

Risk Factors Comparison 2025-03-13 to 2024-03-07 Form: 10-K

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Our business is subject to numerous risks and uncertainties, including those described in Part II, Item 1A. "Risk Factors" in this Annual Report on Form 10-K. Some of the factors that could materially and adversely affect our business, financial condition, results of operations or prospects include, but are not limited to, the following:

- We are subject to risks related to the operation of our business, including, but not limited to, our ability to execute our business strategy, manage our growth and our inventories, and attract and retain qualified personnel.
- As a purveyor of licensed pop culture consumer products, we are largely dependent on content development and creation by third parties, and are subject to a number of related risks including, but not limited to, the creation of compelling content by licensors, and the market appeal of the properties we license and the products we create.
- We are subject to risks related to the retail industry including, but not limited to, potential negative impacts of global and regional economic downturns, changes in retail practices, and our ability to maintain and further develop relationships with our retail customers and distributors.
- We are subject to risks related to intellectual property, including our ability to obtain, protect and enforce our intellectual property rights and our ability to operate our business without violating the intellectual property rights of other parties.
- Our success is dependent on our ability to manage fluctuations in our business, including fluctuations in gross margin, seasonal impacts and fluctuations due to the timing and popularity of new product releases.
- Our substantial sales and manufacturing operations outside the United States subject us to risks associated with international operations, including, but not limited to, changes in the global trade markets, as well as fluctuations in foreign currency or tax rates.
- Our business depends in large part on our third-party vendors, manufacturers and outsourcers, and our reputation and ability to effectively operate our business may be harmed by actions taken by these third parties outside of our control.
- We are subject to potential legal risks including, but not limited to, ongoing securities class action litigation, future product liability suits or product recalls, or risks associated with failure to comply to the various laws and regulations to which we are subject, any of which could have a significant adverse effect on our financial condition and results of operations.
- We are subject to risks related to information technology including, but not limited to, risks related to the operation of our e-commerce business, our ability to operate our information systems and our compliance with laws related to privacy and the protection of data.
- Our indebtedness could adversely affect our financial health and competitive position, and we may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.
- TCG has significant influence over us, and its interests may conflict with the interests of our other stockholders.
- There are risks related to our organizational structure, including the Tax Receivable Agreement, which confers certain benefits upon the Continuing Equity Owners that will not benefit Class A common stockholders to the same extent as it will benefit the Continuing Equity Owners.
- There are risks associated with the ownership of our Class A common stock including, but not limited to, potential dilution by future issuances and volatility in the price of our Class A common stock.

PART I ITEM 1. BUSINESS Overview Funko is a leading pop culture lifestyle brand. Our business is built on the belief that everyone is a fan of something, and Funko aims to have something for every fan. We create whimsical, fun and unique products that enable fans to express their affinity for their favorite "something"—whether it is a movie, TV show, video game, musician or sports team. We infuse our distinct designs and aesthetic sensibility into our extensive portfolio of licensed content over a wide variety of product categories, including figures, bags, wallets, apparel, accessories, plush, homewares, and digital non-fungible tokens ("NFTs"), which we make available at highly accessible price points under our Funko, Loungefly and Mondo brands. We believe we sit at the nexus of pop culture—content providers value us for our ability to connect fans to their properties with our creative products and broad distribution; retailers value us for our broad portfolio of licensed pop culture products that we can curate to resonate with their consumers; and consumers value us for our distinct, stylized products and the content they represent. We believe our innovative product design and market positioning have disrupted the licensed product markets and helped to define today's pop culture products category. The Pop Culture Industry Pop culture encompasses virtually everything that someone can be a fan of—movies, TV shows, anime, video games, music, sports, books and more. Pop culture fandom has evolved from niche communities around specific properties to having a broad presence in modern life. Today, there is more quality content than ever before and technology innovation has made that content accessible anytime, anywhere. Social media has further allowed for fans to share their love and form communities more easily than before. Everyday interactions at home, work or with friends, whether in person or through social media, are increasingly influenced by pop culture. The Forces at Work in The Pop Culture Industry Technology Innovation The proliferation of mobile technology, and the emergence of new content distribution services have enabled fans to connect and engage with content anywhere, at any time, in larger "binge" quantities. An increasing array of content and greater accessibility have led to more fans spending more time per day consuming content. In addition, fans can develop a deeper affinity for content due to the increased prevalence of platforms and events where they can share their passion with other fans (such as through social media, blogs, YouTube, podcasts and online games). The accelerated pace of content discovery and sharing has created an environment where niche content can quickly become mainstream, resulting in more content becoming part of pop culture. Evolution of Content Content providers have increasingly focused on creating original scripted and franchise content that has broad global appeal and potential for sequels and brand extensions. Additionally, there has been an increase in high-quality scripted television series in recent years as content providers vie for binge-worthy shows to attract consumers. Although recent strikes by the Writers Guild of America and the Screen Actors Guild have interrupted content creation, we expect content providers to continue to invest in new high-quality original content. The proliferation and globalization across content types has fostered fan loyalty and stimulated licensed product purchases. Dedicated and Active Fan Base We believe pop culture fans

possess distinguishing characteristics that make them highly valuable consumers. Like sports fans, fans of other forms of pop culture identify strongly with their favored properties, and have a natural tendency to form social communities around them. Furthermore, as it becomes increasingly easy to access a large quantity of quality content, fans seek more ways to expand and express connections to their favored characters or properties as they share their passion with others. As a result, consumers are participating in the story of these properties via social media platforms and conventions, such as Comic-Con, Anime Expo and Star Wars Celebration, rather than being solely consumers of content. By being a part of the conversation regarding their favored content, fans reinforce their love for it, thereby creating a cycle of fandom.

Growing Cultural Relevance As pop culture engagement has increased, we believe fandom has become a pastime, and fans are more openly passionate about all forms of pop culture. Social media is driving the importance of pop culture as fans increasingly want to engage with the content across their social communities to show affinity for their favorite content. Three of the top U. S. pop culture-related conventions, including New York Comic Con, Comic-Con International: San Diego and Anime Expo 2023, drew sell-out crowds and reaching capacity at each event location. This represents a cultural shift supporting the acceptability of fan affinity for pop culture content across all demographic categories of fans.

Our Strategic Differentiation Deep and Extensive Licensing Partnerships We have strong licensing relationships with many established content providers and strive to partner with content providers across multiple genres, including movies, television, video games, anime, sports, and music. In 2023, we had license agreements with over 250 content providers covering approximately 900 active licensed properties. We believe our numerous licensing relationships have allowed us to build one of the largest portfolios of licensed property in our industry, from which we can create multiple products based on each character within those properties. Content providers trust us to create unique extensions of their intellectual property that extend the relevance of their content with consumers through ongoing engagement, helping to maximize the lifetime value of their content. We believe we have benefited from a trend of content providers consolidating their relationships to do more business with fewer licensees. As a trusted steward with a strong retail distribution network and connection with the end user, we believe we have benefited from this trend. Further, we have historically been able to renew productive licenses on commercially reasonable terms, which positions us to benefit from the ongoing desire of consumers to engage with and show affinity for their favorite pop culture content.

Diverse Range of Properties We strive to license every pop culture property that we believe is relevant to our consumers. Over the last decade, we have built strong relationships with content providers and currently have a catalog of licenses covering hundreds of properties that we believe is one of the industry's largest. Our licensed property portfolio encompasses a diverse range of genres to ensure our products have broad consumer appeal. Many of our licensed properties are "evergreen" in nature — properties that are not tied to a current or new content release, such as Mickey Mouse, Harry Potter or classic Batman. We often have visibility into the new release schedule of our content providers and our expansive license portfolio allows us to dynamically manage new product creation. This allows us to adjust the mix of products based on evergreen properties and new releases, depending on the media release cycle. As a result, we can manage our business to capitalize on pop culture trends, which has allowed us to lessen our dependence on individual content releases. This allows our business to be diversified across properties, as well as evergreen and current content. For the years ended December 31, 2023, 2022 and 2021, no single property accounted for more than 6% of our sales, and the portion of our sales for the years ended December 31, 2023, 2022 and 2021 attributable to our top five properties was 17%, 18% and 20%, respectively. Additionally, the portion of our sales related to evergreen properties for the years ended December 31, 2023, 2022 and 2021 was approximately 67%, 64% and 67%, respectively.

Broad Portfolio of Brands We create products to attract a broad array of fans across consumer demographic groups. We believe our broad appeal comes from our large selection of licenses and properties that we apply across a variety of product categories and brands. We do not limit ourselves by targeting discrete demographics such as only collectors or children seeking the latest (and often short-lived) toy craze. We strive to have something for everyone by offering figures and other product categories including bags, wallets, apparel, plush, accessories, homewares and more. We expect to continue to look for ways to diversify our product offerings to reach an even broader group of consumers. In addition to offering multiple properties and product categories, we create and sell a variety of unique brands that have their own look and feel. Our brand portfolio includes Core Collectibles (which include Pop! Vinyl, as well as other branded lines such as Soda, Bitty Pop!, and Pop! Yourself), Loungefly (softlines including bags, wallets, backpacks and apparel) and Other (which includes our emerging brands, such as Digital Pop! and Mondo). The portion of sales attributed to Core Collectible branded products in the years ended December 31, 2023, 2022 and 2021 was 73%, 76% and 80%, respectively. The portion of sales attributed to Loungefly branded products in the years ended December 31, 2023, 2022 and 2021 was 20%, 19% and 15%, respectively. The portion of sales attributable to Other branded products in the years ended December 31, 2023, 2022 and 2021 was 7%, 5%, and 5%.

Broad Consumer Appeal and Engagement Fans are increasingly looking for ways to express their affinity for and engage with their favorite pop culture content. Over time, many of our consumers evolve from occasional buyers to more frequent purchasers, whom we categorize as enthusiasts or collectors. We estimate that enthusiasts, who are more engaged in pop culture, and collectors, who regularly purchase our products and self-identify as collectors, each make up approximately one-third of our consumers. We create products to appeal to a broad array of fans across consumer demographic groups. We strive to keep our products at an accessible price point, generally under \$15 for our figures, which allows our fans to express their fandom frequently and impulsively. We continue to introduce innovative products designed to facilitate fan engagement across different price points and categories. Our fans routinely express their passion for our products and brands through social media and live pop culture events, such as Comic-Con or our own Funko themed events. Additionally, we seek to drive direct engagement with our fans through in-person experiences at our flagship retail stores and fan events, as well as digitally through our websites, mobile application and various social media platforms. We believe we have one of the largest and most engaged fan bases in our industry, driven by their passion and love of our unique products and the properties we represent.

Diversified Global Distribution Network We sell our products through a diverse network of retail customers across multiple retail channels, including specialty retailers, mass-market retailers, and e-commerce

sites, as well as directly to consumers primarily through our owned websites and two flagship retail stores. We can provide our retail customers a customized product mix designed to appeal to their consumer bases. Our key retail partners in the United States include Target, Amazon, GameStop and Hot Topic. Internationally, we sell our products directly to similar retailers, primarily in Europe, through our subsidiary Funko UK, Ltd. Our key international retail customers include Amazon, GameStop, and Fnac. We believe we drive meaningful traffic to our retail customers' stores because our products have their own built-in fan base, are refreshed regularly creating a "treasure hunt" shopping experience for consumers, and are often supplemented with exclusive, limited-time products that are highlighted on social media. We believe these merchandising strategies create a sense of urgency with consumers that encourages repeat visits to our retail customers. Additionally, we are continuing to invest in our direct-to-consumer channel to expand our reach and further strengthen our relationship with our fan base. Our direct-to-consumer channel includes our own e-commerce websites in the U. S. and Europe as well as our two flagship retail stores located in the U. S. In 2022, we launched a secondary market resale channel directly through eBay. **Leading Design and Creative Capabilities** Our in-house creative team layers our own whimsical, fun and distinct stylization onto content providers' characters, creating unique products for which there is substantial consumer demand. We believe content providers trust us with their properties, and consumers passionately engage with our products and brands because of our creativity. In addition, our creativity and designs allow us to reinvigorate classic evergreen content by infusing a fresh, unique aesthetic into characters that enjoy enduring passion and nostalgia from fans. With the help of our in-house creative team, we have also developed our own proprietary intellectual property, such as our Pop! Yourself. As a result of our creative capabilities and broad portfolio of licenses, we create a substantial number of new products each year. **Growth Strategies** Grow our Core Pop Culture Business We intend to grow our core business by utilizing our strength in building fun, creative and nostalgic programs at retail through: (1) leveraging an increasing array of content, categories and distribution; (2) creating programs that utilize evergreen content with a focus on targeting underpenetrated content genres to expand our addressable market; and (3) continued product innovation to bring new designs and products to market. We also intend to continue licensing content that will allow us to capitalize on the popularity of current releases across movies, TV shows, video games, and other content types, and to leverage those licenses across a broader array of products and expanded distribution to reach new consumers. We have the ability to leverage evergreen or back catalog content by creating fun, whimsical and nostalgic programs to be sold at retail that resonate with fans. Our evergreen programs include new versions of well-known characters or new product form factors such as Bitty Pop!. Additionally, we intend to strategically focus on growing within genres that we believe we have underpenetrated, such as anime, sports and music. We expect to do this by expanding our license portfolio, creating new products or designs that resonate with fans and strategically expanding our distribution of these products. Within anime, we continue to add new license relationships with multiple new properties. In the sports category, we are continuing to leverage our broad range of sports licenses. Additionally, within the music category, we are expanding our license base to include more artists. We expect to continue to utilize our in-house creative team to create new designs, products and brands that resonate with our core consumers. **Extend Funko's International Reach** We believe the rise of pop culture and deep fan loyalty are global. We believe our sales are currently underpenetrated internationally as we generate the majority of our net sales in the United States. Sales generated from customers outside of the United States accounted for approximately 31%, 27% and 28% of our sales for the years ended December 31, 2023, 2022 and 2021, respectively. We are continuing to invest in the growth of our international business, primarily in Europe, both directly and through third party distributors. In 2020, we launched our own e-commerce website in Europe, www.funkoeurope.com which has since expanded into additional countries throughout Europe. We believe there are opportunities to further grow our sales in other regions, such as Latin America, Canada, Oceania and APAC, by expanding our direct sales to retailers or through distributor relationships. **Increase our Direct-to-Consumer Business** We view our direct-to-consumer business, which includes our e-commerce websites, www.funko.com, www.funkoeurope.com, www.loungefly.com, and www.mondoshop.com and two flagship retail stores, as a significant growth opportunity and an important vehicle for expanding our reach and broadening our relationship with our fans. We plan to build a robust online platform and to enhance our digital capabilities to provide the infrastructure to scale this business over the long-term. In 2023, we launched a website platform in the U. S. that consolidated our brands under one online shopping cart. Our direct-to-consumer strategy also provides us with an opportunity to utilize data and trend analysis to inform our overall business strategy. We believe our direct-to-consumer business will help us strengthen our connection with our fans, deepen consumer engagement to drive customer lifetime value, build brand awareness with new audience segments, and support our retail customers. In addition, we plan to leverage our direct-to-consumer business to bring new products and licenses to market quickly to keep pace with rapidly evolving pop culture trends. **Product Lines and Licenses** We sell a broad array of licensed pop culture consumer products featuring characters from an extensive range of media and entertainment content, including movies, TV shows, video games, music and sports. Our products combine our proprietary brands and distinct designs and aesthetic sensibilities into properties we license from content providers. We seek to license content that will allow us to capitalize on the popularity of current movies, TV shows, video games, music and other content releases, as well as classic evergreen properties, which are not tied to a current or new release, and which are less subject to pop culture trends. Additionally, by utilizing our in-house creative team we have the ability to develop our own content and intellectual property. Our current products are principally figures, fashion accessories, apparel, plush products, accessories, homewares, and NFTs. **Our Brands and Designs** Under the Funko brand, we have multiple proprietary brands under which most of our products are marketed. Currently, our principal proprietary brands include Pop!, Loungefly and Mondo. Pop!, introduced in 2010, is our most well-recognized brand. The Pop! Vinyl stylized design incorporates a rounded square head that typically consists of no mouth and a very simple nose. Our standard Pop! Vinyl figure stands about four inches tall. The Pop! brand has also been applied across many of our other product categories, including games, plush, accessories, apparel and homewares. **Core Collectible Branded Products**, which include Pop! Vinyl, represented 73%, 76% and 80% of our sales in 2023, 2022 and 2021, respectively. Our Loungefly branded products are generally fashion

accessories including stylized handbags, backpacks, wallets, clothing, and other accessories. Loungefly branded products represented 20 %, 19 % and 15 % in 2023, 2022 and 2021, respectively. Other brands we market under include Mystery Minis, Bitty Pop!, and Pop! Yourself. In addition, we also develop product lines that we market under the broader Funko brand, such as Funko action figures, Funko Soda, and Funko Plush product lines. In 2022, we completed our acquisition of Mondo Collectibles, a boutique collectibles brand specializing in high-end collectibles as well as limited edition art prints and vinyl records. We expect to continue to develop new product designs and lines, which may develop into proprietary brands in the future.

Our Licenses Licensors. We have strong licensing relationships with many established content providers and seek to establish new licensing relationships with content providers in order to capitalize on new and emerging trends in pop culture. We believe we also provide value to content providers by maximizing the lifetime value of their content by extending its relevance to consumers through ongoing fan engagement.

License Agreements. Our license agreements permit us to use the intellectual property of our licensors in connection with the products we design and sell. These license agreements typically provide that our licensors own the intellectual property rights in the products we design and sell under the license, and as a result, upon termination of the license, we no longer have the right to sell these products. A number of these license agreements relate to properties that are significant to our business and operations. Our license agreements typically have terms of between two and three years and are not automatically renewable. However, we believe we have strong relationships with our licensors, and have historically been able to renew productive licenses on commercially reasonable terms. Our license agreements require us to make royalty payments to the licensor based on our sales of the licensed product and, in some cases, require us to incur other charges. For the years ended December 31, 2023, 2022 and 2021, the average royalty rate was 16.4 %, 16.1 % and 15.7 %, respectively. Our royalty expense for any given year will vary depending on the mix of products and properties sold during that year. For the years ended December 31, 2023, 2022 and 2021, we incurred royalty expenses of \$ 179.7 million, \$ 213.1 million and \$ 161.6 million, respectively. Our licenses are generally not exclusive. In addition, the rights that licensors grant to us are typically limited to specific properties, product categories, territories and, in some cases, sales channels. In addition, our license agreements usually require us to obtain the licensor's approval of products we develop under the license prior to making any sales. They also typically provide for a minimum guarantee that covers all licensed properties under that license agreement, a portion of which is generally required to be paid in advance, and the amount of which is negotiated based on a variety of factors, including past and expected sales and the licensor's expected line-up of new releases. Historically, we have a strong track record for meeting minimum guarantees under our license agreements. For the years ended December 31, 2023, 2022 and 2021, we recorded reserves of \$ 4.5 million, \$ 0.8 million and \$ 0.7 million, respectively, related to prepaid royalties we estimated would not be recovered through sales. For the year ended December 31, 2023, 31 % of sales were related to the Company's five largest license agreements, with no individual license agreement accounting for more than 10 % of sales. For the year ended December 31, 2022, 13 % of sales were related to the Company's largest license agreement, with no other license agreement accounting for more than 10 % of sales. For the year ended December 31, 2021, 26 % of sales were related to the Company's two largest license agreements (13 % each) with no other license agreements accounting for more than 10 % of sales.

Licensed Properties. We strive to license every pop culture property that we believe is relevant to consumers. What we consider to be a property will vary based on the terms of the underlying license agreement. In general, we consider each content title to constitute a single property. In some instances, however, a property may consist of an entire franchise or even a single character, particularly in our classic evergreen category. We primarily divide our licensed properties between classic evergreen and current or new releases. We also license certain properties that fall outside of these main categories.

- **Classic Evergreen.** Properties in the classic evergreen category are based on movies, TV shows, video games, music, sports or other entertainment content that is not tied to a new or current release at the time we release the product. As a result, products that we design and sell based on these properties generally do not have a defined duration of market demand. Examples of our classic evergreen properties include Star Wars Classic, Harry Potter, DC Comics, Marvel Comics, Pokémon and WWE.
- **Current Releases.** Properties in the current release category typically are tied to new movie releases, current television series or new video game titles. These properties are intended to capitalize on the excitement of fans surrounding the launch of new content. Products that we design and sell based on new movie releases are expected to have a limited duration of market demand, depending on the popularity of the title. Examples of new movie releases are Spider-Man Across the Spider-Verse and Guardians of the Galaxy Vol. 3. Additionally, products that we design and sell based on current television series or new video game titles are expected to have a market demand depending on the popularity and longevity of the title, which is generally expected to be multiple years. Examples of our current TV properties include One Piece, The Mandalorian, Demon Slayer, Naruto, My Hero Academia, and Stranger Things. Examples of our current video game properties are Fortnite, Overwatch and Five Nights at Freddy's. We expect these categories and the properties they encompass to evolve over time as current content becomes classic evergreen and as new forms of pop culture content emerge. The percent of our sales attributable to classic evergreen and current releases may fluctuate in any given year based on the number and popularity of new content releases.

