at any time without premium or penalty. Borrowings under the 2020 Credit Facility bear interest at a rate per annum equal to, at our option, either (a) adjusted LIBOR (or current LIBOR replacement rate), which shall not be less than 0.0%, plus the applicable rate or (b) base rate (determined by reference to the greatest of the prime rate published by Wells Fargo, the federal funds effective rate plus 1.5% and one-month LIBOR (or current LIBOR replacement) plus 1.5%). The applicable rate for LIBOR borrowings under the 2020 Credit Facility is subject to step-downs based on our total net leverage ratio (as defined in the credit agreement) for the immediately preceding fiscal quarter. In addition, the Company is currently subject to an unused commitment fee ranging from 0.05% to 0.20% on the unused amount of the line of credit, with the rate being based on the Company's leverage ratio (as defined in the credit agreement). The maturity date on the 2020 Credit Facility is May 12, 2026.

The outstanding balance on the 2020 Credit Facility was \$9.5 million and zero as of September 30, 2022 and December 31, 2021, respectively. As of September 30, 2022, we were compliant with all financial covenants.

Vehicle Loans

We periodically enter into vehicle loans. Interest rates on these vehicle loans range from 4.56% to 5.68%. The outstanding balance on the vehicle loans as of September 30, 2022 was less than \$0.1 million.

For additional information, see Note 6, *Debt*, in our condensed consolidated financial statements included in this Form 10-Q.

Contractual Obligations and Commitments

There have been no material changes to our contractual obligations from those described in the Form 10-K.

Critical Accounting Policies and Significant Judgments and Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of our consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and expenses, and the disclosure of contingent assets and liabilities in our consolidated financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

Our critical accounting policies are described under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Significant Judgments and Estimates” in the Form 10-K and the notes to the unaudited condensed consolidated financial statements appearing in this Quarterly Report on Form 10-Q. During the three months ended September 30, 2022, there were no material changes to our critical accounting policies from those discussed in our Form 10-K.

Recent Accounting Pronouncements

A description of recently adopted and issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2, *Summary of Significant Accounting Policies*, to our condensed consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q. We adopted ASC 842, Leases, as of January 1, 2022 as described in Note 2.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate sensitivities.

As of September 30, 2022, the outstanding amounts of \$9,500 under our 2020 Credit Facility incurs interest fees at variable interest rates and are affected by changes in the general level of market interest rates. To quantify our exposure to interest rate risk, a 100 basis point increase or decrease to the applicable variable rates of interest would change our annual interest expense by approximately \$0.1 million per year based on the borrowings as of September 30, 2022 under the 2020 Credit Facility.

Foreign Currency Exchange Risk

We transact business globally in multiple currencies and hence have foreign currency risks related to our net sales, cost of goods sold, and operating expenses for those transactions not conducted in US dollars. We use derivative financial instruments to reduce our net exposure to foreign currency fluctuations. Our objective in managing exposure to foreign currency fluctuations is to reduce the volatility caused by foreign exchange rate changes on the earnings, cash flows and financial position of our international operations. We generally target to hedge a majority of our forecasted yearly foreign currency exchange exposure through a 24-month rolling layered approach and leave a portion of our currency forecast floating at spot rate. Our currency forecast and hedge positions are reviewed quarterly. The gains and losses on the forward contracts associated with our balance sheet positions are recorded in “Other income (expense), net” in the condensed consolidated statements of operations.

The total notional values of our forward exchange contracts were \$90.0 million and \$89.1 million as of September 30, 2022 and December 31, 2021, respectively. The derivatives on the forward exchange contracts resulted in an unrealized gain of \$6.4 million for the nine months ended September 30, 2022, and we estimate that a 10% strengthening or weakening of the U.S. dollar would have resulted in a approximately \$3.7 million gain or loss.

A portion of our cash and cash equivalents are denominated in foreign currencies. As of September 30, 2022, a 1% change in the value of the U.S. dollar compared to foreign currencies would have caused our cash and cash equivalents to decrease or increase by \$0.1 million. As of December 31, 2021, a 1% change in the value of the U.S. dollar compared to foreign currencies would have caused our cash and cash equivalents to decrease or increase by \$0.1 million.