Product Design and Development We believe our creative product designs and nimble speed to market are key reasons why content providers trust us with their properties and consumers passionately engage with our brands and products. We leverage our creative, art and sculpting teams to design and develop products in-house from inception to production. Our creative team layers our whimsical, fun and unique style onto the content we license to create product designs that resonate with consumers. Additionally, from time to time our creative team will develop new styles and products based on our own intellectual property. Our creative team is passionate about pop culture, and we believe we have a strong pipeline of talent given our culture and the opportunity we provide to work with the most relevant pop culture content. Our designers often work collaboratively with content providers in advance of new content releases to create unique, stylized products (both physical and digital) to maximize the value of their properties. Our product development team oversees all aspects of new product development in order to ensure a timely product design and development process, including submitting the initial design to the content provider for approval, developing the product

prototype, receiving final content provider approval and coordinating manufacturing with our supply chain team and third-party manufacturers. Our flexible and low-fixed cost production model enables us to move from product design of a figure to shipping, with a minimal upfront investment for most figures of \$ 5, 000 to \$ 10, 000 in tooling, molds and internal design costs. Because of the strength of our in-house creative team, we are able to move from product design to pre-selling a new product in as few as 24 hours.

Manufacturing and Materials Our products are produced by third-party manufacturers primarily in Vietnam and China, which we choose on the basis of performance, capacity, capability and price. We also manufacture or assemble certain apparel and other products in the United States, Mexico and Cambodia. The use of third-party manufacturers enables us to avoid incurring fixed manufacturing costs, while maximizing flexibility, capacity and capability. Though our manufacturing base has diversified over time as we have grown our sales and expanded our product offerings, we have historically concentrated production with a small number of manufacturers and factories as part of a continuing effort to monitor quality, reduce manufacturing costs and ensure speed to market. In the case of most of the factories in which our products are manufactured, our products represent a significant percentage of each factory's total capacity, which we believe provides us greater flexibility in supply chain management. We do not have long-term contracts with our manufacturers. We believe that alternative sources of supply are available to us although we cannot be assured that we can obtain adequate supplies of manufactured products on a timely basis or at all. We base our production schedules for products on our internal forecasts, taking into account historical trends of similar products and properties, current market information and communications with customers. The accuracy of our forecasts is affected by consumer acceptance of our products, which is typically based on the strength and popularity of the underlying licensed property, the strength of competing products, the marketing strategies of retailers, changes in buying patterns of both our retail customers and our consumers, timing of delivery of products and overall economic conditions. Unexpected changes in these factors could result in a lack of product availability or excess inventory of a particular product. Although we do not conduct the day-to-day manufacturing of our products, we are responsible for designing both the product and the packaging. We seek to ensure quality control by actively reviewing the product, both in-house and via image at multiple stages in development and sample finished goods to validate the quality control process. In addition to quality control testing, safety testing of our products is done by independent third-party testing laboratories. While we purchase finished products from our manufacturers, the cost of our products is impacted by the cost of labor, as well as the cost, timing and/or availability of the principal raw materials used in the production and sale of our products, including vinyl, fabric, ceramics and plastics. All of these materials are readily available but may be subject to significant fluctuations in price or delays in shipping to the factories as a result of global capacity constraints. Although we do not manufacture our products, we own most of the tools and molds used in the manufacturing process, and generally these are transferable among manufacturers if we choose to employ alternative manufacturers. We sell our products to a diverse network of customers throughout the world as well as directly to our consumers primarily through our own websites and two flagship retail stores. Domestically, we sell our products to specialty retailers, mass-market retailers and e-commerce sites. Our key retail partners in the United States include Target, Amazon, GameStop and Hot Topic. Internationally, we sell our products directly to similar retailers, primarily in Europe, through our subsidiary Funko UK, Ltd. Our key international retail customers include Amazon, GameStop, and Fnac. In addition to major retailers, we also sell our products to distributors for sale to specialized retailers in the United States and in certain countries internationally, typically where we do not currently have a direct presence. We also sell our products directly to consumers through our e-commerce business, two flagship retail stores and, to a lesser extent, at specialty licensing and comic book shows, conventions and exhibitions in cities throughout the United States, including at Comic-Con events. Our direct-to-consumer sales accounted for approximately 21%, 13% and 11% of our sales for 2023, 2022, and 2021, respectively. We intend to continue to increase our focus on these efforts in the future. In 2023, we relaunched our U. S. website platform that consolidated www.funko.com and www.loungefly.com under one online shopping cart. We also utilize www.funkoeurope.com to serve customers in the UK and several countries in Europe. We believe we have a diverse customer base, with our top ten customers representing approximately 43%, 44% and 45%, of our 2023, 2022, and 2021 sales, respectively. No single customer accounted for over 10% of revenues during these periods. We maintain a full-time sales staff, many of whom make on-site visits to our customers for the purpose of showing products and soliciting orders. Many of our retail customers view us as experts in pop culture and, in some cases, we help manage their growing pop culture category within their stores, providing a curated experience by catering to their particular customer bases. We believe this creates a mutually beneficial relationship between us and our retail customers by providing us with an opportunity to enhance the productivity of the pop culture category within their stores, which may also result in expanded shelf space for our products. In addition to our full-time sales staff, we also retain several independent sales representatives to sell and promote our products both domestically and internationally. We sell our products to our customers with payment terms typically varying from 30 to 90 days. We contract the manufacture of most of our products to third-party unaffiliated manufacturers primarily located in Vietnam, China and Mexico and ship those products to our warehouse or third-party logistics facilities in the United States, the United Kingdom and the Netherlands. While most of our sales originate in the United States and the United Kingdom from inventory we hold in our warehouses and third-party logistics locations, certain of our customers may take title to our products upon shipment from the factory or at the port. We establish reserves for sales allowances, including promotional and other allowances, at the time of sale. The reserves are determined as a percentage of sales based upon either historical experience or upon estimates or programs agreed upon by our customers and us. As of December 31, 2023 and 2022, we had reserves for sales allowances of \$ 44.1 million and \$ 57.3 million, respectively.

Marketing We believe Funko's trendsetting and nostalgia-based product assortment is a unique voice in the pop culture marketplace, and that our expansive retailer presence, high engagement rates across our owned channels, and devout fan base create fervor for the Funko brand. Our ability to effectively engage with our customers has resulted in a deep affinity for Funko and our products. Funko continues to acquire new fans through high profile social media sites such as Facebook, X (formerly Twitter), Instagram, TikTok and YouTube. We continue to expand our reach globally through our compelling content, events and personal engagement with

our fan base. We also plan to develop and implement new marketing programs aimed at driving traffic to our websites and new customer acquisition targeted to specific products and properties. Competition We are a worldwide leader in the design, manufacture and marketing of licensed pop culture and other products, in a highly competitive industry. We compete with toy and fashion accessory companies across our product categories, some of which have substantially more resources, stronger name recognition, and longer operating histories than us, and which benefit from greater economies of scale. We also increasingly compete with large toy companies for shelf space at leading mass market and other retailers. We also compete with numerous smaller domestic and foreign collectible toy and fashion accessory designers and manufacturers across our product categories. Our competitive advantage is based primarily on the creativity and quality of the design of our products, our price points, our broad consumer appeal, our license portfolio and our ability to bring new products to market quickly. We produce most of our products under trademarks and copyrights that we own, utilizing the intellectual property of our licensors. Certain of our licensors have reserved the rights to manufacture, distribute and sell similar or identical products. Some of these products could directly compete with our products and could be sold to our customers or directly to consumers at lower prices than those at which our products are sold. Although we believe we have one of the largest portfolios of licensed content in the pop culture industry, with strong relationships with many of our licensors, we must vigorously compete to obtain these licenses from leading content providers on commercially reasonable terms, and to expand our license rights into additional licensed product categories. This competition is based primarily on the creativity of our product designs, our ability to bring new products to market quickly, our ability to increase fan engagement, the breadth of our sales channels and the quality of our products. See Item 1A, “Risk Factors.” Intellectual Property We believe that our trademarks, copyrights and other intellectual property rights have significant value and are important to the marketing of our brand and the favorable perception of our products. We track our trademark registrations to ensure that marks used in commerce are renewed and maintained to prevent expiration of trademark rights. As of December 31, 2023, we owned approximately 118 registered U. S. trademarks, 300 registered international trademarks, 8 pending U. S. trademark applications and 68 pending international trademark applications. Most of our products are produced and sold under trademarks owned by or licensed to us. We register many of our trademarks related to our brands and seek protection under the trademark and copyright laws of the United States and other countries where our products are produced or sold. These intellectual property rights can be significant assets. Accordingly, while we believe we are sufficiently protected, the failure to obtain or the loss of some of these rights could have an adverse effect on our business, financial condition and results of operations. See Item 1A, “Risk Factors.” Government Regulation Our products sold in the United States are subject to the provisions of multiple statutes, including the Consumer Product Safety Act (“CPSA”), the Federal Hazardous Substances Act (“FHSA”), the Consumer Product Safety Improvement Act of 2008 (“CPSIA”) and the Flammable Fabrics Act (“FFA”), and the regulations promulgated pursuant to such statutes. These statutes and the related regulations ban from the market any consumer products that fail to comply with applicable product safety laws, regulations, and standards. The Consumer Product Safety Commission may require the recall, repurchase, replacement, or repair of any such banned products or products that otherwise create a substantial risk of injury and may seek penalties for regulatory noncompliance under certain circumstances. Similar laws exist in some U. S. states and our products sold worldwide are subject to the provisions of similar laws and regulations in many jurisdictions, including Canada, Australia, Europe and Asia. We maintain a quality control program to help ensure compliance with applicable product safety requirements. We use independent third-party laboratories that employ testing and other procedures intended to maintain compliance with the CPSA, the FHSA, the CPSIA, the FFA, other applicable domestic and international product standards, as well as our own standards and those of some of our larger retail customers and licensors. Nonetheless, there can be no assurance that our products are or will be hazard free, and we may in the future experience issues in products that result in recalls, withdrawals, or replacements of products. A product recall could have a material adverse effect on our results of operations and financial condition, depending on the product affected by the recall and the extent of the recall efforts required. A product recall could also negatively affect our reputation and the sales of other Funko products. See Item 1A, “Risk Factors.” In relation to our sales and marketing activities, we are subject to various consumer protection rules and regulations promulgated and / or enforced by various federal and state regulators such as the U. S. Federal Trade Commission, and state attorneys general as well as non-U. S. regulatory authorities that relate to advertising, product delivery and other consumer-facing practices. In addition, our online products and services, including our e-commerce and digital communications activities, are or may be subject to U. S. and non-U. S. data privacy and cybersecurity laws, such as the U. S. Children’s Online Privacy Protection Act, the California Consumer Privacy Act (“CCPA”), and the EU / UK General Data Protection Regulation (“GDPR”). We are subject to various other federal, state, local and international laws and regulations applicable to our business, including export controls, and have established processes for compliance with these laws and regulations. These laws and regulations are constantly evolving and may be interpreted, applied, created, superseded, or amended in a manner that could harm our business. These changes may occur immediately or develop over time through judicial decisions or as new guidance or interpretations are provided by regulatory and governing bodies, such as federal, state and local administrative agencies. As we expand our business into new markets or introduce new features or offerings into existing markets, regulatory bodies or courts may claim that we are subject to additional requirements, or that we are prohibited from conducting business in certain jurisdictions. Human Capital Our workforce is critical to our success. We seek out employees who are passionate about pop culture, our products and our business, and who can help us build strong relationships with our partners, customers, fans and local communities. Pop culture changes constantly, and we look to build teams that are nimble and can execute in our fast-paced environment. We strive to foster a sense of community with our employees and make the workplace fun despite the demands of our rapidly changing business. We believe our passion for pop culture of all forms is reflected in our fans around the world. We believe that fully serving those fans requires a diverse and inclusive workforce. We have implemented programs to advance these principles and embrace the opportunity to work with people of diverse backgrounds and perspectives. In addition to offering market competitive salaries and wages, we offer comprehensive health and

401 (k) benefits to eligible employees. Our core benefits packages are supplemented with specific programs centered around voluntary benefits, paid time away from work, training and employee physical and mental well-being. As of December 31, 2023, we employed 1,269 full-time employees. We employed 1,036 people in North America, 211 people in Europe and 22 people in Asia. None of our employees are represented by a labor union or are party to a collective bargaining agreement, and we have had no labor-related work stoppages. We believe that we have good relationships with our employees. Seasonality While our customers in the retail industry, and many of our competitors, typically operate in highly seasonal businesses, we have historically experienced only moderate seasonality in our business. For the years ended December 31, 2023, 2022 and 2021 approximately 55 %, 53 % and 59 %, respectively, of our net sales were generated in the third and fourth quarters, as our customers build up their inventories in anticipation of the holiday season. Generally, the first quarter of the year represents the lowest volume of shipments and sales in our business and in the retail and toy industries generally, and it is also the least profitable quarter due to the various fixed costs of the business. However, the rapid growth we have experienced in recent years may have masked the full effects of seasonal factors on our business to date, and as such, seasonality may have a greater effect on our results of operations in future periods. See Item 1A, “ Risk Factors.” Information about our Executive Officers and Board of Directors The following table provides information regarding our executive officers and members of our board of directors (ages as of March 7, 2024):

Name	Age	Position (s)
Michael Lunsford	56	Interim Chief Executive Officer, Director
Andrew Perlmutter	46	President, Director
Steve Nave	53	Chief Financial Officer and Chief Operating Officer
Traey Daw	58	Chief Legal Officer and Secretary
Andy Oddie	51	Chief Commercial Officer
Charles Denson	67	Chairman of the Board of Directors
Trevor Edwards	61	Director
Diane Irvine	65	Director
Jesse Jacobs	48	Director
Michael Kerns	47	Director
Sarah Kirshbaum Levy	53	Director

Michael Lunsford has served as Funko, Inc.'s Interim Chief Executive Officer since July 2023 and on the board of directors of Funko, Inc. since October 2018. Mr. Lunsford served as an Advisor and Vice President of McClatchy, Inc. from 2017 to September 2020. Mr. Lunsford previously served as the Chief Executive Officer of SK Planet, Inc. from 2013 until 2018 and as interim Chief Executive Officer of shopkick, Inc. in 2016. From 2008 to 2013, Mr. Lunsford held various management roles with RealNetworks, Inc., including interim Chief Executive Officer and Executive Vice President and General Manager of RealNetworks' Core Business and Chief Executive Officer of Rhapsody. Mr. Lunsford also served on the board of directors of shopkick, Inc. from 2013 to 2018, and on the boards of directors of various portfolio companies owned by SK Planet, Inc. from 2013 to 2018. From 2014 to 2018, Mr. Lunsford served on the board of directors of the University of North Carolina Board of Visitors and IslandWood. Mr. Lunsford received an M. B. A. and a B. A. in Economics from The University of North Carolina. We believe Mr. Lunsford's broad management, retail and e-commerce experience make him well-qualified to serve as a member of our board of directors. Andrew Perlmutter has served as Funko, Inc.'s President since December 2022 as well as from October 2017 to January 2022 and as a member of the Funko, Inc. board of directors since December 2022. Mr. Perlmutter served as Funko Inc.'s Chief Executive Officer from January 2022 to December 2022. Mr. Perlmutter was the Senior Vice President of Sales of FAH, LLC from June 2013 to October 2017. Prior to joining Funko, Mr. Perlmutter was a co-founder of Bottle Rocket Collective, a board and travel games company, where he oversaw product manufacturing and sales from December 2012 until December 2013. Mr. Perlmutter received a B. A. in Interpersonal Communications from Southern Illinois University. We believe Mr. Perlmutter's knowledge of the pop culture industry and many years of experience as our President make him well-qualified to serve as a member of our board of directors. Steve Nave has served as Funko, Inc.'s Chief Financial Officer and Chief Operating Officer since February 2023, and prior to that had served as an operations consultant to the Company since November 2022. Mr. Nave has served as Founding Member of Kingsley-Malta Capital, a family investment fund focused on venture capital and private equity investments, from April 2019. Mr. Nave served as President and Chief Executive Officer of Bluestem Brands, Inc. (“ Bluestem ”) from December 2012 to February 2018, as well as an advisor to Bluestem from February 2018 to November 2019. Mr. Nave also served in various leadership roles of increasing seniority at Walmart.com, including as Chief Executive Officer from January 2010 to August 2011, Chief Operating Officer from March 2006 to January 2010 and Chief Financial Officer from September 2000 to March 2006. Mr. Nave has served on a number of private and public company boards of directors, including PetWellClinic (June 2020 to present), XD Coffee USA (January 2020 to present), and Libbey Inc. (formerly NYSE American: LBY; May 2017 to July 2022). Mr. Nave received his Bachelor of Science in Accounting from Oklahoma State University. Traey Daw has served as Funko, Inc.'s Chief Legal Officer and Secretary since March 2022 and as the Senior Vice President and General Counsel of FAH, LLC since July 2016. Previously, Mr. Daw served as Senior Vice President, General Counsel and Secretary from Funko Inc.'s formation in April 2017 to March 2022. Mr. Daw served as the General Counsel of INRIX, Inc. from April 2012 until July 2016, where he was responsible for global legal affairs, with emphasis on corporate and intellectual property matters. He also previously served in various roles at RealNetworks, Inc. from February 2000 until April 2012, including as Senior Vice President, Chief Legal Officer and Corporate Secretary, where he managed the company's global legal affairs and corporate development efforts. From 1990 to 2000, Mr. Daw was a member of the law firm of Sidley Austin LLP, where he was a partner. Mr. Daw received a J. D. from the University of Michigan Law School and a B. S. in Industrial and Labor Relations from Cornell University. Andy Oddie has served as Chief Commercial Officer since May 2022. Prior to his appointment as Chief Commercial Officer, he served as Managing Director, EMEA, since joining the company in January 2017. Mr. Oddie has over 25 years of experience in selling, manufacturing and marketing pop culture merchandise, and has held active board positions at key companies in the sector such as Forbidden Planet International, Forbidden Planet New York and Underground Toys Limited. He founded both Underground Toys and Forbidden Planet Home Shopping, giving him a unique insight across the key categories and properties that Funko creates and sells. During his tenure as Managing Director of Underground Toys, he sourced and oversaw the company's manufacturing base in the Far East, as well as building the sales of the business to over \$ 70 million. Underground Toys Limited was acquired by Funko in early 2017. Charles Denson has served on the board of directors of Funko, Inc. since its formation in April 2017, and on the board of directors of FAH, LLC since June 2016. Mr. Denson has served as the President and Chief Executive Officer of