Inflation Risk

Inflation generally affects us by increasing our cost of transportation, manufacturing and headcount related costs, and may affect consumer spending and behavior. In the nine months ended September 30, 2022, we continue to experience significant inflation caused by COVID-19 related global supply chain disruptions which put pressure on our costs and margins. More specifically, there was a significant escalation of transportation costs, primarily ocean freight costs due to shipping and ports constraints and in domestic logistics. Reported finished goods costs to date have been relatively stable year over year, benefiting from the strength of the US dollar.

Credit Risk

We are exposed to concentration of credit risk from our major customers. In the three months ended September 30, 2022, sales to two customers represented approximately 55% of our consolidated net sales. We have not experienced credit issues with these customers. We maintain provisions for potential credit losses and evaluate the solvency of our customers on an ongoing basis to determine if additional allowances for doubtful accounts and customer credits need to be recorded. Significant economic disruptions or a slowdown in the economy could result in significant additional charges.

Item 4. Controls and Procedures.

Limitations on effectiveness of controls and procedures

In designing and evaluating our disclosure controls and procedures, 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. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of disclosure controls and procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, 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 September 30, 2022, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may be involved in various claims and legal proceedings related to claims arising out of our operations. We are not currently a party to any material legal proceedings, including any such proceedings that are pending or threatened, of which we are aware.

Item 1A. Risk Factors.

Please refer to Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 for a description of certain significant risks and uncertainties to which our business, financial condition and results of operations are subject. There have been no material changes to these risk factors as of September 30, 2022.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed / Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Second Amended and Restated Certificate of Incorporation.	8-K	001-40950	3.1	10/25/21	
3.2	Amended and Restated Bylaws.	8-K	001-40950	3.2	10/25/21	
4.1	Specimen Common Stock Certificate of The Vita Coco Company, Inc.	S-1	333-29825	4.1	9/27/21	
4.2	Registration Rights Agreement, by and among The Vita Coco Company, Inc. and certain security holders of The Vita Coco Company, Inc., dated as of October 20, 2021.	8-K	001-40950	10.1	10/25/21	
4.3	Investor Rights Agreement, among The Vita Coco Company, Inc., Verinvest Beverages SA, Michael Kirban and Ira Liran, dated as of October 20, 2021.	8-K	001-40950	10.2	10/25/21	
10.1	First Amendment to Employment Agreement, by and between The Vita Coco Company, Inc. and Michael Kirban, effective as of May 2, 2022.					*
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).					*
31.2	Certification of Interim Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).					*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.					**
32.2	Certification of Interim Chief Financial Officer pursuant to 18 U.S.C. Section 1350.					**
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	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

THE VITA COCO COMPANY, INC.

Date: November 10, 2022

By: _____
/s/ Martin Roper
Martin Roper
Chief Executive Officer and Director
(Principal Executive Officer)

Date: November 10, 2022

By: _____
/s/ Rowena Ricalde
Rowena Ricalde
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 10.1

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This First Amendment to the Amended and Restated Employment Agreement (this "Amendment") is made and entered into as of May 2, 2022, by and between THE VITA COCO COMPANY, INC., a Delaware corporation (together with its predecessors and successors, the "Corporation") and MICHAEL KIRBAN (the "Employee").