Anini Vista Advisors, an advisory and consulting firm, since March 2014. From February 1979 until January 2014, Mr. Denson held various positions at NIKE, Inc., where he was appointed to several management roles, including, in 2001, President of the NIKE Brand, a position he held until January 2014. Mr. Denson currently serves on the board of directors of Columbia Sportswear Company, a leading provider of outdoor apparel and equipment, and has previously served on the board of directors of several privately held organizations. Mr. Denson received a B. A. in Business from Utah State University. We believe Mr. Denson's extensive experience in brand building, brand management and organizational leadership in the public company context makes him well-qualified to serve as the Chairman of our board of directors. Trevor Edwards has served on the board of directors of Funko, Inc. since July 2022. Mr. Edwards spent 25 years at NIKE, Inc., the multinational athletic apparel corporation, in roles of increasing responsibility, most recently as President, NIKE Brands from 2013 to 2018; Vice President, Global Brand & Category Management from August 2006 to June 2013; Vice President, Global Brand Management from 2002 to 2006; Vice President, U. S. Brand Marketing from 2000 to 2002; Vice President, EMEA Marketing from 1999 to 2000; Director of Marketing for Europe from 1997 to 1999; and Director of Marketing for the Americas from 1995 to 1997. Prior to NIKE, Mr. Edwards worked at Colgate-Palmolive in Global Marketing. Mr. Edwards currently serves on the board of directors of VF Corporation, a leading apparel, footwear and accessories company, and previously served on the board of directors of Mattel Inc. from 2012 to 2018. Mr. Edwards received a BBA and MBA from Bernard Baruch College. The board believes Mr. Edwards extensive marketing and brand management experience, as well as public company leadership experience, make him well-qualified to serve on the board. Diane Irvine has served on the board of directors of Funko, Inc. and FAH, LLC since August 2017. Ms. Irvine previously served as Chief Executive Officer of Blue Nile, Inc., an online retailer of diamonds and fine jewelry, from February 2008 until November 2011, as President from February 2007 until November 2011, and as Chief Financial Officer from December 1999 until September 2007. From February 1994 until May 1999, Ms. Irvine served as Vice President and Chief Financial Officer of Plum Creek Timber Company, Inc., and from September 1981 until February 1994, she worked at accounting firm Coopers & Lybrand LLP in various capacities, most recently as partner. Ms. Irvine currently serves on the boards of directors of Farfetch Limited (on whose board she has served since August 2020), Yelp Inc. (on whose board she has served since November 2011), and D. A. Davidson Companies (on whose board she has served since January 2018). She previously served on the boards of directors of Casper Sleep Inc. from August 2019 to January 2022, XO Group Inc. from November 2014 to December 21, 2018, Rightside Group Ltd. from August 2014 until July 2017, CafePress, Inc. from July 2012 until May 2015, and Blue Nile, Inc. from May 2001 until November 2011. Ms. Irvine received an M. S. in Taxation and a Doctor of Humane Letters from Golden Gate University, and a B. S. in Accounting from Illinois State University. We believe Ms. Irvine's extensive public company management experience and financial expertise make her well-qualified to serve on our board of directors. Jesse Jacobs has served on the board of directors of Funko, Inc. since May 2022. Mr. Jacobs is a Partner at The Chernin Group, LLC, which he co-founded with Peter Chernin in 2010, leading the company's investments, operations, and team building. Prior to founding The Chernin Group, Mr. Jacobs was a senior member of the media, entertainment, and sports advisory, investing and financing team at Goldman Sachs. Mr. Jacobs began his career in NFL, MLB, and NHL sports television production at the inception of Fox Sports and then for CBS Sports in the Olympics. He was part of the early wave of online video and music, both at iFilm, where he ran content, as well as Yahoo! Internet Life, where he produced live music and film events celebrating the best in digital video and music. Mr. Jacobs is on the board of directors of The Chernin Group, Hodinkee, Collectors Universe and The North Road Company. He previously served on the board of directors of Barstool Sports, Goldin Auctions, Equip, Exploding Kittens, The Action Network, Otter Media, Fullscreen, Ellation, Hello Sunshine, Headspace, and Gunpowder & Sky. Mr. Jacobs is a graduate of the University of Pennsylvania with a BA in English and Communications and holds an MBA from the Wharton School at the University of Pennsylvania. We believe Mr. Jacobs broad management, business and entertainment experience make him well-qualified to serve on our board of directors. Michael Kerns has served on the board of directors of Funko, Inc. since November 2023. Mr. Kerns is a Co-founder and Partner at TCG. Mr. Kerns joined The Chernin Group, LLC in 2015, helping lead the company's investment efforts as President of TCG Digital. Mr. Kerns has deep experience starting, managing, and investing in digital media and consumer technology companies. Prior to joining The Chernin Group, Mr. Kerns was a Senior Vice President at Yahoo!, leading the Homepage, Video, and Global Media Properties product and business unit. Mr. Kerns previously cofounded Citizen Sports, where he was CEO and led the company to a successful acquisition by Yahoo! in 2010. Mr. Kerns began his career as an Associate at Angel Investors, LP. and later became the Chief of Staff at Steinberg & Moorad Sports Management, a premier sports representation firm. Mr. Kerns is on the board of TCG, Food52, Barstool Sports, MeatEater, SketchyMedical, Surfline, Sofar Sounds, Night Media, Epic Gardening and PLL. Mike was previously on the board of directors of The Action Network, Otter Media, Ellation (Crunchyroll), and a board observer of Cameo. Mr. Kerns is a graduate of UCLA with a BA in History. We believe Mr. Kerns broad management, business and entertainment experience make him well-qualified to serve on our board of directors. Sarah Kirshbaum Levy has served on the board of directors of Funko, Inc. since September 2019. Ms. Levy has served as the Chief Executive Officer and a director of Betterment, LLC, the largest independent digital wealth management platform, since December 2020. Ms. Levy previously served as the Chief Operating Officer of Viacom Media Networks, a division of the entertainment and media company, ViacomCBS, from 2016 through January 2020, where she was responsible for overseeing global strategy, finance and operations for the division. Prior to her appointment at Viacom Media Networks, Ms. Levy was Chief Operating Officer at Nickelodeon from 2005 to 2016. She sits on the board of Lucius Littauer Foundation, which makes grants in the areas of education, social welfare, health care, and Jewish studies. She also sat on the board of ACON S2 Acquisition Corp., a public special purpose acquisition company, from September 2020 through October 2021, where she served on the Audit and Compensation Committees. Ms. Levy received an M. B. A. and B. A. in Economics from Harvard University. We believe Ms. Levy's extensive experience in entertainment and media, in particular her familiarity with consumer products licensing, make her well-qualified to serve on our board of directors. Segment Information We identify our segments according to how the

business activities are managed and evaluated, for which discrete financial information is available and is regularly reviewed by our Chief Operating Decision Maker (“CODM”) to allocate resources and assess performance. Due to a change in executive management during the year ended December 31, 2023, we have redefined our named CODM from our prior Chief Executive Officer to our current Chief Financial Officer and Chief Operating Officer. Because our CODM reviews financial performance and allocates resources at a consolidated level on a regular basis, we have one segment. Our History Funko, Inc. was formed as a Delaware corporation on April 21, 2017 for the purpose of completing our IPO. FAH LLC, a holding company with no operating assets or operations, was formed on September 24, 2015. On October 30, 2015, ACON Funko Investors, L. L. C., through FAH, LLC and the ACON Acquisition, acquired a controlling interest in FHL, which is also a holding company with no operating assets or operations. FAH, LLC owns 100% of FHL and FHL owns 100% of Funko, LLC, which is the operating entity. Available Information Our Internet address is www.funko.com. At our Investor Relations website, www.investor.funko.com, we make available free of charge a variety of information for investors, including: • our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after we electronically file that material with or furnish it to the SEC; • press releases on quarterly earnings, product and service announcements, events and legal developments; • corporate governance information including our corporate governance guidelines, codes of conduct and ethics and committee charters; • other news and announcements that we may post from time to time that investors might find useful or interesting; and • opportunities to sign up for email alerts and RSS feeds to have information pushed in real time. The information found on our website is not part of this or any other report we file with, or furnish to, the SEC.

ITEM 1A. RISK FACTORS Our business faces significant risks and uncertainties. Certain important factors may have a material adverse effect on our business prospects, financial condition and results of operations, and they should be carefully considered. Accordingly, in evaluating our business, we encourage you to consider the following discussion of risk factors in its entirety, in addition to other information contained in or incorporated by reference into this Annual Report on Form 10-K and our other public filings with the Securities and Exchange Commission (“SEC”). Other events that we do not currently anticipate or that we currently deem immaterial may also affect our business, prospects, financial condition and results of operations.

BUSINESS, ECONOMIC, MARKET AND OPERATING RISKS Our success depends on our ability to execute our business strategy. Our net sales and profitability have generally grown rapidly in the last several years; however, this should not be considered indicative of our future performance. Our future growth, profitability and cash flows depend upon our ability to successfully manage our operations and execute our business strategy, which is dependent upon a number of factors, including our ability to:

- expand our market presence in existing sales channels and enter additional sales channels;
- anticipate, gauge and respond to rapidly changing consumer preferences and pop culture trends;
- acquire or enter into new licenses in existing product categories or in new product categories and renew existing licenses;
- **successfully launch and grow new product lines similar to Pop! Yourself;**
- expand our geographic presence to take advantage of opportunities outside of the United States;
- enhance and maintain favorable brand recognition for our Company and product offerings;
- maintain and expand margins through sales growth and efficiency initiatives;
- effectively manage our relationships with third-party manufacturers;
- effectively manage our debt, working capital and capital investments to maintain and improve the generation of cash flow; and
- execute any acquisitions quickly and efficiently and integrate businesses successfully.

There can be no assurance that we can successfully execute our business strategy in the manner or time period that we expect, particularly in light of the macroeconomic pressures impacting the global economy and consumer demand. Further, achieving these objectives will require investments that may result in short-term costs without generating any current sales or countervailing cost savings and, therefore, may be dilutive to our earnings, at least in the short term. In addition, we have in the past decided and may in the future decide to divest or discontinue certain brands or products or streamline operations and incur other costs or special charges in doing so. We may also decide to discontinue certain programs or sales to certain retailers based on anticipated strategic benefits. The failure to realize the anticipated benefits from our business strategy could have a material adverse effect on our prospects, business, financial condition and results of operations. Our success depends, in part, on our ability to successfully manage our inventories. We must maintain sufficient inventory levels to operate our business successfully, but we must also avoid accumulating excess inventory, which increases working capital needs and lowers gross margin. We obtain substantially all of our inventory from third-party manufacturers located outside the United States and must typically order products well in advance of the time these products will be offered for sale to our customers. As a result, it may be difficult to respond to changes in consumer preferences and market conditions, which, for pop culture products, can change rapidly. If we do not accurately anticipate the popularity of certain products, then we may not have sufficient inventory to meet demand. Alternatively, if demand or future sales do not reach forecasted levels, we could have excess inventory that we may need to hold for a long period of time, write down, sell at prices lower than expected or discard. In addition, we may face difficulties processing inventory through our distribution centers, which could cause us to hold inventory for an extended period of time. If market conditions, demand for our products or consumer preferences shift or we face distribution challenges prior to the sales of the inventory, we may have excess inventory that we may need to hold for a long period of time, write down, and / or sell at prices lower than expected or discard. We may also be negatively affected by changes in retailers’ inventory policies and practices, including as a result of macroeconomic factors. As a result of the desire of retailers to more closely manage inventory levels, we are required to more closely anticipate demand, and this could require us to carry additional inventory. Policies and practices of individual retailers may adversely affect us as well, including those relating to access to and time on shelf space, price demands, payment terms and favoring the products of our competitors. Our retail customers make no binding long-term commitments to us regarding purchase volumes and make all purchases by delivering purchase orders. Any retailer can therefore freely reduce its overall purchase of our products, including the number and variety of our products that it carries, and reduce the shelf space allotted for our products. **We** **In recent periods, we** **have** **recently** experienced canceled orders and if demand or future sales do not reach forecasted levels, we could have excess inventory that we may need to hold for a long

period of time, write down, sell at prices lower than expected or discard. For example, during the year ended December 31, 2023, we incurred an inventory write-down of \$ 30. 3 million due to our decision to increase operational efficiency and reduce storage costs and we also wrote down \$ 8. 7 million in unfinished and finished goods held at offshore factories, which contributed to the Company' s net loss for the period. If we are not successful in managing our inventory, our business, financial condition and results of operations could be adversely affected. If we fail to manage our growth effectively, our financial performance may suffer. We have generally experienced rapid growth over the last several years, which has placed a strain on our managerial, operational, product design and development, sales and marketing, administrative and financial infrastructure. For example, we increased our total number of full- time employees from 702 as of December 31, 2018 to 1, 269-283 as of December 31, 2023-2024. We also lease distribution centers in the U. S. and the United Kingdom and utilize third -party distribution centers in the U. S. and the Netherlands. Our success depends in part upon our ability to manage our growth effectively. To do so, we must continue to increase the productivity of our existing employees and to hire, train and manage new employees as needed, which we may not be able to do successfully or without compromising our corporate culture. See “ Our success is critically dependent on the efforts and dedication of our officers and other employees, and the loss of one or more key employees, or our inability to attract and retain qualified personnel and maintain our corporate culture, could adversely affect our business. ” To manage domestic and international growth of our operations and personnel, we have invested and continue to invest in the development of a domestic enterprise resource planning system, warehouse management systems, additional platforms to support our direct- to- consumer experience, and capital build out of new leased warehouse and office spaces. At December 31, 2022, we determined the enterprise resource planning project was not feasible for its intended use and abandoned the cloud computing arrangement and incurred a write-down of \$ 32. 5 million. We will need to continue to improve our product development, supply chain, financial and management controls and our reporting processes and procedures to support our infrastructure and new business initiatives. These additional investments will increase our operating costs, which will make it more difficult for us to offset any future revenue shortfalls by reducing expenses in the short term. Moreover, if we fail to scale our operations or manage our growth successfully, our business, financial condition and operating results could be adversely affected. Our business is dependent upon our license agreements, which involve certain risks. We generate substantially all of our net sales from products that are produced under license agreements which that grant us the right to use certain third party intellectual property in such products. These license agreements typically have short terms (between two and three years), are not automatically renewable, and, in some cases, give the licensor the right to terminate the license agreement at will. Our license agreements typically provide that our licensors own the intellectual property rights in the products we design and sell under the license. As a result, upon termination of the license, we would no longer have the right to sell these products, while our licensors could engage a competitor to do so. We believe our ability to retain our license agreements depends, in large part, on the strength of our relationships with our licensors. Any events or developments adversely affecting those relationships, or changes in our management team, could adversely affect our ability to maintain and renew our license agreements on similar terms or at all. In July-May 2023-2024, we announced that Brian Mariotti, our Cynthia Williams would succeed Michael Lunsford as then- the Company' s Chief Executive Officer, would take a six- month sabbatical and that he would be replaced by a member of our board of directors, Michael Lunsford, as our Interim Chief Executive Officer. In September 2023, we announced that Mr. Mariotti resigned from the board of directors and as an employee of the company and entered into an Advisor Agreement with the Company. No assurance can be made that this these and other change changes in our leadership will not have a material adverse impact on our relationships with licensors, and if we fail to manage our licensor relationships successfully, our business, financial condition or results of operations could be adversely affected. Our top ten licensors collectively accounted for approximately 63 %, 68 %, 74 % and 74 % of our sales for the years ended December 31, 2024, 2023, and 2022 and 2021, respectively. Moreover, while we have separate licensing arrangements with Disney, LucasFilm and Marvel, these parties are all under common ownership by Disney and collectively these licensors accounted for approximately 32 %, 38 % and 44 % and 43 % of our sales for the years ended December 31, 2024, 2023, and 2022 and 2021, respectively. The termination or failure to renew one or more of our license agreements, or the renewal of a license agreement on less favorable terms, could have a material adverse effect on our business, financial condition and results of operations. While we may enter into additional license agreements in the future, the terms of such license agreements may be less favorable than the terms of our existing license agreements. Our license agreements are complex, and typically grant our licensors the right to audit our compliance with the terms and conditions of such agreements. Any such audit could result in a dispute over whether we have paid the proper royalties and a requirement that we pay additional royalties, the amounts of which could be material. As of December 31, 2023-2024, we had a reserve of \$ 18-23. 1-5 million on our balance sheet related to ongoing and future royalty audits, based on estimates of the costs we expect to incur. In addition to royalty payments, these agreements as a whole impose numerous other obligations on us, including, among other things, obligations to: • maintain the integrity of the applicable intellectual property; • obtain the licensor' s approval of the products we develop under the license prior to making any sales; • permit the licensor' s involvement in, or obtain the licensor' s approval of, advertising, packaging and marketing plans; • maintain minimum sales levels or make minimum guaranteed royalty payments; • actively promote the sale of the licensed product and maintain the availability of the licensed product throughout the license term; • spend a certain percentage of our sales of the licensed product on marketing and advertising for the licensed product; • sell the products we develop under the license only within a specified territory or within specified sales channels; • indemnify the licensor in the event of product liability or other claims related to the licensed product and advertising or other materials used to promote the licensed product; • sell the licensed products to the licensor at a discounted price or at the lowest price charged to our customers; • obtain the licensor' s consent prior to assigning or sub- licensing to third parties; and • provide notice to, obtain approval from, or, in limited circumstances, make certain payments to the licensor in connection with certain changes in control. If we breach any of these obligations or any other obligations set forth in any of our license agreements, we could be subject to monetary penalties

and our rights under such license agreements could be terminated, either of which could have a material adverse effect on our business, financial condition and results of operations. Our success is also partially dependent on the reputation of our licensors and the goodwill associated with their intellectual property, and their ability to protect and maintain the intellectual property rights that we use in connection with our products, all of which may be harmed by factors outside our control. See also “ If we are unable to obtain, maintain and protect our intellectual property rights, in particular trademarks and copyrights, or if our licensors are unable to maintain and protect their intellectual property rights that we use in connection with our products, our ability to compete could be negatively impacted. ” Global and regional economic downturns that negatively impact the retail and credit markets, or that otherwise damage the financial health of our retail customers and consumers, can harm our business and financial performance. We design, manufacture and market a wide variety of consumer products worldwide for sale to our retail customers and directly to consumers. Our financial performance is impacted by the level of discretionary consumer spending in the markets in which we operate. Recessions, credit crises and other economic downturns, or disruptions in credit markets, in the United States and in other markets in which our products are sold can result in lower levels of economic activity, lower employment levels, less consumer disposable income, and lower consumer confidence. The retail industry is subject to volatility, especially during uncertain economic conditions. A downturn in the retail industry in particular may disproportionately affect us because a substantial majority of our net sales are to retail customers. In addition, our business is subject to significant pressure on costs and pricing caused by general inflationary pressures as well as inflation caused by constrained sourcing capacity, the availability of qualified labor and related wage inflation, as well as inflationary pressures to increase commissions and benefits expenses, and associated changes in consumer demand. Significant increases in the costs of other products which are required by consumers, such as gasoline, home heating fuels, or groceries, may reduce household spending on our products. Such cost increases and weakened economic conditions may result from any number of factors, including pandemics **or other health crises**, terrorist attacks, wars and other conflicts, natural disasters, increases in critical commodity prices or labor costs, **tariffs**, sovereign debt defaults or the prospect of such events. General inflation in the United States, Europe and other geographies has recently risen to levels not experienced in decades. Such a weakened economic and business climate, as well as consumer uncertainty created by such a climate, has adversely impacted and could in the future materially harm our sales and profitability. Similarly, reductions in the value of key assets held by consumers, such as their homes or stock market investments, can lower consumer confidence and consumer spending power. Any of these factors can reduce the amount which consumers spend on the purchase of our products. This, in turn, can reduce our sales and harm our financial performance and profitability. In addition to experiencing potentially lower sales of our products during times of economic difficulty, in an effort to maintain sales during such times, we may need to increase our promotional spending or sales allowances, or take other steps to encourage retailer and consumer purchases of our products. Those steps may lower our net sales or increase our costs, thereby decreasing our operating margins and lowering our profitability. As a result of increased inflation or supply constraints, like we have previously faced, we have increased prices of certain products, and may in the future need to increase our prices further in order to cover increased costs of goods sold, which may reduce demand for our products and may not fully offset our increased costs. The Company maintains the majority of its cash and cash equivalents in accounts with major U. S. and multi- national financial institutions, and our deposits at certain of these institutions exceed insured limits. Market conditions can impact the viability of these institutions. In the event of failure of any of the financial institutions where we maintain our cash and cash equivalents, there can be no assurance that we will be able to access uninsured funds in a timely manner or at all. Changes in the retail industry and markets for consumer products affecting our retail customers or retailing practices could negatively impact our business, financial condition and results of operations. Our products are primarily sold to consumers through retailers that are our direct customers or customers of our distributors. As such, trends and changes in the retail industry can negatively impact our business, financial condition and results of operations. For example, in **recent years 2022 and 2023**, the retail industry faced reductions in sales due to macroeconomic uncertainty which adversely impacted our sales. Due to the challenging environment for traditional “ brick- and- mortar ” retail locations caused by declining in- store traffic, many retailers have closed physical stores, and some traditional retailers have engaged in significant reorganizations, filed for bankruptcy and gone out of business. In addition to furthering consolidation in the retail industry, such a trend could have a negative effect on the financial health of our retail customers and distributors, potentially causing them to experience difficulties in fulfilling their payment obligations to us or our distributors, reduce the amount of their purchases, seek extended credit terms or otherwise change their purchasing patterns, alter the manner in which they promote our products or the resources they devote to promoting and selling our products or cease doing business with us or our distributors. If any of our retail customers were to file for bankruptcy, we could be unable to collect amounts owed to us and could even be required to repay certain amounts paid to us prior to the bankruptcy filing. The occurrence of any of these events would have an adverse effect on our business, cash flows, financial condition and results of operations. If we do not effectively maintain and further develop our relationships with retail customers and distributors, our growth prospects, business and results of operations could be harmed. Historically, a majority of all of our net sales have been derived from our retail customers and distributors, upon which we rely to reach the consumers who are the ultimate purchasers of our products. In the United States, we primarily sell our products directly to specialty retailers, mass- market retailers and e- commerce sites. In international markets, we sell our products directly to similar retailers, primarily in Europe, through our subsidiary Funko UK, Ltd. We also sell our products to distributors for sale to retailers in the United States and in certain countries internationally, typically in those countries in which we do not currently have a direct presence. Our top ten **wholesale** customers represented approximately **43-31** %, **44-32** % and **45-41** % of our sales for the years ended December 31, **2024**, **2023** , and **2022 and 2021** , respectively. We depend on retailers to provide adequate and attractive space for our products and point of purchase displays in their stores. We further depend on our retail customers to employ, educate and motivate their sales personnel to effectively sell our products. If our retail customers do not adequately display our products or choose to promote competitors’ products or their own private label products over ours,

our sales could decrease, and our business could be harmed. Similarly, we depend on our distributors to reach retailers in certain market segments in the United States and to reach international retailers in countries where we do not have a direct presence. Our distributors generally offer products from several different companies, including our competitors. Accordingly, we are at risk that these distributors may give higher priority to selling other companies' products. If we were to lose the services of a distributor, we might need to find another distributor in that area, and there can be no assurance of our ability to do so in a timely manner or on favorable terms. In addition, our business could be adversely affected if any of our retail customers or distributors were to reduce purchases of our products, as has occurred in recent periods. Our retail customers and distributors generally build inventories in anticipation of future sales and will decrease the size of their future product orders if sales do not occur as rapidly as they anticipate. Our customers make no long-term commitments to us regarding purchase volumes and can therefore freely reduce their purchases of our products, and as a result we may have excess inventory. Any reduction in purchases of our products by our retail customers and distributors, or the loss of any key retailer or distributor, could adversely affect our net sales, operating results and financial condition. As a result of the COVID-19 pandemic and recent macroeconomic trends, we have had certain of our retail customers reduce and, in some instances, cancel purchase orders as a result of store closures or a shift of purchasing to focus only on essential consumer products. Furthermore, consumer preferences have shifted, and may continue to shift in the future, to sales channels other than traditional retail, including e-commerce, in which we have more limited experience, presence and development. In addition, our emphasis on building out our e-commerce offerings and our entry into new product categories and geographies has exposed, and may continue to expose, us to new sales channels in which we have less expertise. If we are not successful in developing our e-commerce channel and other new sales channels, our net sales and profitability may be adversely affected.

~~Our business, financial condition and results of operations have been, and may in the future be adversely affected by epidemics, pandemics or other public health crises, such as the COVID-19 pandemic. We may face risks related to health epidemics and pandemics or other public health crises. For example, we and certain of our suppliers and the manufacturers of certain of our products have in the past been adversely impacted by COVID-19. We faced delays and difficulty sourcing products, and significant increases in shipping costs, which have negatively affected our business and financial results. The extent to which an epidemic, pandemic or other public health crisis impacts our business going forward will depend on factors such as the duration and scope; governmental, business, and individuals' actions in response to such crisis; and the impact on economic activity, including the possibility of recession or financial market instability. Measures to contain a public health crisis may intensify other risks described in these Risk Factors. Additionally, concerns over the economic impact of an epidemic, pandemic or other public health crisis have previously caused and may in the future cause extreme volatility in financial and capital markets, which may materially adversely impact our stock price and our ability to access capital markets.~~

Our industry is highly competitive and the barriers to entry are low. If we are unable to compete effectively with existing or new competitors, our sales, market share and profitability could decline. Our industry is, and will continue to be, highly competitive. We compete with toy companies in many of our product categories, some of which have substantially more resources than us, stronger name recognition, longer operating histories and greater economies of scale. We also compete with numerous smaller domestic and foreign collectible product designers and manufacturers. Across our business, we face competitors who are constantly monitoring and attempting to anticipate consumer tastes and trends, seeking ideas that will appeal to consumers and introducing new products that compete with our products for consumer acceptance and purchase. In addition to existing competitors, the barriers to entry for new participants in our industry are low, and the increasing use of digital technology, social media and the internet to spark consumer interest has further increased the ability for new participants to enter our markets and has broadened the array of companies against which we compete. New participants can gain access to retail customers and consumers and become a significant source of competition for our products in a very short period of time. Additionally, since we do not have exclusive rights to any of the properties we license or the related entertainment brands, our competitors, including those with more resources and greater economies of scale, can obtain licenses to design and sell products based on the same properties that we license, potentially on more favorable terms. Any of these competitors may be able to bring new products to market more quickly, respond more rapidly than us to changes in consumer preferences and produce products of higher quality or that can be sold at more accessible price points. To the extent our competitors' products achieve greater market acceptance than our products, our business, financial condition and results of operations will be adversely affected. In addition, certain of our licensors have reserved the rights to manufacture, distribute and sell identical or similar products to those we design and sell under our license agreements. These products could directly compete with our products and could be sold at lower prices than those at which our products are sold, resulting in higher margins for our customers compared to our products, potentially lessening our customers' demand for our products and adversely affecting our sales and profitability. Furthermore, competition for access to the properties we license is intense, and we must vigorously compete to obtain licenses to the intellectual property we need to produce our products. This competition could lessen our ability to secure, maintain, and renew our existing licenses, or require us to pay licensors higher royalties and higher minimum guaranteed payments in order to obtain new licenses or retain our existing licenses. To the extent we are unable to license properties on commercially reasonable terms, or on terms at least as favorable as our competitors, our competitive position and demand for our products will suffer. Because our ability to compete for licensed properties is based largely on our ability to increase fan engagement and generate royalty revenues for our licensors, any reduction in the demand for and sales of our products will further inhibit our ability to obtain licenses on commercially reasonable terms or at all. As a result, any such reduction in the demand for and sales of our products could have a material adverse effect on our business, financial condition and results of operations. **For example, our former Chief Executive Officer, Brian Mariotti and another former Funko executive, have created a collectible products company that recently launched with certain products that compete with our offerings. Mr. Mariotti may rely on licensing, supplier, marketing and other relationships he established while at Funko to produce, market and sell his products. He may be able to sell competing products for higher margins or at lower cost, and he may divert demand for**

our products, particularly from our customers who are collectors, all of which may adversely affect our sales and profitability in the future. We also increasingly compete with toy companies and other product designers for shelf space at specialty, mass- market and other retailers. Our retail customers will allocate shelf space and promotional resources based on the margins of our products for our customers, as well as their sales volumes. If toy companies or other competitors produce higher margin or more popular merchandise than our products, our retail customers may reduce purchases of our products and, in turn, devote less shelf space and resources to the sale of our products, which could have a material adverse effect on our sales and profitability. Our gross margin may not be sustainable and may fluctuate over time. Our gross margin has historically fluctuated, primarily as a result of changes in product mix, changes in our costs, including inventory management, price competition and acquisitions. For the years ended December 31, **2024, 2023, and 2022 and 2021**, our gross margins (exclusive of depreciation and amortization) **, calculated as net sales less cost of sales as a percentage of net sales,** were ~~30.4~~ **30.4 % and 32.8 % and 37.0 %**, respectively. Our current or historical gross margins may not be sustainable or predictive of future gross margins, and our gross margin may decrease over time. A decrease in gross margin can be the result of numerous factors, including, but not limited to: • changes in customer, geographic, or product mix; • introduction of new products, including our expansion into additional product categories; • increases in the royalty rates under our license agreements **; • new or increased tariffs impacting our products or raw materials for our products**; • inability to meet minimum guaranteed royalties; • increases in, or our inability to reduce, our costs, including as a result of inflation; • entry into new markets or growth in lower margin markets; • increases in raw materials, labor or other manufacturing- and inventory- related costs; • increases in transportation costs, including the cost of fuel, and increased shipping costs to meet customer demand; • increased price competition; • changes in the dynamics of our sales channels, including those affecting the retail industry and the financial health of our customers; • inability to increase prices in order to meet increased costs; • increases in sales discounts and allowances provided to our customers; • acquisitions of companies with a lower gross margin than ours; and • overall execution of our business strategy and operating plan. If any of these factors, or other factors unknown to us at this time, occur, then our gross margin could be adversely affected, which could have a material adverse effect on our business, financial condition and results of operations. Our business is largely dependent on content development and creation by third parties. We spend considerable resources in designing and developing products in conjunction with planned movie, television, video game, music and other content releases by various third- party content providers. The timing of the development and release, and the ultimate consumer interest in and success of, such content depends on the efforts of these third parties, as well as conditions in the media and entertainment industry generally. We do not control when or if any particular project will be greenlit, developed or released, and the creators of such projects may change their plans with respect to release dates or cancel development altogether. This can make it difficult for us to successfully develop and market products in conjunction with a given content release, given the lead times involved in product development and successful marketing efforts. Additionally, unforeseen factors in the media and entertainment industry, including labor strikes and unforeseen developments with talent such as accusations of a star’s wrongdoing, may also delay or cancel the release of such projects. ~~For example, in the summer of 2023, both the Writers’ Guild of America and Screen Actors Guild—American Federation of Television and Radio Artists (“SAG-AFTRA”) voted to authorize strikes by their respective members. Although subsequently resolved, these strikes have resulted in projects that were originally scheduled for 2023 release dates to be delayed into 2024 and beyond, and may delay further development and production of new and ongoing productions. Any such delay or cancellation may decrease the number of products we sell and harm our business.~~ As a purveyor of licensed pop culture consumer products, we may not be able to design and develop products that will be popular with consumers, and we may not be able to maintain the popularity of successful products. The interests of consumers evolve extremely quickly and can change dramatically from year to year. To be successful ~~we must~~ correctly anticipate both the products and the movies, TV shows, video games, music, sports and other content releases (including the related characters) that will appeal to consumers and quickly develop and introduce products that can compete successfully for consumers’ limited time, attention and spending. Evolving consumer tastes and shifting interests, coupled with an ever changing and expanding pipeline of products and content that compete for consumers’ interest and acceptance, create an environment in which some products and content can fail to achieve consumer acceptance, while others can be popular during a certain period of time but then be rapidly replaced. As a result, consumer products, particularly those based on pop culture such as ours, can have short life cycles. In addition, given the growing market for digital products and the increasingly digital nature of pop culture, there is also a risk that consumer demand for physical products may decrease over time. If we devote time and resources to developing and marketing products that consumers do not find appealing enough to buy in sufficient quantities, our sales and profits may decline, and our business performance may be damaged. Similarly, if our product offerings fail to correctly anticipate consumer interests, our sales and earnings will be adversely affected. Additionally, our business is increasingly global and depends on interest in and acceptance of our products and our licensors’ brands by consumers in diverse markets around the world with different tastes and preferences. As such, our success depends on our ability to successfully predict and adapt to changing consumer tastes and preferences in multiple markets and geographies and to design products that can achieve popularity globally over a broad and diverse consumer audience. There is no guarantee that we will be able to successfully develop and market products with global appeal. Consumer demand for pop culture products can and does shift rapidly and without warning. As a result, even if our product offerings are initially successful, there can be no guarantee that we will be able to maintain their popularity with consumers. Accordingly, our success will depend, in part, on our ability to continually design and introduce new products that consumers find appealing. To the extent we are unable to do so, our sales and profitability will be adversely affected. This is particularly true given the concentration of our sales under certain of our brand categories, particularly Core ~~Collectibles- Collectible~~ **Collectible**. Sales of our Core Collectible branded category products accounted for approximately **77 %, 73 %, and 76 % and 80 %** of our sales for the years ended December 31, **2024, 2023, and 2022 and 2021**, respectively. If consumer demand for our Core Collectible branded category products were to decrease, our

business, financial condition and results of operations could be adversely affected unless we were able to develop and market additional products that generated an equivalent amount of net sales at a comparable gross margin, which there is no guarantee we would be able to do. We may not realize the full benefit of our licenses if the properties we license have less market appeal than expected or if sales from the products that use those properties are not sufficient to satisfy the minimum guaranteed royalties. We seek to fulfill consumer preferences and interests by designing and selling products primarily based on properties owned by third parties and licensed to us. The popularity of the properties we license can significantly affect our sales and profitability. If we produce products based on a particular movie, TV show or video game, the success of the underlying content has a critical impact on the level of consumer interest in the associated products we are offering. Although we license a wide variety of properties, sales of products tied to major movie franchises have been significant contributors to our business. In addition, the theatrical duration of movie releases has decreased over time, and we expect this trend to continue with the increase of content made available on video streaming services. This may make it increasingly difficult for us to sell products based on such properties or lead our customers to reduce demand for our products to minimize their inventory risk. ~~If the performance of one or more of such~~ **In recent periods, we have seen a shift away from major** movie franchises ~~and failed to meet expectations or if there was a shift in~~ consumer tastes ~~away from such franchises generally~~ **are increasingly focused on streaming and other digital media content that is not produced by major movie studios. If these trends continue, or if we fail to license content that appeals to consumers**, our results of operations could be adversely affected. In addition, competition in our industry for access to licensed properties can lessen our ability to secure, maintain, and renew our existing licenses on commercially reasonable terms, if at all, and to attract and retain the talented employees necessary to design, develop and market successful products based on these properties. Our license agreements usually also require us to pay minimum royalty guarantees, which may in some cases be greater than what we are ultimately able to recoup from actual sales. When our licensing agreements require minimum royalty guarantees, we accrue a royalty liability based on the contractually required percentage, as revenues are earned. In the case that a minimum royalty guarantee is not expected to be met through sales, we will accrue up to the minimum amount required to be paid. As of December 31, **2024 and 2023** and ~~2022~~, we recorded reserves of \$ ~~4.8~~ **5** million and \$ ~~0.4~~ **8.5** million, respectively, related to prepaid royalties we estimated would not be recovered through sales. Acquiring or renewing licenses may require the payment of minimum guaranteed royalties that we consider to be too high to be profitable, which may result in losing licenses that we currently hold when they become available for renewal, or missing business opportunities for new licenses. Additionally, we have no guarantee that any particular property we license will translate into a successful product. Products tied to a particular content release may be developed and released before demand for the underlying content is known. The underperformance of any such product may result in reduced sales and operating profit for us. An inability to develop and introduce products in a timely and cost-effective manner may damage our business. Our sales and profitability depend on our ability to bring products to market to meet customer demands and before consumers begin to lose interest in a given property. There is no guarantee that we will be able to manufacture, source, ship and distribute new or continuing products in a timely manner or on a cost-effective basis to meet constantly changing consumer demands. This risk is heightened by our customers' increasingly compressed shipping schedules and the seasonality of our business. Furthermore, our license agreements typically require us to obtain the licensor's approval of the products we develop under a particular license prior to making any sales, which can have the effect of delaying our product releases. Additionally, for products based on properties in our movie, TV show and video game categories, this risk may also be exacerbated by our need to introduce new products on a timeframe that corresponds with a particular content release. These time constraints may lead our customers to reduce their demand for these products in order to minimize their inventory risk. Moreover, unforeseen delays or difficulties in the development process, significant increases in the planned cost of development, manufacturing or distribution delays or changes in anticipated consumer demand for our products and new brands, or the related third-party content, may cause the introduction date for products to be later than anticipated, may reduce or eliminate the profitability of such products or, in some situations, may cause a product or new brand introduction to be discontinued. Our intellectual property is a valuable asset of our business. As of December 31, ~~2023~~ **2024**, we owned approximately ~~118~~ **98** registered U. S. trademarks, ~~300~~ **278** registered international trademarks, ~~8~~ **12** pending U. S. trademark applications and ~~68~~ **52** pending international trademark applications. The market for our products depends to a significant extent upon the value associated with our product design, our proprietary brands and the properties we license. Although certain of our intellectual property is registered in the United States and in several of the foreign countries in which we operate, there can be no assurances with respect to the rights associated with such intellectual property in those countries, including our ability to register, use, maintain or defend key trademarks and copyrights. We rely on a combination of trademark, trade dress, copyright and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our intellectual property or other proprietary rights. However, these laws, procedures and restrictions provide only limited and uncertain protection and any of our intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated, including by counterfeiters and parallel importers. In addition, our intellectual property portfolio in many foreign countries is less extensive than our portfolio in the United States, and the laws of foreign countries, including many emerging markets in which our products are produced or sold, may not protect our intellectual property rights to the same extent as the laws of the United States. The costs required to protect our trademarks and copyrights may be substantial. In addition, we may fail to apply for, or be unable to obtain, protection for certain aspects of the intellectual property used in or beneficial to our business. Further, we cannot provide assurance that our applications for trademarks, copyrights and other intellectual property rights will be granted, or, if granted, will provide meaningful protection. In addition, third parties have in the past and could in the future bring infringement, invalidity or similar claims with respect to any of our current trademarks and copyrights, or any trademarks or copyrights that we may seek to obtain in the future. Any such claims, whether or not successful, could be extremely costly to defend, divert management's attention and resources, damage our reputation and brands, and substantially harm our business and results of operations. In order to protect or enforce

our intellectual property and other proprietary rights, or to determine the enforceability, scope or validity of the intellectual or proprietary rights of others, we may initiate litigation or other proceedings against third parties. Any lawsuits or proceedings that we initiate could be expensive, take significant time and divert management's attention from other business concerns. Litigation and other proceedings also put our intellectual property at risk of being invalidated, or if not invalidated, may result in the scope of our intellectual property rights being narrowed. In addition, our efforts to try to protect and defend our trademarks and copyrights may be ineffective. Additionally, we may provoke third parties to assert claims against us. We may not prevail in any lawsuits or other proceedings that we initiate, and the damages or other remedies awarded, if any, may not be commercially valuable. The occurrence of any of these events may have a material adverse effect on our business, financial condition and results of operations. In addition, most of our products bear the trademarks and other intellectual property rights of our licensors, and the value of our products is affected by the value of those rights. Our licensors' ability to maintain and protect their trademarks and other intellectual property rights is subject to risks similar to those described above with respect to our intellectual property. We do not control the protection of the trademarks and other intellectual property rights of our licensors and cannot ensure that our licensors will be able to secure or protect their trademarks and other intellectual property rights. The loss of any of our significant owned or licensed trademarks, copyrights or other intellectual property could have a material adverse effect on our business, financial condition and results of operations. In addition, our licensors may engage in activities or otherwise be subject to negative publicity that could harm their reputation and impair the value of the intellectual property rights we license from them, which could reduce consumer demand for our products and adversely affect our business financial condition and results of operations. Our success depends on our ability to operate our business without infringing, misappropriating or otherwise violating the trademarks, copyrights and proprietary rights of other parties. Our commercial success depends at least in part on our ability to operate without infringing, misappropriating or otherwise violating the trademarks, copyrights and other proprietary rights of others. However, we cannot be certain that the conduct of our business does not and will not infringe, misappropriate or otherwise violate such rights. Many companies have employed intellectual property litigation as a way to gain a competitive advantage, and to the extent we gain greater visibility and market exposure as a public company, we may also face a greater risk of being the subject of such litigation. For these and other reasons, third parties may allege that our products or activities, including products we make under license, infringe, misappropriate or otherwise violate their trademark, copyright or other proprietary rights. While we typically receive intellectual property infringement indemnities from our licensors, the indemnities are often limited to third-party copyright infringement claims to the extent arising from our use of the licensed material. Defending against allegations and litigation could be expensive, take significant time, divert management's attention from other business concerns, and delay getting our products to market. In addition, if we are found to be infringing, misappropriating or otherwise violating third-party trademark, copyright or other proprietary rights, we may need to obtain a license, which may not be available on commercially reasonable terms or at all, or may need to redesign or rebrand our products, which may not be possible. We may also be required to pay substantial damages or be subject to a court order prohibiting us and our customers from selling certain products or engaging in certain activities. Any claims of violating others' intellectual property, even those without merit, could therefore have a material adverse effect on our business, financial condition and results of operations. Our operating results may be adversely affected and damage to our reputation may occur due to production and sale of counterfeit versions of our products. As we have expanded internationally, and the global popularity of our products has increased, our products are increasingly subject to efforts by third parties to produce counterfeit versions of our products. There can be no guarantee that our efforts, including our work with customs officials and law enforcement authorities, to block the manufacture of counterfeit goods, prevent their entry in end markets, and detect counterfeit products in customer networks will be successful or result in any material reduction in the availability of counterfeit goods. Any such counterfeit sales, to the extent they replace otherwise legitimate sales, could adversely affect our operating results and damage our reputation **and brand**. Our officers and employees are at the heart of all of our efforts. It is their skill, creativity and hard work that drive our success. In particular, our success depends to a significant extent on the continued service and performance of our senior management team. We are dependent on their talents and continuing employment, and believe they are integral to our relationships with our licensors, certain of our key retail customers and to our overall selling and creative design processes. In ~~July~~ **May 2023-2024**, we announced that ~~Brian Mariotti, our~~ **Cynthia Williams would succeed Michael Lunsford as then- the -Company's** Chief Executive Officer ~~., would take a six-month sabbatical and that he~~ **The recent** would be replaced by a member of our board of directors, Michael Lunsford, as our Interim Chief Executive Officer. In September 2023, we announced that Mr. Mariotti resigned from the board of directors and as an **and future** employee of the company and entered into an Advisor Agreement with the Company. These changes in our leadership could have a material adverse impact on our business, financial condition and results of operations. The loss or temporary absence of any member of our senior management team, or of any other key employees, or the inability to successfully complete planned management transitions, could impair our ability to execute our business plan and could therefore have a material adverse effect on our business, financial condition and results of operations. We do not currently maintain key man life insurance policies on any member of our senior management team or on our other key employees. In addition, competition for qualified personnel is intense. We compete with many other potential employers in recruiting, hiring and retaining our senior management team and our many other skilled officers and other employees around the world. Our headquarters is located near Seattle and competition in the Seattle area for qualified personnel, particularly those with technology-related skills and experience, is intense due to the increasing number of technology and e-commerce companies with a large or growing presence in Seattle, some of whom have greater resources than us and may be located closer to the city of Seattle than we are. Furthermore, as we continue to grow our business and hire new employees, it may become increasingly challenging to hire people who will maintain our corporate culture. We believe our corporate culture, which fosters speed, teamwork and creativity, is one of our key competitive strengths. As we continue to grow, we may be unable to identify, hire or retain enough people who