WITNESSETH:

WHEREAS, the Corporation and the Employee previously entered into that certain Amended and Restated Employment Agreement, made and entered into as of October 20, 2021 (the "Agreement"), pursuant to which Employee currently is employed by the Corporation; and

WHEREAS, the Corporation and the Employee wish to enter into this Amendment to modify certain terms of the Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, it is hereby covenanted and agreed by the Corporation and the Employee as follows:

1. Amendment to Section 4(d). Section 4(d) of the Agreement is hereby deleted in its entirety and hereby replaced with the following new Section 4(d):

"(d) Termination by the Corporation without Cause. The Corporation may terminate the Employee's employment hereunder without Cause at any time after July 1, 2023 by providing sixty (60) days written notice to the Employee; provided that such notice may be provided prior to July 1, 2023. The Corporation may not terminate the Employee's employment without Cause prior to July 1, 2023. For purposes hereof, the determination to remove the Employee without Cause shall be made by the Board as follows: (i) from July 1, 2023 through June 30, 2024, any termination without Cause shall be determined by a supermajority vote of the Board (i.e., the vote of all directors other than the vote of the directors appointed by the Employee) and (ii) from July 1, 2024 through the remainder of the Employment Period, any termination without Cause shall be determined by a simple majority vote of the Board. For the avoidance of doubt, nothing herein shall limit the Corporation's right to terminate the Employee's employment for Cause, at any time, in accordance with this Agreement."

2. Amendment to Sections 5(a)(iii). Section 5(a)(iii) of the Agreement is hereby deleted in their entirety and such Sections are hereby replaced with the following new Section 5(a)(iii):

"(iii) For purposes of clarity, nothing contained herein shall permit the Corporation to terminate Employee's employment without Cause prior to July 1, 2023, nor shall anything limit the Employee's recourse if the Employee is terminated in contravention of this Agreement at any time during the Employment Period."

3. Amendment to Sections 5A(b) and (c). Sections 5A(b) and (c) of the Agreement is hereby deleted in their entirety and such Sections are hereby replaced with the following new Sections 5A(b) and (c), respectively:

"(b) From and after July 1, 2023 and through June 30, 2024, the Board by a supermajority vote (i.e., the vote of all directors other than the directors appointed by the Employee) may elect to move the Employee from a full-time employee to a part-time employee of the Corporation, without being deemed in

breach of this Agreement (and the Employee shall not make a claim that such change constitutes Good Reason or an effective termination of the Employee's position without Cause).

“(c) From July 1, 2024 through the remainder of the Employment Period, the Board by a simple majority vote may elect to move the employee from a full-time employee to a part-time employee of the Corporation, without being in breach of this Agreement (and the Employee shall not make a claim that such change constitutes Good Reason or an effective termination of the Employee's position without Cause).”

4. Status of Agreement. Except to the limited extent expressly amended hereby, the Agreement and its terms and conditions remain in full force and effect and unchanged by this Amendment. Capitalized terms used herein but not defined herein shall have the meanings ascribed such terms in the Agreement.
5. Counterparts and Facsimile Signatures. This Amendment may be executed in one or more counterparts hereof, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile signatures are permitted and shall be binding for purposes of this Amendment.

IN WITNESS WHEREOF, the Employee and the Corporation have executed this Amendment as of the day and year first above written.

Employee

/s/ Michael Kirban

MICHAEL KIRBAN

Corporation

THE VITA COCO COMPANY, INC.

/s/ Martin Roper

By: Martin Roper

Title: Chief Executive Officer

Exhibit 31.1

CERTIFICATION

I, Martin Roper, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Vita Coco Company, 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and 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) [Omitted];
 - (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 officers 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 10, 2022

By: /s/ Martin Roper
Martin Roper
Chief Executive Officer

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

I, Rowena Ricalde, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Vita Coco Company, 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and 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) [Omitted];
 - (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 officers 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 10, 2022

By: /s/ Rowena Ricalde
Rowena Ricalde
Interim 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**

In connection with the Quarterly Report on Form 10-Q of The Vita Coco Company, Inc. (the "Company") for the period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Martin Roper, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Date: November 10, 2022

By: /s/ Martin Roper
Martin Roper
Chief Executive Officer
(Principal Executive Officer)

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

In connection with the Quarterly Report on Form 10-Q of The Vita Coco Company, Inc. (the “Company”) for the period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Rowena Ricalde, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Date: November 10, 2022

By: /s/ Rowena Ricalde
Rowena Ricalde
Interim Chief Financial Officer
(Principal Financial Officer)