will maintain our corporate culture, including those in management and other key positions. Conversely, when we furlough or lay off employees, ~~as we did in connection with our cost-cutting reduction in force measures during the year ended December 31, 2023,~~ there have been and may in the future be adverse consequences for our corporate culture and employee morale. No assurance can be made that our cost cutting measures, ~~including our recent reduction in force,~~ will not harm our corporate culture, employee morale, or have a material adverse impact on our business, financial condition and results of operations. Our corporate culture could also be adversely affected by the increasingly global distribution of our employees, as well as their increasingly diverse skill sets. If we are unable to maintain the strength of our corporate culture, our competitive ability and our business may be adversely affected. Our operating results may fluctuate from quarter to quarter and year to year due to the seasonality of our business, as well as due to the timing and popularity of new product releases. The businesses of our retail customers are highly seasonal, with a majority of retail sales occurring during the period from ~~October~~ **August** through ~~December~~ **November** in anticipation of the holiday season. As a consequence, we have experienced moderate seasonality in our business. Approximately **56 %**, **55 %**, ~~and 53 %~~ **and 59 %**, of our net sales for the years ended December 31, **2024**, **2023**, ~~and 2022~~ **and 2021**, respectively, were made in the third and fourth quarters, as our customers build up their inventories in anticipation of the holiday season. This seasonal pattern requires significant use of working capital, mainly to manufacture inventory during the portion of the year prior to the holiday season and requires accurate forecasting of demand for products during the holiday season in order to avoid losing potential sales of highly popular products or producing excess inventory of less popular products. In addition, as a result of the seasonal nature of our business, we would be significantly and adversely affected, in a manner disproportionate to the impact on a company with sales spread more evenly throughout the year, by unforeseen events such as a terrorist attack or economic shock that harm the retail environment or consumer buying patterns during our key selling season, or by events such as strikes or port delays that interfere with the shipment of goods during the critical months leading up to the holiday shopping season. The timing and mix of products we sell in any given year will depend on various factors, including the timing and popularity of new releases by third- party content providers and our ability to license properties based on these releases. Sales of a certain product or group of products tied to a particular content release can dramatically increase our net sales in any given quarter or year. Our results of operations may also fluctuate as a result of factors such as the delivery schedules set by our customers and holiday shut down schedules set by our third- party manufacturers. Additionally, the rapid growth we have experienced in recent years may have masked the full effects of seasonal factors on our business to date, and as such, these factors may have a greater effect on our results of operations in future periods. Our use of third- party manufacturers to produce our products presents risks to our business. We use third- party manufacturers to manufacture all of our products and have historically concentrated production with a small number of manufacturers and factories. As a result, the loss or unavailability of one of our manufacturers or one of the factories in which our products are produced, even on a temporary basis, could have a **materially** negative impact on our business, financial condition and results of operations. This risk is exacerbated by the fact that we do not have written contracts reserving capacity or providing loss contingencies with certain of our manufacturers. While we believe our external sources of manufacturing could be shifted, if necessary, to alternative sources of supply, we would require a significant period of time to make such a shift. Because we believe our products represent a significant percentage of the total capacity of each factory in which they are produced, such a shift may require us to establish relationships with new manufacturers, which we may not be able to do on a timely basis, on similar terms, or at all. We may also be required to seek out additional manufacturers in response to increased demand for our products, as our current manufacturers may not have the capacity to increase production. If we were prevented from or delayed in obtaining a material portion of the products produced by our manufacturers, or if we were required to shift manufacturers (assuming we would be able to do so), our sales and profitability could be significantly reduced. In addition, while we require that our products supplied by third- party manufacturers be produced in compliance with all applicable laws and regulations, and we have the right to monitor compliance by our third- party manufacturers with our manufacturing requirements and to oversee the quality control process at our manufacturers' factories, there is risk that one or more of our third- party manufacturers will not comply with our requirements, and that we will not promptly discover such non- compliance. For example, the Consumer Product Safety Improvement Act of 2008 (the "CPSIA") limits the amounts of lead and phthalates that are permissible in certain products and requires that our products be tested to ensure that they do not contain these substances in amounts that exceed permissible levels. In the past, products manufactured by certain of our third- party manufacturers have tested positive for phthalates. Though the amount was not in excess of the amount permissible under the CPSIA, we cannot guarantee that products made by our third- party manufacturers will not in the future contain phthalates in excess of permissible amounts, or will not otherwise violate the CPSIA, other consumer or product safety requirements, or labor or other applicable requirements. Any failure of our third- party manufacturers to comply with such requirements in manufacturing products for us could result in damage to our reputation, harm our brand image and sales of our products and potentially create liability for us. Additionally, there are increasing expectations in various jurisdictions that companies monitor the environmental and social performance of their suppliers, including compliance with a variety of labor practices, as well as consider a wider range of potential environmental and social matters, including the **end -of -** life considerations for products. Compliance can be costly, require us to establish or augment programs to diligence or monitor our suppliers, or, in the case of legislation such as the Uyghur Forced Labor Prevention Act, to design supply chains to avoid certain regions altogether. Failure to comply with such regulations can result in fines, reputational damage, import ineligibility for our products, or otherwise adversely impact our business. Monitoring compliance by independent manufacturers is complicated by the fact that expectations of ethical business practices continually evolve, may be substantially more demanding than applicable legal requirements and are driven in part by legal developments and by diverse groups active in publicizing and organizing public responses to perceived ethical shortcomings. Accordingly, we cannot predict how such expectations might develop in the future and cannot be certain that our manufacturing requirements, even if complied with, would satisfy all parties who are active in monitoring and publicizing perceived

shortcomings in labor and other business practices worldwide. Additionally, the third- party manufacturers that produce most of our products are located in Vietnam, China and Mexico. As a result, we are subject to various risks resulting from our international operations. See “ Our substantial sales and manufacturing operations outside the United States subject us to risks associated with international operations. ” We are subject to a series of risks related to climate change. There are inherent climate- related risks wherever business is conducted. Various meteorological phenomena and extreme weather events (including, but not limited to, storms, flooding, drought, wildfire, and extreme temperatures) may disrupt our operations or those of our suppliers, requiring us or our suppliers to incur additional operating or capital expenditures, or otherwise adversely impact our business, financial condition, or results of operations, either directly or indirectly through impacting our suppliers. Climate change may impact the frequency and / or intensity of such events as well as contribute to certain chronic changes, such as changes to meteorological or hydrological patterns, which may have various adverse impacts. While we may take various actions to mitigate our business risks associated with climate change, this may require us to incur substantial costs and may not be successful, due to, among other things, the uncertainty associated with the longer- term projections associated with managing climate risks. Additionally, regulatory, market, and other changes to respond to climate change may adversely impact our business, financial condition, or results of operations. Developing products that satisfy the market’ s evolving expectations for product composition may require us to incur significant costs. **Certain stakeholders Reporting expectations are also seek increasing, with a variety of stakeholders seeking increased information on climate related risks . For example, several regulators, such as the SEC and the State of California, have adopted, or are considering adopting, rules that would require companies to provide significantly expanded climate- related disclosures in their periodic reporting and other disclosures, which could may require us to incur significant additional costs to comply, including the implementation of significant additional internal controls processes and procedures regarding matters that have not been subject to such controls in the past, and impose increased oversight obligations on our management and board of directors and cause us to incur significant additional costs to comply . All These requirements are not uniform, and may not be interpreted or applied uniformly, which may result in increased costs and complexity of compliance, along with any related risks. In addition, all** of these risks may also impact our suppliers or business partners, which may indirectly impact our business, financial condition, or results of operations. Increased attention to, and evolving expectations for, sustainability and environmental, social, and governance (“ ESG ”) initiatives could increase our costs , ~~harm our reputation,~~ or otherwise adversely impact our business **and reputation** . Expectations surrounding **climate, human capital, and other** ESG matters continue to evolve rapidly. For example, we have previously been subject to media scrutiny for our management of product inventory. Unfavorable perceptions of our ESG performance may have a negative impact on our business, whether from a reputational perspective, a reduction in interest in our stock or products, issues in attracting / retaining customers, employees, or business partners, or otherwise. Simultaneously, there are efforts by some parties to reduce companies’ efforts on certain ESG- related matters. Both advocates and opponents to certain ESG matters increasingly resort to a range of activism forms, including media campaigns and litigation, to advance their perspectives. Addressing these varying demands and expectations may be costly, and our efforts may not be successful or have the desired effect. **Any failure to successfully navigate such divergent or conflicting expectations may also result in various adverse impacts.** Certain of our suppliers and business partners may be subject to similar expectations, which may augment or create additional risks, including risks that may not be known to us. Companies across industries are facing increasing scrutiny from a variety of stakeholders related to their ESG and sustainability practices. Expectations regarding voluntary ESG initiatives and disclosures may result in increased costs (including but not limited to increased costs related to compliance, stakeholder engagement, contracting and insurance), changes in demand for certain products, enhanced compliance or disclosure obligations, or other adverse impacts to our business, financial condition, or results of operations. Our operations, including our corporate headquarters, primary distribution facilities and third- party manufacturers, are concentrated in certain geographic regions, which makes us susceptible to adverse conditions in those regions. Our corporate headquarters are currently located in Everett, Washington and our primary distribution warehouse is located in Buckeye, Arizona. We also have additional warehouse facilities and / or offices located in Coventry, England; London, England; Burbank, California; and San Diego, California. In addition, the factories that produce most of our products are located in Vietnam, China and Mexico. As a result, our business may be more susceptible to adverse conditions in these regions than the operations of more geographically diverse competitors. Such conditions could include, among others, adverse economic and labor conditions, as well as demographic trends. Furthermore, Buckeye is the location from which most of the products we sell are received, stored and shipped to our customers. We depend heavily on ocean container delivery to receive products from our third- party manufacturers located in Asia and contracted third- party delivery service providers to deliver our products to our distribution facilities. Any disruption to or failures in these delivery services, at our headquarters or at our warehouse facilities, whether as a result of extreme or severe weather conditions, natural disasters, labor unrest or otherwise, affecting western Washington or Arizona in particular, or the West Coast in general, or in other areas in which we operate, could significantly disrupt our operations, damage or destroy our equipment and inventory and cause us to incur additional expenses, any of which could have a material adverse effect on our business, financial condition and results of operations. Although we possess insurance for damage to our property and the disruption of our business, this insurance, and in particular earthquake insurance, which is subject to various limitations and requires large deductibles or co- payments, may not be sufficient to cover all of our potential losses, and may be cancelled by us in the future or otherwise cease to be available to us on reasonable terms or at all. Similarly, natural disasters and other adverse events or conditions affecting east or southeast Asia, where most of our products are produced, could halt or disrupt the production of our products, impair the movement of finished products out of those regions, damage or destroy the molds and tooling necessary to make our products and otherwise cause us to incur additional costs and expenses, any of which could also have a material adverse effect on our business, financial condition and results of operations. We operate facilities and sell products in numerous countries outside the United States. Sales to our international customers comprised approximately **35 %**,

31 %, ~~and 27 % and 28 %~~ of our sales for the years ended December 31, ~~2024~~, 2023, ~~and 2022 and 2021~~, respectively. We expect sales to our international customers to account for an increasing portion of our sales in future fiscal years. Over time, we expect our international sales and operations to continue to grow both in dollars and as a percentage of our overall business as a result of a key business strategy to expand our presence in emerging and underserved international markets. Additionally, as discussed above, we use third- party manufacturers located in Vietnam, China and Mexico to produce most of our products. These international sales and manufacturing operations, including operations in emerging markets, are subject to risks that may significantly harm our sales, increase our costs or otherwise damage our business, including: • currency conversion risks and currency fluctuations; • limitations on the repatriation of earnings; • potential challenges to our transfer pricing determinations and other aspects of our cross- border transactions, which can materially increase our taxes and other costs of doing business; • political instability, civil unrest, war and economic instability, such as the current situation with Ukraine and Russia or Israel and Hamas and any impacts on surrounding regions; • greater difficulty enforcing intellectual property rights and weaker laws protecting such rights; • complications in complying with different laws and regulations in varying jurisdictions, including the U. S. Foreign Corrupt Practices Act (“FCPA”), the U. K. Bribery Act of 2010, similar anti- bribery and anti- corruption laws and local and international environmental, labor, health and safety laws, and in dealing with changes in governmental policies and the evolution of laws and regulations and related enforcement; • difficulties understanding the retail climate, consumer trends, local customs and competitive conditions in foreign markets which may be quite different from the United States; • changes in international labor costs and other costs of doing business internationally; • the imposition of and changes in tariffs, quotas, ~~border adjustment~~ taxes or other protectionist measures by any major country or market in which we operate, which could make it significantly more expensive and difficult to import products into that country or market, raise the cost of such products, decrease our sales of such products or decrease our profitability; • proper payment of customs duties and / or excise taxes; • natural disasters ~~and~~, pandemics ~~and other health crises~~, ~~and including related to COVID-19~~, the greater difficulty and cost in recovering therefrom; • transportation delays and interruptions; • difficulties in moving materials and products from one country to another, including port congestion, strikes or other labor disruptions, trade route disruptions due to geopolitical tensions and other transportation delays and interruptions; and • increased investment and operational complexity to make our products compatible with systems in various countries and compliant with local laws. Because of the importance of international sales, sourcing and manufacturing to our business, our financial condition and results of operations could be significantly harmed if any of the risks described above were to occur or if we are otherwise unsuccessful in managing our increasingly global business. Increases in tariffs, trade restrictions or taxes on our products could have an adverse impact on our operations. The commerce we conduct in the international marketplace makes us subject to tariffs, trade restrictions and other taxes when the raw materials or components we purchase, and the products we ship, cross international borders. Trade tensions between the United States and China, **Mexico, Canada** and other countries have been escalating in recent years. **Recently, the U. S. presidential administration has announced new tariffs on imports from China, and announced, suspended and then reaffirmed new tariffs on imports from Mexico and Canada.** U. S. tariff impositions against Chinese exports have been followed by retaliatory Chinese tariffs on U. S. exports to China. Certain of the products we purchase from manufacturers in China have been or may in the future be subject to these tariffs, which, **to the extent we alter our pricing as a result of such tariffs**, could make our products less competitive than those of our competitors whose inputs are not subject to these tariffs. Products we sell into certain foreign markets could also become subject to similar retaliatory tariffs, making the products we sell uncompetitive compared to similar products not subjected to such import tariffs. ~~The More recently, the U. S. government enacted~~ **presidential administration has also announced that it is reviewing U. S. trade policy and tariffs generally. U. S. tariff impositions against Vietnam, China or Mexico could have a material adverse effect on our business, results of operations and financial condition. In addition, trade- related legislation may adversely impact our operations and financial results. For example,** the Uyghur Forced Labor Prevention Act, which effectively bars the importation into the United States of products made in or sourced from the Xinjiang region of China **where**. ~~The Xinjiang region of China is the source of~~ a large portion of the world' s cotton supply **is sourced**, and this import ban may impact prices and the availability of cotton for our clothing products. As a U. S. company, we are subject to U. S. export control and economic sanctions laws and regulations, and we are required to export our products in compliance with those laws and regulations, including the U. S. Export Administration Regulations and economic and trade sanctions programs administered by the Treasury Department' s Office of Foreign Assets Control. U. S. economic sanctions and export control laws and regulations prohibit the shipment of specified products and services to countries, governments and persons that are the subject of U. S. sanctions. While we take precautions against doing any business, directly or indirectly, in or with countries, governments and persons subject to U. S. sanctions, such measures may be circumvented. There can be no assurance that we will be in compliance with U. S. export control or economic sanctions laws and regulations in the future. Any such violation could result in criminal or civil fines, penalties or other sanctions and repercussions, including reputational harm that could materially adversely affect our business. Further changes in U. S. trade policies, tariffs, taxes, export restrictions or other trade barriers, or restrictions on raw materials or components may limit our ability to produce products, increase our manufacturing costs, decrease our profit margins, reduce the competitiveness of our products, or inhibit our ability to sell products or purchase raw materials or components, which would have a material adverse effect on our business, results of operations and financial condition. Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our operating results and financial condition. We are subject to income taxes in **a number of jurisdictions, including** the United States and the United Kingdom, and our tax liabilities will be subject to the allocation of expenses in differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including: • changes in the valuation of our deferred tax assets and liabilities; • expected timing and amount of the release of any tax valuation allowances; • tax effects of equity- based compensation; • costs related to intercompany restructurings; or • changes in tax laws, regulations

or interpretations thereof. We may be subject to audits of our income, sales and other transaction taxes by the ~~tax~~ U. K., U. S. federal and state authorities **in a number of different taxing jurisdictions. Our effective tax rate and tax liability are based on the application of current tax laws and regulations. These laws and regulations are complex, and the manner which they apply to us and our diverse set of business arrangements is often open to interpretation. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets**. Outcomes from ~~these~~ audits could have an adverse effect on our operating results and financial condition. Further, under tax rules applicable to partnerships like FAH, LLC, audit adjustments to the tax items of FAH, LLC that are generally “ passed through ” to its equity holders may result in income tax assessments that are paid at the FAH, LLC- level, notwithstanding that FAH, LLC generally is not an entity- level taxpayer with respect to the income taxes that are the subject of the adjustment. This could result in the then- current owners of FAH, LLC equity interests (including us) bearing the burden of income tax audit adjustments in accordance with their then- current ownership of FAH, LLC, even if their ownership percentage of FAH, LLC during the taxable period that gave rise to the audit adjustment was different. In addition, changes in law and policy relating to taxes could adversely affect us. Taxing authorities and other officials regularly propose significant changes to tax laws, some of which may affect our business. The Organization for Economic Co- operation and Development (the “ OECD ”) ~~has~~ announced an accord commonly referred to as “ Pillar Two ” to set a minimum global corporate tax rate of 15 %, which is being or may be implemented in many jurisdictions, including the United States. The OECD is also issuing guidelines that are different, in some respects, than current international tax principles, and adoption of these guidelines may increase tax uncertainty and increase taxes applicable to us. We cannot predict whether the U. S. Congress or any other governmental body may enact new tax legislation or tax regulations, or offer any assurance that new legislation or regulations, including changes to existing laws and regulations, will not have an adverse effect on our business, results of operations, financial condition or prospects. Our business depends in large part on our vendors and outsourcers, and our reputation and ability to effectively operate our business may be harmed by actions taken by these third parties outside of our control. We rely significantly on vendor and outsourcing relationships with third parties for services and systems including manufacturing, transportation, logistics and information technology. We use third -party logistics companies to process and fulfill customer orders in Europe and the U. S. Any shortcoming of one of our vendors or outsourcers, including our third -party logistics providers, particularly one affecting the quality of these services or systems, may be attributed by customers to us, thus damaging our reputation and brand value, and potentially affecting our results of operations. This includes potential shipping delays as a result of container availability or other global capacity constraints. In addition, problems with transitioning these services and systems to, or operating failures with, these vendors and outsourcers could cause delays in product sales, reduce the efficiency of our operations and require significant capital investments to remediate. We are subject to various government regulations and may be subject to additional regulations in the future, violation of which could subject us to sanctions or otherwise harm our business. As a company that designs and sells consumer products, we are subject to significant government regulation, including, in the United States, under the Child Status Protection Act (the “ CPSA ”), the Federal Hazardous Substances Act (the “ FHSA ”), the Consumer Product Safety Improvement Act (the “ CPSIA ”) and the Flammable Fabrics Act (the “ FFA ”), as well as under product safety and consumer protection statutes in our international markets. There can be no assurance that we will be in compliance, and failure to comply with these acts could result in sanctions which could have a negative impact on our business, financial condition and results of operations. This risk is exacerbated by our reliance on third parties to manufacture our products. See “ Our use of third- party manufacturers to produce our products presents risks to our business. ” Governments and regulatory agencies in the markets in which we manufacture and sell products may enact additional regulations relating to product safety and consumer protection in the future and may also increase the penalties for failing to comply with such regulations. In addition, one or more of our customers might require changes in our products, such as the non- use of certain materials, in the future. Complying with any such additional regulations or requirements could impose increased costs on our business. Similarly, increased penalties for non- compliance could subject us to greater expense in the event any of our products were found to not comply with such regulations. Such increased costs or penalties could harm our business. **In addition, new and changing laws, regulations, executive orders and enforcement priorities can also create uncertainty about how such laws and regulations will be interpreted and applied, which may decrease customer spending or adversely impact capital markets**. As discussed above, our international operations subject us to a host of other governmental regulations throughout the world, including antitrust, customs and tax requirements, anti- boycott regulations, environmental regulations and the FCPA. Complying with these regulations imposes costs on us which can reduce our profitability, and our failure to successfully comply with any such legal requirements could subject us to monetary liabilities and other sanctions that could further harm our business and financial condition. For example, in 2019 we identified that our subsidiary, Loungefly, historically underpaid certain duties owed to U. S. Customs. ~~In May 2019, we notified U. S. Customs of potential underpayments of customs duties and commenced an internal investigation to determine the cause of the underpayments and the proper amount of duties owed for the applicable five- year statute of limitations period. We identified a total of approximately \$ 7. 8 million in underpayments to U. S. Customs during the period from May 24, 2014 through June 30, 2019, \$ 6. 3 million of which related to previously issued financial statements. In July 2019, we submitted payment of \$ 7. 8 million to U. S. Customs along with a report explaining the nature of the underpayments. Pursuant to the applicable statute, for an importer that meets all of the requirements for self- reporting underpayments, the maximum civil potential penalty is 100 % of the lawful duties, taxes, and fees due to U. S. Customs and the civil penalty for an importer who fails to meet the self- reporting requirements is up to the value of the merchandise associated with underpayment.~~ Following a review by U. S. Customs, it was determined that we ~~owed~~ **owe** \$ 1. 0 million in penalties and interest related to the underpayment, **which - This payment was made paid** during the year ended December 31, 2023. As digital assets are a relatively new and emerging asset class, the regulatory, commercial, and legal framework governing digital assets and associated products and services is

likely to evolve both in the U. S. and internationally and implicates issues regarding a range of matters, including, but not limited to, intellectual property rights, consumer protection, privacy and cybersecurity, anti-money laundering, sanctions and currency, tax, money transmission, commodity, and securities law compliance **under federal and state laws**. We may need to comply with new licensing or registration requirements, revise our compliance and risk mitigation measures, institute a ban on certain digital assets or transactions thereof, and / or suspend or shut down our products or services in one or more jurisdictions. We may also face substantial costs to operationalize and comply with new legal or regulatory requirements. It is difficult to predict how the legal and regulatory framework and oversight / enforcement infrastructure around digital assets will develop and how such developments will impact our business and these new product offerings since the market for digital assets, and NFTs in particular, is relatively nascent. Our e-commerce business is subject to numerous risks that could have an adverse effect on our business and results of operations. Sales through our websites have continued to grow as a percentage of our net sales and we expect them to continue to grow in the future. Though sales through our websites generally have higher profit margins and provide us useful insight on the sales impact of certain of our marketing campaigns, further development of our e-commerce business also subjects us to a number of risks. Our online sales may negatively impact our relationships with our retail customers and distributors if they perceive that we are competing with them. In addition, online commerce is subject to increasing regulation by states, the federal government and various foreign jurisdictions. Compliance with these laws will increase our costs of doing business, and our failure to comply with these laws could also subject us to potential fines, claims for damages and other remedies, any of which would have an adverse effect on our business, financial condition and results of operations. Additionally, some jurisdictions have implemented, or may implement, laws that require remote sellers of goods and services to collect and remit taxes on sales to customers located within the jurisdiction. In particular, the Streamlined Sales Tax Project (an ongoing, multi-year effort by U. S. state and local governments to pursue federal legislation that would require collection and remittance of sales tax by out-of-state sellers) could allow states that meet certain simplification and other criteria to require out-of-state sellers to collect and remit sales taxes on goods purchased by in-state residents. Furthermore, in June 2018, the U. S. Supreme Court ruled in *South Dakota v. Wayfair* that a U. S. state may require an online retailer with no in-state property or personnel to collect and remit sales taxes on sales made to the state's residents, which may permit wider enforcement of sales tax collection requirements. These collection responsibilities and the complexity associated with tax collection, remittance and audit requirements increase the costs associated with our e-commerce business. Furthermore, our e-commerce operations subject us to risks related to the computer systems that operate our websites and related support systems, such as system failures, viruses, computer hackers, cyberattacks and similar disruptions, or the perception thereof. If we are unable to continually add software and hardware, effectively upgrade our systems and network infrastructure and take other steps to improve the efficiency of our systems, system interruptions or delays could occur that adversely affect our operating results and harm our brand. While we depend on our technology vendors to manage "up-time" of the front-end e-commerce store, manage the intake of our orders, and export orders for fulfillment, we could begin to run all or a greater portion of these components ourselves in the future. Any failure on the part of our third-party e-commerce vendors or in our ability to transition third-party services effectively could result in lost sales and harm our brand. There is a risk that consumer demand for our products online may not generate sufficient sales to make our e-commerce business profitable, as consumer demand for physical products online may be less than in traditional retail sales channels. To the extent our e-commerce business does not generate more net sales than costs, our business, financial condition and results of operations will be adversely affected. We could be subject to future product liability suits or product recalls which could have a significant adverse effect on our financial condition and results of operations. As a company that designs and sells consumer products, we may be subject to product liability suits or involuntary product recalls or may choose to voluntarily conduct a product recall. While costs associated with product liability claims and product recalls have generally not been material to our business, the costs associated with future product liability claims or product recalls in any given fiscal year, individually or in the aggregate, could be significant. In addition, any product recall, regardless of the direct costs of the recall, could harm consumer perceptions of our products, subject us to additional government scrutiny, divert development and management resources, adversely affect our business operations and otherwise put us at a competitive disadvantage compared to other companies in our industry, any of which could have a significant adverse effect on our financial condition and results of operations. We are currently subject to securities class action and derivative litigation and may be subject to similar or other litigation in the future, all of which will require significant management time and attention, result in significant legal expenses and may result in unfavorable outcomes, which may have a material adverse effect on our business, operating results and financial condition, and negatively affect the price of our Class A common stock. We are, and may in the future become, subject to various legal proceedings and claims that arise in or outside the ordinary course of business. For example, several stockholder derivative actions based on the Company's earnings announcement and Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 have been brought on behalf of the Company against certain of our directors and officers. Specifically, on April 23, June 5, and June 10, 2020, the actions captioned *Cassella v. Mariotti et al.*, *Evans v. Mariotti et al.*, and *Igelido v. Mariotti et al.*, respectively, were filed in the United States District Court for the Central District of California, **seeking declaratory and monetary relief**. On July 6, 2020, these three actions were consolidated for all purposes into one action under the title *In re Funko, Inc. Derivative Litigation*, and on August 13, 2020, the consolidated action was stayed. On May 9, 2022, another complaint, asserting substantially similar claims **and seeking substantially similar relief**, was filed in the U. S. District Court for the Central District of California, captioned *Smith v. Mariotti, et al.* On July 5, 2022, two purported stockholders filed an additional derivative action in the Court of Chancery of the State of Delaware, captioned *Fletcher v. Mariotti et al. v. Mariotti*. In March 2023, the Company reached a non-monetary settlement in principle in *In re Funko, Inc. Derivative Litigation, Smith v. Mariotti, and Fletcher v. Mariotti et al. v. Mariotti* and the actions were stayed pending finalization of the settlement. **On March 4, 2024, plaintiffs filed a motion for preliminary approval of the settlement with the Court.** As part of the settlement, the plaintiffs **in all three cases** agreed to

dismiss their claims on behalf of the corporation in exchange for a set of corporate governance reforms and attorney's fees and expenses. The attorney's fees and expenses were will be paid out of Funko's directors and officers' insurance. The motion for preliminary approval of **On November 18, 2024, the Court entered a Final Order and Judgment approving** the settlement **remains pending in all respects. Accordingly, all three of the cases were dismissed, with prejudice, between November 18 and December 20, 2024 granted a Stipulation of Voluntary Dismissal with Prejudice releasing all claims against Funko.** On June 11, 2021, a purported stockholder filed an additional derivative action, captioned Silverberg v. Mariotti, et al., in the Court of Chancery of the State of Delaware, **seeking declaratory and monetary relief.** The **claims in Company moved to dismiss the Silverberg complaint v. Mariotti, et al., litigation were released as a result of the settlement described above. Accordingly, the Silverberg v. Mariotti, et al., litigation was dismissed with prejudice on April 3-December 2, 2023-2024.** Plaintiff responded on May 3, 2023, and briefing was completed on May 25, 2023. The motion remains pending before the Court of Chancery. Additionally, between November 16, 2017 and June 12, 2018, seven purported stockholders of the Company filed putative class action lawsuits in the Superior Court of Washington in and for King County against us, certain of our officers and directors, ACON, Fundamental, the underwriters of our IPO, and certain other defendants. On July 2, 2018, the suits were ordered consolidated for all purposes into one action under the title In re Funko, Inc. Securities Litigation. On August 1, 2018, plaintiffs filed a consolidated complaint against us, certain of our officers and directors, ACON, Fundamental, and certain other defendants. The Company moved to dismiss twice, and the Court twice granted our motions to dismiss, the second time with prejudice. Plaintiffs appealed and on November 1, 2021, the Court of Appeals reversed the trial court's dismissal decision in most respects. On May 4, 2022, the Washington State Supreme Court denied the Defendants' petition, and the case was remanded to the Superior Court for further proceedings. We filed our answer on September 19, 2022, and **the Court certified the case as** discovery is currently ongoing. Plaintiffs filed a motion for class certification action on July 7, 2023, and briefing was completed on the class certification motion on October 25, 2023. On November 6, 2023, the Washington Superior Court granted Plaintiffs' motion for class certification. **The consolidated** On June 4, 2018, a putative class action lawsuit entitled Kanugonda v. Funko, Inc., et al. was filed in the United States District Court for the Western District of Washington against us, certain of our officers and directors, and certain other defendants. On January 4, 2019, a lead plaintiff was appointed in that case. On April 30, 2019, the lead plaintiff filed an amended complaint against the previously named defendants. Funko moved to dismiss the Complaint in the federal action, now captioned Berkelhammer v. Funko, Inc. et al., on June 14, 2023. Plaintiff filed an opposition on July 27, 2023, cross moving for an order voluntarily dismissing the action without prejudice so that he can pursue status as a class representative in In re Funko, Inc. Securities Litigation, or in the alternative, a court order denying defendants' motion to dismiss. Briefing completed on August 18, 2023. On October 13, 2023, the District Court granted plaintiff's motion for voluntary dismissal without prejudice, denied defendants' motion to dismiss, and dismissed the action. The ease in Washington state court alleges that we violated Sections 11, 12, and 15 of the Securities Act of 1933, as amended ("Securities Act"), by making allegedly materially misleading statements in documents filed with the SEC in connection with our IPO and by omitting material facts necessary to make the statements made therein not misleading. The lawsuit seeks, among other things, compensatory statutory damages and rescissory damages in account of the consideration paid for our Class A common stock by the plaintiffs and members of the putative class, as well as attorneys' fees and costs. On **October 21, 2024, the parties agreed to a settlement in principle, and on October 29, 2024 notified the Court of a proposed class settlement. The Court preliminarily approved the settlement on February 12, 2025 and the settlement was paid on February 25, 2025, directly by the Company's applicable insurance policies. No assurance can be made that this matter either individually or together with the potential for similar suits, will not result in a material financial exposure, which could have a material adverse effect upon the Company's financial condition and results of operations.** On January 18, 2022, a purported stockholder filed a putative class action lawsuit in the Court of Chancery of the State of Delaware, captioned Shumacher v. Mariotti, et al., relating to our corporate "Up-C" structure and bringing direct claims for breach of fiduciary duties against certain current and former officers and directors, **seeking declaratory, monetary, and injunctive relief.** On March 31, 2022, we moved to dismiss the action. In response to defendants' motion to dismiss, Plaintiff filed an Amended Complaint on May 25, 2022. The amendment did not materially change the claims at issue, and the Defendants again moved to dismiss on **July 29-August 12, 2022.** On December 15, 2022, Plaintiff opposed the Defendants' motion to dismiss, and also moved for attorneys' fees. Briefing on the motion to dismiss was completed on February 8, 2023; briefing on Plaintiff's fee application was completed on April 10, 2023. The Court heard oral argument on both motions on July 24, 2023. On December 18, 2023, the Court denied Defendants' motion to dismiss and denied Plaintiffs' application for an interim fee. We filed our answer on January 26, **2024, and discovery is currently ongoing. On March 13, 2024, the representative plaintiff moved to withdraw as a plaintiff in the action, and another purported stockholder moved to intervene as representative plaintiff. On October 28, 2024, the Court granted the plaintiff's motion to withdraw and granted the new representative plaintiff's motion to intervene. The Company filed its Answer to the Verified Class Action Complaint in Intervention on December 10, 2024, and discovery is currently ongoing.** On June 2, 2023, a purported stockholder filed a putative class action lawsuit in the United States District Court for the Western District of Washington, captioned Studen v. Funko, Inc., et al. The Complaint alleges that the Company and certain individual defendants violated Sections 10 (b) and 20 (a) of the Exchange Act, as amended, as well as Rule 10b-5 promulgated thereunder by making allegedly materially misleading statements in documents filed with the SEC, as well as in earnings calls and presentations to investors, regarding a planned upgrade to its enterprise resource planning system and the relocation of a distribution center, as well as by omitting material facts about the same subjects necessary to make the statements made therein not misleading. The lawsuits seek, among other things, compensatory damages and attorneys' fees and costs. On August 17, 2023, the Court appointed lead plaintiff, and on August 29, 2023, the parties submitted a joint stipulated scheduling order. Plaintiff's amended complaint was filed October 19, 2023. The amendment adds additional allegations by including accounts from purported former

employees and contractors. Plaintiff seeks to represent a putative class of investors who purchased or acquired Funko common stock between March 3, 2022 and March 1, 2023. **On May 16, 2024, the Court granted the Company's motion to dismiss with leave for Plaintiffs to file a second amended complaint. On July 1, 2024, Plaintiffs notified the Court of their decision to not amend their complaint, and the Court dismissed the complaint with prejudice on July 8, 2024. Plaintiffs filed a Notice of Appeal to the United States Court of Appeals for the Ninth Circuit on August 6, 2024, under the amended caption Construction Laborers Pension Trust of Greater St. Louis v. Funko moved, Inc., et al. Plaintiffs' opening brief was filed on October 21, 2024, and briefing was completed on February 10, 2025. Oral argument is expected to be held in or around May or June 2025. On April 12, 2024, a former employee of the Company filed a putative class action in San Diego Superior Court, seeking to represent all non-exempt workers of the Company in the State of California. The complaint alleges various wage and hour violations under the California Labor Code and related statutes. Plaintiff has also served a Private Attorneys General Act notice for the same alleged wage and hour violations. The claims predominantly relate to alleged unpaid wages (overtime) and missed meal and rest breaks. The lawsuit seeks, among other things, compensatory damages, statutory penalties, attorneys' fees and costs. There have been no substantive rulings in the case, including as to propriety of proceeding on December 15 a class wide basis, and a date for trial has not yet been set. The parties have agreed to a mediation session related to this case that is expected to occur in May 2023 2025, and the motion will be fully briefed by March 22, 2024.** The results of the securities class action lawsuits, derivative lawsuits, and any future legal proceedings cannot be predicted with certainty. Also, our insurance coverage may be insufficient, our assets may be insufficient to cover any amounts that exceed our insurance coverage, and we may have to pay damage awards or otherwise may enter into settlement arrangements in connection with such claims. Any such payments or settlement arrangements in current or future litigation could have a material adverse effect on our business, operating results or financial condition. Even if the plaintiffs' claims are not successful, current or future litigation could result in substantial costs and significantly and adversely impact our reputation and divert management's attention and resources, which could have a material adverse effect on our business, operating results and financial condition, and negatively affect the price of our Class A common stock. In addition, such lawsuits may make it more difficult to finance our operations. We may not realize the anticipated benefits of acquisitions or investments, the realization of such benefits may be delayed or reduced or our acquisitions or investments may have unexpected costs. Acquisitions ~~have been a component of our growth and the development of our business and are likely to continue to be in the future.~~ Acquisitions can broaden and diversify our brand holdings and product offerings, expand our distribution capabilities and allow us to build additional capabilities and competencies. We cannot be certain that the products and offerings of companies we may acquire, or acquire an interest in, will achieve or maintain popularity with consumers in the future or that any such acquired companies or investments will allow us to more effectively distribute our products, market our products, develop our competencies or grow our business. For example, in the first quarter of 2021 we acquired a majority interest and in October 2022 acquired the remainder of the membership interests in TokenWave LLC, the developer of a mobile application for tracking and displaying NFTs, to accelerate our entry into the digital collectible space ~~We launched our first Digital Pop! NFT collection in the third quarter of 2021 and have conducted additional NFT "drops" on a regular cadence since then.~~ The market and consumer demand, as well as the legal and regulatory framework, for NFTs and other digital collectible products is new, rapidly developing and highly uncertain. No assurance can be given that our investment in TokenWave LLC, or our future launches of NFT or digital collectible products, will be successful. Similarly, in the year ended December 31, 2022, we acquired Mondo Collectibles, LLC (f/k/a Mondo Tees Buyer, LLC) ("Mondo"), a high-end pop culture collectibles company that creates vinyl records, posters, soundtracks, toys, apparel, books, games and other collectibles for \$14. **Following 0 million in cash. This this transaction, we have represents an opportunity to expand expanded** the Company's product offerings into vinyl records, posters and other high-end collectibles however the Company has limited experience selling these product categories and there can be no assurance that we will be able to successfully or profitably enter these product categories at scale. In some cases, we expect that the integration of the companies that we may acquire into our operations will create production, distribution, marketing and other operating synergies which will produce greater sales growth and profitability and, where applicable, cost savings, operating efficiencies and other advantages. However, we cannot be certain that these synergies, efficiencies and cost savings will be realized. Even if achieved, these benefits may be delayed or reduced in their realization. In other cases, we may acquire or invest in companies that we believe have strong and creative management, in which case we may plan to operate them more autonomously rather than fully integrating them into our operations. We cannot be certain that the key individuals at these companies would continue to work for us after the acquisition or that they would develop popular and profitable products, in the future. There is no guarantee that any acquisition or investment we may make will be successful or beneficial or that we will be able to manage the integration process successfully, and acquisitions can consume significant amounts of management attention and other resources, which may negatively impact other aspects of our business. The further development and acceptance of blockchain networks, which are part of a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of blockchain networks and blockchain assets could have an adverse material effect on the successful development and adoption of our ~~non-fungible token ("NFT")~~ and digital collectible business. The growth of the blockchain industry in general, as well as the blockchain networks on which our NFT and digital collectible business relies, is subject to a high degree of uncertainty. The factors affecting the further development of blockchain networks and digital assets, include, without limitation: • worldwide growth in the adoption and use of digital assets and other blockchain technologies; • **further** government and quasi-government regulation of digital assets and their use, or restrictions on or regulation of access to and operation of blockchain networks or similar systems; • the maintenance and development of the open-source software protocol of blockchain networks; • changes in consumer demographics and public tastes and preferences; • the availability and popularity of other forms or methods of buying and selling goods and services, or trading assets including new means of using

government- backed currencies or existing networks; • the extent to which current purchaser interest in cryptocurrencies represents a speculative “ bubble; ²²” • the extent to which historic price volatility in cryptocurrencies and digital assets continues into the future; • general economic conditions in the United States and the world; • the regulatory environment relating to cryptocurrencies and blockchains; and • a decline in the popularity or acceptance of cryptocurrencies or other blockchain- based tokens. Moreover, if and to the extent we are unable to successfully expand our NFT and digital collectible business, we may incur unanticipated costs and losses, and face other adverse consequences, such as negative reputational effects. In addition, the actual effects of pursuing these initiatives may differ, possibly materially, from the benefits that we expect to realize from them, such as the generation of additional revenues. The digital assets industries as a whole have been characterized by rapid changes and innovations and are constantly evolving. Although they have experienced significant growth in recent years, the slowing or stopping of the development, general acceptance and adoption and usage of blockchain networks and blockchain assets may deter or delay the acceptance and adoption of our NFT and digital collectible business and, as a result, adversely affect the future prospects of our NFT and digital collectible business as well as our financial results and financial condition. Digital assets are a novel asset class that carries unique risks, including extreme price volatility. Cryptocurrencies, digital currencies, coins, tokens, NFTs, stablecoins, and other digital or crypto assets or instruments that are issued and transferred using distributed ledger or blockchain technology (collectively referred to herein as “ digital assets ”) are a new and evolving asset class. The characteristics of particular digital assets within this broad asset class may differ significantly. We receive payments in digital assets in connection with our secondary sales in our NFT and digital collectibles business. We also purchase digital assets for use as a currency for certain expenses related to our NFT and digital collectibles business. There is no guarantee that these investments and payments will maintain their value as measured against fiat currencies or that such digital assets can be converted into or sold for fiat currencies. Digital assets continue to be an emerging asset class based on emerging technologies, and our use of digital assets is subject to a number of factors relating to the capabilities and development of blockchain technologies, such as the infancy of their development, their dependence on the internet and other technologies, their dependence on the role played by miners, validators and developers and the potential for malicious activity , **including manipulation of the keys that access and are used to maintain underlying records** , among other factors. Further, there can be no assurance that the blockchain technology on which digital assets are transacted does not have undiscovered flaws that may allow for such digital assets to be compromised, resulting in the loss of some or all of the digital assets we hold. Finally, the intrinsic value of digital assets is particularly uncertain and difficult to determine due to the novel and rapidly changing nature of digital asset markets. There can be no assurance that digital assets will maintain their value in the future, or that acceptance of using digital assets as currency or to make payments by mainstream retail merchants and commercial businesses, or for any other uses, will continue to grow. Moreover, due to the novelty of the asset class and the evolving patchwork of regulatory oversight of digital asset markets, fraud and market manipulation are not uncommon in such markets, all of which could negatively impact the value of our digital assets and have an adverse impact on our business. Use of social media may materially and adversely affect our reputation or subject us to fines or other penalties. We rely to a large extent on our online presence to reach consumers and use third- party social media platforms as marketing tools. For example, we maintain Facebook, X (formerly Twitter), Instagram, TikTok and YouTube accounts. As e- commerce and social media platforms continue to rapidly evolve, we must continue to maintain a presence on these platforms and establish presences on new or emerging popular social media platforms. If we are unable to cost- effectively use social media platforms as marketing tools, our ability to acquire new consumers and our financial condition may suffer. Furthermore, as laws and regulations rapidly evolve to govern the use of these platforms, the failure by us, our employees or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms could subject us to regulatory investigations, class action lawsuits, liability, fines or other penalties and have a material adverse effect on our business, financial condition and result of operations. Failure to successfully operate our information systems and implement new technology effectively could disrupt our business or reduce our sales or profitability. We rely extensively on various information technology systems and software applications, including our enterprise resource planning software (collectively, " IT Systems"), to manage many aspects of our business, including product development, management of our supply chain, sale and delivery of our products, financial reporting and various other processes and transactions. We are critically dependent on the integrity, security and consistent operations of these IT Systems and related back- up systems. These IT Systems are subject to damage or interruption from power outages, computer and telecommunications failures, usage errors by our employees, software bugs or misconfigurations, cybersecurity attacks, computer viruses, malware and other security breaches, as well as catastrophic events such as hurricanes, fires, floods, earthquakes, tornadoes, acts of war or terrorism and global pandemics . ~~For or example, the other health crises widely publicized vulnerability in Apache's Log4j software library disclosed in December 2021 was reported to have affected many organizations globally, requiring updates to patched versions of the software. While we were not impacted by this vulnerability, this incident demonstrates that similar third- party software vulnerabilities may impact us in the future.~~ The efficient operation and successful growth of our business depends on these IT Systems, including our ability to operate and upgrade them effectively and to select and implement adequate disaster recovery systems successfully. The failure of these IT Systems to perform as designed, our failure to operate them effectively or address known vulnerabilities in a timely and comprehensive manner, or a security breach or disruption, or the perception thereof, in operation of our IT Systems could disrupt our business, require significant capital investments to remediate a problem or subject us to liability. ~~During the year ended December 31, 2022, we determined the enterprise resource planning software was not feasible for its intended purpose and abandoned the cloud computing arrangement, incurring a \$ 32.5 million write- down.~~ In addition, we have recently implemented, and expect to continue to invest in and implement, modifications and upgrades to our IT Systems and procedures to support our growth and the development of our e- commerce business. These modifications and upgrades could require substantial investment and may not improve our profitability at a level that outweighs their costs, or at all. Moreover, any integration of artificial intelligence in our

or any third party's operations, products or services is expected to pose new or unknown cybersecurity risks and challenges. In addition, the process of implementing any new technology systems involves inherent costs and risks, including potential delays and system failures, the potential disruption of our internal control structure, the diversion of management's time and attention, and the need to re-train or hire new employees, any of which could disrupt our business operations and have a material adverse effect on our business, financial condition and results of operations. **For more information on risks related to our IT Systems, see the risk factor "If we or our third-party providers fail to protect confidential information and / or experience data security incidents, there may be damage to our brand and reputation, material financial penalties, and legal liability, which would materially adversely affect our business, results of operations, and financial condition."** Our indebtedness could adversely affect our financial health and competitive position. **FAH** On September 17, 2021, we entered into **LLC and certain of its material domestic subsidiaries from time to time are parties to** a new credit agreement (as amended, the "Credit Agreement"), providing for a term loan facility in the amount of \$ 180.0 million (the "Term Loan Facility") and a revolving credit facility of \$ **100-150.0** million (the "Revolving Credit Facility") and together with the Term Loan Facility, the "Credit Facilities"). **As** Proceeds from the Term Loan Facility were primarily used to repay the Company's former term loan facility. On July 29, 2022, the Credit Agreement was further amended by the Second Amendment, which, among other things, increased the Revolving Credit Facility to \$ 215.0 million. On February 28, 2023, we entered into a further amendment (the "Third Amendment") to the Credit Agreement to, among other things, (i) modify the financial covenants under the Credit Agreement for the period beginning on the date of the Third Amendment through the fiscal quarter ended December 31, 2023 (the "Waiver Period"), (ii) reduce the size of the Revolving Credit Facility from \$ 215 million to \$ 180.0 million as of the date of the Third Amendment and thereafter to \$ 150.0 million on December 31, 2023, which reduction is permanent after the Waiver Period, (iii) restrict the ability to draw on the Revolving Credit Facility during the Waiver Period in excess of the amount outstanding on the date of the Third Amendment, (iv) increase the margin payable under the Credit Facilities during the Waiver Period to (a) 4.00% per annum with respect to any Term Benchmark Loan or RFR Loan (each as defined in the Credit Agreement), and (b) 3.00% per annum with respect to any Canadian Prime Loan or ABR Loan (each as defined in the Credit Agreement), (v) allow that any calculation of Consolidated EBITDA (as defined in the Credit Agreement) that includes the fiscal quarters during the Waiver Period may include certain agreed upon amounts for certain addbacks, (vi) further limit our ability to make certain restricted payments, including the ability to pay dividends or make other distributions on equity interests, or redeem, repurchase or retire equity interests, incur additional indebtedness, incur additional liens, enter into sale and leaseback transactions or issue additional equity interests or securities convertible into or exchange for equity interests (other than the issuance of common stock) during the Waiver Period, (vii) require a minimum qualified cash requirement of at least \$ 10.0 million and (viii) require a mandatory prepayment of the Revolving Credit Facility during the Waiver Period with any qualified cash proceeds in excess of \$ 25.0 million. Following the Waiver Period, beginning in the fiscal quarter ending March 31, 2024, the Third Amendment will reset the maximum Net Leverage Ratio and the minimum Fixed Charge Coverage Ratio (each as defined in the Credit Agreement) that must be maintained by the Credit Agreement Parties to 2.50:1.00 and 1.25:1.00, respectively, which were the ratios in effect under the Credit Agreement prior to the Third Amendment. As of December 31, 2023, we had \$ **258-172.1-2** million of indebtedness outstanding under our Credit Facilities, consisting of \$ **137-112.6-2** million outstanding under our Term Loan Facility (net of unamortized discount of \$ 1.90 million) and \$ **120-60.5-0** million outstanding borrowings under our Revolving Credit Facility. On November 25, 2022, Funko, LLC, Funko Games, LLC, Funko Acquisition Holdings, L. L. C., Funko Holdings LLC and Loungefly, LLC, (collectively, "Equipment Finance Credit Parties"), entered into a \$ 20.0 million equipment finance agreement ("Equipment Finance Loan") with Wells Fargo Equipment Finance, Inc. The Equipment Finance Loan is secured by certain identified assets held within our Buckeye, Arizona warehouse. As of December 31, **2023-2024**, the Company had \$ **15-10.4-6** million outstanding under the Equipment Finance Loan. In order to service this indebtedness and any additional indebtedness we may incur in the future, we need to generate cash. Our ability to generate cash is subject, to a certain extent, to our ability to successfully execute our business strategy, as well as general economic, financial, competitive, regulatory and other factors beyond our control. We cannot assure you that our business will be able to generate sufficient cash flow from operations or that future borrowings or other financing will be available to us in an amount sufficient to enable us to service our indebtedness and fund our other liquidity needs. To the extent we are required to use our cash flow from operations or the proceeds of any future financing to service our indebtedness instead of funding working capital, capital expenditures or other general corporate purposes, we will be less able to plan for, or react to, changes in our business, industry and in the economy generally. This will place us at a competitive disadvantage compared to our competitors that have less indebtedness. In addition, the Credit Agreement contains, and any agreements evidencing or governing other future indebtedness may contain, certain restrictive covenants that limit our ability, among other things, to engage in certain activities that are in our long-term best interests, including our ability to: • incur additional indebtedness; • incur certain liens; • consolidate, merge or sell or otherwise dispose of our assets; • make investments, loans, advances, guarantees and acquisitions; • pay dividends or make other distributions on equity interests, or redeem, repurchase or retire equity interests; • enter into transactions with our affiliates; • enter into sale and leaseback transactions in respect to real property; • enter into swap agreements; • enter into agreements restricting our subsidiaries' ability to pay dividends; • issue or sell equity interests or securities convertible into or exchangeable for equity interests; • redeem, repurchase or refinance our other indebtedness; and • amend or modify our governing documents. The restrictive covenants in the Credit Agreement also include certain financial covenants that require us to comply on a quarterly basis with a maximum net leverage ratio **of 2.50: 1.00** and a minimum fixed charge coverage ratio **of 1.25: 1.00** (in each case, measured on a trailing four-quarter basis). There can be no guarantee that we will not breach these covenants in the future. Our ability to comply with our financial covenants and the other covenants and restrictions under our **credit Credit facilities Facilities** may be affected by events and factors beyond our control, and there can be no guarantee that we will be able to further

amend our ~~credit Credit facilities Facilities~~ in order to avoid or mitigate the risk of any potential breach that may occur in the future. Our failure to comply with our financial covenants as described above, or with any of the other covenants or restrictions under our ~~credit Credit facilities Facilities~~, could result in an event of default under our ~~credit Credit facilities Facilities~~. This would permit the lending banks under such facilities to take certain actions, including halting future borrowings under the Revolving Credit Facility, terminating all outstanding commitments and declaring all amounts due under our Credit Agreement to be immediately due and payable, including all outstanding borrowings, accrued and unpaid interest thereon, and prepayment premiums with respect to such borrowings and any terminated commitments. In addition, the Lenders would have the right to proceed against the collateral we granted to them, which includes substantially all of our assets. The occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operations. We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs. In the future, we may require additional capital to respond to business opportunities, challenges, acquisitions or unforeseen circumstances, including in the event we are unable to maintain compliance with the financial or other covenants contained in the Credit Agreement, and may determine to engage in equity or debt financings or enter into credit facilities or refinance existing indebtedness for other reasons. ~~The facilities As discussed above, under our the terms of the Third Amendment to the Credit Agreement mature we are unable to draw amounts in September 2026 excess of the amount outstanding on the effective date of the Third Amendment under our Revolver Credit Facility until the end of the Waiver Period.~~ We may not be able to timely ~~refinance our existing debt~~, secure additional debt or equity financing on favorable terms, or at all, including due to market volatility and uncertainty resulting from international conflicts or geopolitical tensions, among other factors. As discussed above, the Credit Agreement contains restrictive covenants that limit our ability to incur additional indebtedness and engage in other capital- raising activities. Any debt financing obtained by us in the future could involve covenants that further restrict our capital raising activities and other financial and operational matters, which may make it more difficult for us to operate our business, obtain additional capital and pursue business opportunities, including potential acquisitions. Furthermore, if we raise additional funds through the issuance of equity or convertible debt or other equity- linked securities, our existing stockholders could suffer significant dilution. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business, respond to business challenges and continue as a going concern could be significantly limited. ORGANIZATIONAL STRUCTURE RISKS TCG has significant influence over us, including over decisions that require the approval of stockholders, and its interests, along with the interests of our Continuing Equity Owners and certain other parties, in our business may conflict with the interests of our other stockholders. Each share of our Class A common stock and Class B common stock entitles its holders to one vote per share on all matters presented to our stockholders. TCG currently has significant influence over substantially all transactions and other matters submitted to a vote of our stockholders, such as a merger, consolidation, dissolution or sale of all or substantially all of our assets, the issuance or redemption of certain additional equity interests, and the election of directors. This influence may increase the likelihood that we will consummate transactions that are not in the best interests of ~~other~~ holders of our Class A common stock or, conversely, prevent the consummation of transactions that are in the best interests of ~~other~~ holders of our Class A common stock. We entered into a Stockholders Agreement with TCG (the "Stockholders Agreement") in connection with TCG's acquisition of our stock from another stockholder, as well as a Joinder and Amendment to our Registration Rights Agreement, both of which became effective at the closing of the ACON Sale. Pursuant to the Stockholders Agreement, TCG has the right to designate certain of our directors, which we refer to as the TCG Directors, which will be two TCG Directors for as long as the TCG Related Parties (as defined in the Stockholders Agreement) beneficially own, directly or indirectly, in the aggregate at least 20 % of our Class A common stock, and one TCG Director for as long as the TCG Related Parties beneficially own directly or indirectly, in the aggregate, less than 20 % but at least 10 % or more of our Class A common stock (assuming in each such case that all outstanding common units in FAH, LLC are redeemed for newly issued shares of our Class A common stock on a one- for- one basis). The TCG Related Parties are not entitled to designate any TCG director designee if at any time, the TCG Related Parties beneficially own, directly or indirectly, in the aggregate less than 10 % of all issued and outstanding shares of Class A common stock (assuming in each such case that all outstanding common units in FAH, LLC are redeemed for newly issued shares of our Class A common stock on a one- for- one basis). Additionally, we are required to take all commercially reasonable action to cause (1) the board of directors to be comprised of at least seven directors or such other number of directors as our board of directors may determine; (2) the individuals designated in accordance with the terms of the Stockholders Agreement to be included in the slate of nominees to be elected to the board of directors at each annual meeting of our stockholders at which a director's term expires; and (3) the individuals designated in accordance with the terms of the Stockholders Agreement to fill ~~any the~~ applicable vacancies on the board of directors. In addition, the Stockholders Agreement provides that for as long as the TCG Related Parties beneficially own, directly or indirectly, in the aggregate, 22 % or more of all issued and outstanding shares of our Class A common stock (assuming that all outstanding common units in FAH, LLC are redeemed for newly issued shares of our Class A common stock on a one- for- one basis), we will not take, and will cause our subsidiaries not to take, certain actions or enter into certain transactions (whether by merger, consolidation, or otherwise) without the prior written approval of TCG, including:

- entering into any transaction or series of related transactions in which any person or group (other than the TCG Related Parties and any group that includes the TCG Related Parties), acquires, directly or indirectly, in excess of 50 % of the then outstanding shares of any class of our or our subsidiaries' capital stock, or following which any such person or group has the direct or indirect power to elect a majority of the members of our board of directors or to replace us as the sole manager of FAH, LLC (or to add another person as co- manager of FAH, LLC);
- the reorganization, voluntary bankruptcy, liquidation, dissolution or winding up of us or any of our subsidiaries;
- the sale, lease or exchange of all or substantially all of our and our subsidiaries' property and assets;
- the resignation, replacement or removal of us as the sole manager of FAH, LLC, or the appointment of any additional person as a manager of FAH, LLC;
- the creation of a new class or series of capital stock or other equity securities of

us or, in the event such creation would materially and adversely impair the rights of the TCG Related Parties as holders of our Class A common stock, any of our subsidiaries; • the issuance of additional shares of Class A common stock, Class B common stock, preferred stock or other equity securities of us other than (x) under any stock option or other equity compensation plan approved by our board of directors or the compensation committee, or (y) pursuant to the exercise or conversion of any options, warrants or other securities existing as of the date of the Stockholders Agreement or, in the event such creation would materially and adversely impair the rights of the TCG Related Parties as holders of our Class A common stock, equity securities of any of our subsidiaries; • any amendment or modification of our certificate of incorporation or bylaws or any similar organizational documents of any of our subsidiaries that would, in either case, materially and adversely impair the rights of the TCG Related Parties as holders of our Class A common stock, and • except to the extent of the express restrictions applicable to TCG and its controlled affiliates in the Stockholders Agreement, any action to adopt, approve or implement any plan, agreement or provision that would, among other things, negatively affect TCG's or its controlled affiliates' ability to continue to hold or acquire additional shares of our capital stock or other securities. Additionally, the Continuing Equity Owners who, as of March 5-11, 2024-2025, collectively hold approximately 41.3-2% of the combined voting power of our common stock, and certain transferees of former Continuing Equity Owners that have been joined to our TRA Tax Receivable Agreement (the "TRA Parties") may receive payments from us under the Tax Receivable Agreement in connection with our purchase of common units of FAH, LLC directly from certain of the Continuing Equity Owners upon a redemption or exchange of their common units in FAH, LLC, including the issuance of shares of our Class A common stock upon any such redemption or exchange. Moreover, Continuing Equity Owners own interests in our business by holding interests in FAH, LLC directly (rather than through ownership of our Class A common stock). As a result of these considerations, the interests of the Continuing Equity Owners and such transferees as well as the TRA Parties may conflict with the interests of holders of our Class A common stock. For example, the TRA Parties may have different interests in the tax positions or other actions that we take which could influence their decisions regarding whether and when to dispose of assets, whether and when to incur new or refinance existing indebtedness, and whether and when we should terminate the Tax Receivable Agreement and accelerate our obligations thereunder. In addition, the structuring of future transactions may take into consideration tax or other considerations of the TRA Parties even in situations where no similar considerations are relevant to us. Our amended and restated certificate of incorporation provides that the doctrine of "corporate opportunity" does not apply with respect to any director or stockholder who is not employed by us or our subsidiaries. The doctrine of corporate opportunity generally provides that a corporate fiduciary may not develop an opportunity using corporate resources, acquire an interest adverse to that of the corporation or acquire property that is reasonably incident to the present or prospective business of the corporation or in which the corporation has a present or expectancy interest, unless that opportunity is first presented to the corporation and the corporation chooses not to pursue that opportunity. The doctrine of corporate opportunity is intended to preclude officers or directors or other fiduciaries from personally benefiting from opportunities that belong to the corporation. Our amended and restated certificate of incorporation provides that the doctrine of "corporate opportunity" does not apply with respect to any director or stockholder who is not employed by us or our subsidiaries. Any director or stockholder who is not employed by us or our subsidiaries therefore has no duty to communicate or present corporate opportunities to us, and has the right to either hold any corporate opportunity for their (and their affiliates') own account and benefit or to recommend, assign or otherwise transfer such corporate opportunity to persons other than us, including to any director or stockholder who is not employed by us or our subsidiaries. As a result, certain of our stockholders, directors and their respective affiliates are not prohibited from operating or investing in competing businesses. We therefore may find ourselves in competition with certain of our stockholders, directors or their respective affiliates, and we may not have knowledge of, or be able to pursue, transactions that could potentially be beneficial to us. Accordingly, we may lose a corporate opportunity or suffer competitive harm, which could negatively impact our business or prospects. Our principal asset consists of our interest in FAH, LLC, and accordingly, we depend on distributions from FAH, LLC to pay taxes and expenses, including payments under the Tax Receivable Agreement. FAH, LLC's ability to make such distributions may be subject to various limitations and restrictions. We have no material assets other than our ownership of 50-52, 548-966, 826-785 common units of FAH, LLC as of December 31, 2023-2024, representing approximately 94-97.9-2% of the economic interest in FAH, LLC. We have no independent means of generating revenue or cash flow, and our ability to pay dividends in the future, if any, is dependent upon the financial results and cash flows of FAH, LLC and its subsidiaries and distributions we receive from FAH, LLC. There can be no assurance that our subsidiaries will generate sufficient cash flow to dividend or distribute funds to us or that applicable local law and contractual restrictions, including negative covenants in our debt instruments, will permit such dividends or distributions. FAH, LLC is treated as a partnership for U. S. federal income tax purposes and, as such, generally is not subject to entity- level U. S. federal income tax. Instead, taxable income is allocated to holders of its common units, including us. As a result, we incur income taxes on our allocable share of net taxable income of FAH, LLC. Under the terms of the FAH LLC Agreement, FAH, LLC is obligated to make tax distributions to its members, including us, except to the extent such distributions would render FAH, LLC insolvent or are otherwise prohibited by law or any limitations or restrictions in our debt agreements. The amount of such tax distribution is calculated based on the highest combined federal, state and local tax rate that may potentially apply to any one of FAH, LLC's members, regardless of the actual final tax liability of any such member. As a result of the foregoing, FAH, LLC may be obligated to make tax distributions in excess of some or all of its members' actual tax liability, which could reduce its cash available for its business operations. In addition to tax expenses, we also incur expenses related to our operations, our interests in FAH, LLC and related party agreements, including payment obligations under the Tax Receivable Agreement and expenses and costs of being a public company, all of which could be significant. We intend, as its managing member, to cause FAH, LLC to make distributions in an amount sufficient to allow us to pay our taxes and operating expenses, including any ordinary course payments due under the Tax Receivable Agreement. However, FAH, LLC's ability to make such distributions may be subject to various limitations and

restrictions including, but not limited to, restrictions on distributions that would either violate any contract or agreement to which FAH, LLC is then a party, including debt agreements, or any applicable law, or that would have the effect of rendering FAH, LLC insolvent. If FAH, LLC does not have sufficient funds to pay tax distributions or other liabilities to fund our operations, we may have to borrow funds, which could materially adversely affect our liquidity and financial condition and subject us to various restrictions imposed by any such lenders. To the extent that we are unable to make payments under the Tax Receivable Agreement for any reason, such payments will be deferred and will accrue interest until paid; provided, however, that nonpayment for a specified period may constitute a material breach of a material obligation under the Tax Receivable Agreement and therefore may accelerate payments due under the Tax Receivable Agreement. If FAH, LLC does not have sufficient funds to make distributions, our ability to declare and pay cash dividends may also be restricted or impaired. See “Ownership of Our Class A Common Stock Risks.” In certain circumstances, FAH, LLC will be required to make distributions to us and the Continuing Equity Owners and certain of their transferees, and the distributions that FAH, LLC will be required to make may be substantial. As discussed above, under the terms of the FAH LLC Agreement, FAH, LLC is obligated to make tax distributions to us and the Continuing Equity Owners and certain of their transferees based on the highest combined federal, state and local tax rates that may potentially apply to any one member of FAH, LLC and such distributions will generally be made to such holders pro rata based on their interests in FAH, LLC. As a result of potential differences in the amount of net taxable income allocable to us and to the Continuing Equity Owners and certain of their transferees, as well as the use of an assumed tax rate in calculating FAH, LLC’s distribution obligations (and certain other considerations), we may receive distributions significantly in excess of our tax liabilities and obligations to make payments under the Tax Receivable Agreement. Funds we receive from FAH, LLC to satisfy its tax distribution obligations generally will not be available for reinvestment in our business. Our board of directors will determine the appropriate uses for any excess cash so accumulated, which may include, among other uses, the payment of a cash dividend on our Class A common stock, the payment of obligations under the Tax Receivable Agreement, the declaration of a stock dividend on our Class A common stock, along with the purchase of a corresponding number of common units in FAH, LLC, or the purchase of additional common units in FAH, LLC, along with a recapitalization of all of the outstanding common units in FAH, LLC. ~~For example, on May 3, 2022, we entered into a common unit subscription agreement with FAH, LLC pursuant to which we purchased 4,251,701 newly issued common units in exchange for a capital contribution of approximately \$ 74.0 million (the “Capital Contribution”). Following the Capital Contribution, (i) the common units of FAH, LLC were recapitalized through a reverse unit split in order to maintain a one-to-one ratio between the number of common units owned by us and the number of outstanding shares of our Class A common stock in accordance with the FAH LLC Agreement, and (ii) approximately 0.9 million outstanding shares of our Class B common stock were cancelled in order to maintain a one-to-one ratio between the number of shares of Class B common stock and the number of common units, in each case, held by the Continuing Equity Owners, in accordance with our amended and restated certificate of incorporation (clauses (i) and (ii) together, the “Recapitalization”).~~ To the extent we do not take such actions in the future and instead, for example, hold such cash balances or lend them to FAH, LLC, the Continuing Equity Owners and certain of their transferees that hold interests in FAH, LLC would benefit from any value attributable to such accumulated cash balances as a result of their ownership of Class A common stock following an exchange of their common units for Class A common stock. No adjustments are or will be made as a result of such cash balances to the consideration that the Continuing Equity Owners receive in connection with an election to have their common units redeemed in exchange for, at our election, a newly-issued share of our Class A common stock or a cash payment equal to a volume weighted average market price of one share of Class A common stock for each common unit redeemed. Our Tax Receivable Agreement requires us to make cash payments in respect of certain tax benefits to which we may become entitled, the amounts that we may be required to pay could be significant, and we may not realize such tax benefits. In connection with the consummation of the IPO, we entered into the Tax Receivable Agreement. Pursuant to the Tax Receivable Agreement, we are required to make cash payments to the TRA Parties equal to 85 % of the tax benefits, if any, that we realize, or in some circumstances are deemed to realize as a result of (1) any future redemptions funded by us or exchanges (or deemed exchanges in certain circumstances) of common units for Class A common stock or cash, and (2) certain additional tax benefits attributable to payments under the Tax Receivable Agreement. The tax benefits that we realize in connection with the matters covered by the Tax Receivable Agreement will vary depending on a number of factors (some of which are likely to change over time), including the timing of redemptions or exchanges by the TRA Parties, the amount and timing of the taxable income we generate in the future and the tax rate to which we are subject. ~~At June 30, 2023, as a result of the recognition of a full valuation allowance on the deferred tax assets, and projected inability to fully utilize all or part of the related tax benefits, the Company determined that payments to the TRA Parties related to unrealized tax benefits under the Tax Receivable Agreement are no longer probable and estimable and we have reduced the Tax Receivable Agreement liability accordingly.~~ However, the amount of the cash payments that we may be required to make under the Tax Receivable Agreement could be significant. Payments under the Tax Receivable Agreement will generally be based on the tax reporting positions that we determine, which are subject to challenge by taxing authorities. Payments made under the Tax Receivable Agreement will not be returned upon a successful challenge by a taxing authority to our reporting positions. Any payments made by us to the TRA Parties under the Tax Receivable Agreement will generally reduce the amount of overall cash flow that might have otherwise been available to us. To the extent that we are unable to make timely payments under the Tax Receivable Agreement for any reason, the unpaid amounts will be deferred and will accrue interest until paid by us. Nonpayment for a specified period may constitute a material breach of a material obligation under the Tax Receivable Agreement and therefore may accelerate payments due under the Tax Receivable Agreement. Furthermore, our future obligation to make payments under the Tax Receivable Agreement could make us a less attractive target for an acquisition, particularly in the case of an acquirer that cannot use some or all of the tax benefits that may be deemed realized under the Tax Receivable Agreement upon a change of control. The payments under the Tax Receivable Agreement are also not

conditioned upon the TRA Parties maintaining a continued ownership interest in FAH, LLC. The amounts that we may be required to pay to the TRA Parties under the Tax Receivable Agreement may be accelerated in certain circumstances and may also significantly exceed the actual tax benefits that we ultimately realize. The Tax Receivable Agreement provides that if certain mergers, asset sales, other forms of business combination, or other changes of control were to occur, if we materially breach any of our material obligations under the Tax Receivable Agreement or if, at any time, we elect an early termination of the Tax Receivable Agreement, then the Tax Receivable Agreement will terminate and our obligations, or our successor's obligations, to make future payments under the Tax Receivable Agreement would accelerate and become immediately due and payable. In those circumstances members of FAH, LLC would be deemed to exchange any remaining outstanding common units of FAH, LLC for Class A common stock and would generally be entitled to payments under the Tax Receivable Agreement resulting from such deemed exchange. The amount due and payable in those circumstances is determined based on certain assumptions, including an assumption that we would have sufficient taxable income to fully utilize all potential future tax benefits that are subject to the Tax Receivable Agreement. We may need to incur debt to finance payments under the Tax Receivable Agreement to the extent our cash resources are insufficient to meet our obligations under the Tax Receivable Agreement. As a result of the foregoing, we would be required to make an immediate cash payment equal to the present value of the anticipated future tax benefits that are the subject of the Tax Receivable Agreement (calculated utilizing the assumptions described above), which payment may be made significantly in advance of the actual realization, if any, of such future tax benefits. We could also be required to make cash payments to the TRA Parties that are greater than the specified percentage of the actual benefits we ultimately realize in respect of the tax benefits that are subject to the Tax Receivable Agreement. Our obligations under the Tax Receivable Agreement could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combination, or other changes of control. There can be no assurance that we will be able to finance our obligations under the Tax Receivable Agreement. We will not be reimbursed for any payments made to the TRA Parties under the Tax Receivable Agreement in the event that any tax benefits are disallowed. We will not be reimbursed for any cash payments previously made to the TRA Parties pursuant to the Tax Receivable Agreement if any tax benefits initially claimed by us are subsequently challenged by a taxing authority and are ultimately disallowed. Instead, any excess cash payments made by us to a TRA Party will be netted against any future cash payments that we might otherwise be required to make under the terms of the Tax Receivable Agreement. However, a challenge to any tax benefits initially claimed by us may not arise for a number of years following the initial time of such payment or, even if challenged early, such excess cash payment may be greater than the amount of future cash payments that we might otherwise be required to make under the terms of the Tax Receivable Agreement and, as a result, there might not be future cash payments from which to net against. The applicable U. S. federal income tax rules are complex and factual in nature. Significant management judgment is required in connection with interpreting applicable tax laws and in taking valuation positions relevant to our tax compliance obligations. We are constantly evaluating our tax return positions, and changes in our return positions could affect our liabilities and risks that we face in connection with determining the taxes we owe and the amounts that we are required to pay in connection with the Tax Receivable Agreement. There can be no assurance that the IRS or a court will not disagree with our tax reporting positions. As a result, it is possible that we could incur additional costs in connection with these risks, including by making cash payments under the Tax Receivable Agreement that are substantially greater than our actual cash tax savings. Our organizational structure, including the Tax Receivable Agreement, confers certain benefits upon the TRA Parties that will not benefit Class A common stockholders to the same extent as it will benefit the Continuing Equity Owners and transferees. Our organizational structure, including the Tax Receivable Agreement, confers certain benefits upon the TRA Parties and the Continuing Equity Owners and certain of their transferees that will not benefit the holders of our Class A common stock to the same extent. We have entered into the Tax Receivable Agreement with FAH, LLC and the TRA Parties, and it provides for the payment by us to the TRA Parties of 85 % of the amount of tax benefits, if any, that we realize, or in some circumstances are deemed to realize, as a result of (1) ~~any future~~ redemptions funded by us or exchanges (or deemed exchanges in certain circumstances) of common units for Class A common stock or cash and (2) certain additional tax benefits attributable to payments under the Tax Receivable Agreement. This and other aspects of our organizational structure may adversely impact the future trading market for our Class A common stock.

OWNERSHIP OF OUR CLASS A COMMON STOCK RISKS The Continuing Equity Owners own common units in FAH, LLC, and the Continuing Equity Owners have the right to redeem their common units in FAH, LLC pursuant to the terms of the FAH LLC Agreement for shares of Class A common stock or cash. As of March 5-11, 2024-2025, we had an aggregate of ~~149-146, 207-112, 103-733~~ shares of Class A common stock authorized but unissued, as well as approximately ~~2-749, 177-725, 151-~~ shares of Class A common stock issuable, at our election, upon redemption of FAH, LLC common units held by the Continuing Equity Owners. FAH, LLC has entered into the FAH LLC Agreement, and subject to certain restrictions set forth in such agreement, the Continuing Equity Owners are entitled to have their common units redeemed from time to time at each of their options (subject in certain circumstances to time- based vesting requirements) for, at our election, newly- issued shares of our Class A common stock on a one- for- one basis or a cash payment equal to a volume weighted average market price of one share of Class A common stock for each common unit redeemed, in each case, in accordance with the terms of the FAH LLC Agreement; provided that, at our election, we may effect a direct exchange by us of such Class A common stock or such cash, as applicable, for such common units. The Continuing Equity Owners may exercise such redemption right for as long as their common units remain outstanding. We also entered into a Registration Rights Agreement pursuant to which the shares of Class A common stock issued to certain of the Continuing Equity Owners (including each of our then- current executive officers) upon such redemption and remaining shares of Class A common stock issued to the Former Equity Owners in connection with the Transactions (such shares now being held by TCG) are eligible for resale, subject to certain limitations set forth in the Registration Rights Agreement. We cannot predict the size of future issuances of our Class A common stock or the effect, if any, that future issuances and sales of

shares of our Class A common stock may have on the market price of our Class A common stock. Sales or distributions of substantial amounts of our Class A common stock, including shares issued in connection with an acquisition, or the perception that such sales or distributions could occur, may cause the market price of our Class A common stock to decline. You may be diluted by future issuances of additional Class A common stock or common units in connection with our incentive plans, acquisitions or otherwise; future sales of such shares in the public market, or the expectations that such sales may occur, could lower our stock price. Our amended and restated certificate of incorporation authorizes us to issue shares of our Class A common stock and options, rights, warrants and appreciation rights relating to our Class A common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. In addition, we, FAH, LLC and the Continuing Equity Owners are party to the FAH LLC Agreement under which the Continuing Equity Owners (or certain permitted transferees thereof) have the right (subject to the terms of the FAH LLC Agreement) to have their common units redeemed from time to time at each of their options (subject in certain circumstances to time- based vesting requirements) by FAH, LLC in exchange for, at our election, newly- issued shares of our Class A common stock on a one- for- one basis or a cash payment equal to a volume- weighted average market price of one share of Class A common stock for each common unit redeemed, in each case, in accordance with the terms of the FAH LLC Agreement; provided that, at our election, we may effect a direct exchange by us of such Class A common stock or such cash, as applicable, for such common units. The Continuing Equity Owners may exercise such redemption right for as long as their common units remain outstanding. The market price of shares of our Class A common stock could decline as a result of these redemptions or exchanges or the perception that a redemption or exchange could occur. These redemptions or exchanges, or the possibility that these redemptions or exchanges may occur, also might make it more difficult for holders of our Class A common stock to sell such stock in the future at a time and at a price that they deem appropriate. We originally reserved for issuance 5, 518, 518 shares of Class A common stock under our 2017 Incentive Award Plan (the “ 2017 Plan ”), including, as of December 31, ~~2023-2024~~, 1, ~~928-468~~, ~~998-202~~ shares of Class A common stock underlying stock options we granted to certain of our directors, executive officers and other employees and 2, ~~382-377~~, ~~960-793~~ shares of Class A common stock underlying restricted stock units we granted to certain of our executive officers, consultants and other employees. We have also reserved for issuance an aggregate number of shares under the Company’ s 2019 Incentive Award Plan (the “ 2019 Plan ”) equal to the sum of (i) 3, 000, 000 shares of our Class A common stock and (ii) an annual increase on the first day of each calendar year beginning on January 1, 2020 and ending on and including January 1, 2029, equal to the lesser of (A) 2 % of the shares of Class A common stock outstanding as of the last day of the immediately preceding fiscal year on a fully- diluted basis and (B) such lesser number of shares of Class A common stock as determined by our board of directors. As of December 31, ~~2023-2024~~, we had granted ~~1-2~~, ~~689-454~~, ~~637-411~~, shares of Class A common stock underlying stock options, ~~125-57~~, ~~531-617~~ shares of Class A common stock underlying performance stock units and ~~2-3~~, ~~184-484~~, ~~774-290~~ shares of Class A common stock underlying restricted stock units under the 2019 Plan to certain of our executive officers, consultants and other employees. **In May 2024, we reserved for issuance 1, 500, 000 shares of Class A common stock under the 2024 Inducement Award Plan. As of December 31, 2024, we had granted 481, 510 shares of Class A common stock underlying restricted stock units and 297, 974 shares of Class A common stock underlying performance stock options to a certain executive officer under the 2024 Inducement Award Plan.** Any shares of Class A common stock that we issue, including under our 2017 Plan, our 2019 Plan, our 2024 Inducement Award Plan or other equity incentive plans that we may adopt in the future, would dilute the percentage ownership held by the holders of our Class A common stock. In the future, we may also issue additional securities if we need to raise capital, including, but not limited to, in connection with acquisitions, which could constitute a material portion of our then- outstanding shares of Class A common stock. Further, in connection with the completion of the IPO, we entered into a Registration Rights Agreement with certain of the Original Equity Owners (including each of our then- current executive officers), pursuant to which TCG has been joined as a party. On July 15, 2022, we filed a preliminary shelf registration statement on Form S- 3 with the SEC. The Form S- 3 was declared effective by the SEC on July 26, 2022. The Form S- 3 allows us to sell from time to time up to \$ 100. 0 million of Class A common stock, preferred stock, debt securities, warrants, purchase contracts or units comprised of any combination of these securities for our own account and, allows parties to the Registration Rights Agreement to sell 17, 318, 008 shares of Class A common stock in one or more offerings. If we offer and sell Class A common stock under the Form S- 3, it would dilute the percentage ownership held by the existing holders of our Class A common stock. Any sales in connection with the Registration Rights Agreement, or the prospect of any such sales, could materially impact the market price of our Class A common stock and could impair our ability to raise capital through future sales of equity securities. We do not intend to pay dividends on our Class A common stock for the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business and to repay indebtedness. As a result, we do not anticipate declaring or paying any cash dividends on our Class A common stock in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our business prospects, results of operations, financial condition, cash requirements and availability, industry trends and other factors that our board of directors may deem relevant. Any such decision will also be subject to compliance with contractual restrictions and covenants in the agreements governing our current and future indebtedness. Our Credit Facilities contain certain covenants that restrict the ability of FAH, LLC and its subsidiaries to pay dividends or make distributions. Because we are a holding company, our ability to pay dividends on our Class A common stock depends on our receipt of cash distributions from FAH, LLC and, through FAH, LLC, cash distributions and dividends from our other direct and indirect wholly owned subsidiaries. In addition, we may incur additional indebtedness, the terms of which may further restrict or prevent us from paying dividends on our Class A common stock. As a result, you may have to sell some or all of your Class A common stock after price appreciation in order to generate cash flow from your investment, which you may not be able to do. Our inability or decision not to pay dividends, particularly when others in our industry have elected to do so, could

also adversely affect the market price of our Class A common stock. Delaware law and certain provisions in our amended and restated certificate of incorporation and our amended and restated bylaws may prevent efforts by our stockholders to change the direction or management of our company. We are a Delaware corporation, and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third-party to acquire control of us, even if a change of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and our amended and restated bylaws contain provisions that may make the acquisition of our company more difficult without the approval of our board of directors, including, but not limited to, the following:

- our board of directors is classified into three classes, each of which serves for a staggered three-year term;
- only the chairperson of our board of directors or a majority of our board of directors may call special meetings of our stockholders;
- we have authorized undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval;
- any action required or permitted to be taken by our stockholders at an annual meeting or special meeting of stockholders may not be taken by written consent in lieu of a meeting;
- our amended and restated certificate of incorporation and our amended and restated bylaws may be amended or repealed by the affirmative vote of the holders of at least 66 2/3 % of the votes which all our stockholders would be entitled to cast in any annual election of directors and our amended and restated bylaws may also be amended or repealed by a majority vote of our board of directors;
- we require advance notice and duration of ownership requirements for stockholder proposals; and
- we have opted out of Section 203 of the Delaware General Corporation Law of the State of Delaware, or the DGCL, however, our amended and restated certificate of incorporation contains provisions that are similar to Section 203 of the DGCL (except with respect to TCG and certain other parties, including certain affiliates, associates and transferees of TCG). These provisions could discourage, delay or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and cause us to take other corporate actions you desire, including actions that you may deem advantageous, or negatively affect the trading price of our Class A common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team. Please see “Organizational Structure Risks — TCG has significant influence over us, including over decisions that require the approval of stockholders, and its interests, along with the interests of our other Continuing Equity Owners and certain other parties, in our business may conflict with the interests of our other stockholders.”

Our amended and restated certificate of incorporation provides, subject to certain exceptions, that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for certain stockholder litigation matters and our amended and restated bylaws designate the federal district courts of the United States as the exclusive forum for actions arising under the Securities Act, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or stockholders. Our amended and restated certificate of incorporation provides, subject to limited exceptions, that the Court of Chancery of the State of Delaware will, to the fullest extent permitted by law, be the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf; (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders; (3) any action asserting a claim against us, any director or our officers and employees arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation or our amended and restated bylaws, or as to which the DGCL confers exclusive jurisdiction on the Court of Chancery; or (4) any action asserting a claim against us, any director or our officers or employees that is governed by the internal affairs doctrine. In addition, our bylaws provide that the federal district courts of the United States are the exclusive forum for any complaint raising a cause of action arising under the Securities Act. These provisions would not apply to suits brought to enforce a duty or liability created by the Exchange Act. These choice of forum provisions may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees or stockholders which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find either of the choice of forum provisions to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition and results of operations. We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Class A common stock, which could depress the price of our Class A common stock. Our amended and restated certificate of incorporation authorizes us to issue one or more series of preferred stock. Our board of directors has the authority to determine the preferences, limitations and relative rights of the shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our Class A common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discouraging bids for our Class A common stock at a premium to the market price, and materially and adversely affect the market price and the voting and other rights of the holders of our Class A common stock. As a public reporting company, we are subject to rules and regulations established from time to time by the SEC regarding our internal control over financial reporting. Any failure to establish and maintain effective internal control over financial reporting and disclosure controls and procedures may cause us to not be able to accurately report our financial results or report them in a timely manner. We are a public reporting company subject to the rules and regulations established from time to time by the SEC and The Nasdaq Stock Market. These rules and regulations require, among other things, that we have and periodically evaluate procedures with respect to our internal control over financial reporting. Reporting obligations as a public company are likely to continue to place a considerable strain on our financial and management systems, processes and controls, as well as on our personnel. Under Section 404 (a) of the Sarbanes-Oxley Act our management is required to assess and report annually on the effectiveness of our internal control over financial reporting and to identify any material weaknesses in our internal control over financial reporting. As we are no longer an emerging growth company, Section 404 (b) of the Sarbanes-Oxley Act requires our

independent registered public accounting firm to issue an **opinion on annual report** that addresses the effectiveness of our internal control over financial reporting **as of the end of the year**. We have identified material weaknesses in our internal control over financial reporting **as of December 31, 2024**, as discussed in Part II, Item 9A of the Annual Report on Form 10-K. **A material weakness** and our independent registered public accounting firm is **a deficiency, not able to render an unqualified opinion on management's assessment and the effectiveness of our** **or a combination of deficiencies, in** internal control over financial reporting **in this**, **such that there is a reasonable possibility that a material misstatement of the company's Annual annual Report or interim financial statements will not be prevented or detected on a timely basis** Form 10-K. In addition to taking remediation measures in response to the material weaknesses we identified, we may need to expend additional resources and provide additional management oversight in order to establish effective disclosure controls and procedures and internal control over financial reporting. Implementing any appropriate changes to our internal controls may require specific compliance training of our employees, entail substantial costs, take a significant period of time to complete or divert management's attention from other business concerns. The material weaknesses will not be considered remediated until our remediation plan has been fully implemented, the applicable controls operate for a sufficient period of time, and we have concluded, through testing, that the newly implemented and enhanced controls are operating effectively. At this time, we cannot predict the success of such efforts or the outcome of our assessment of the remediation efforts. We can give no assurance that our efforts will remediate ~~these~~ **the** material weaknesses in our internal control over financial reporting, or that additional material weaknesses will not be identified in the future. Our failure to implement and maintain effective internal control over financial reporting could result in errors in our consolidated financial statements that could result in a restatement of our financial statements, and could cause us to fail to meet our reporting obligations, any of which could diminish investor confidence in us and cause a decline in the price of our common stock. Additionally, ineffective internal control **over financial reporting** could expose us to an increased risk of financial reporting fraud and the misappropriation of assets and subject us to potential delisting from the stock exchange on which we list or to other regulatory investigations and civil or criminal sanctions. In addition, as a result of our current material weaknesses or future material weaknesses in our internal control over financial reporting, we could be subject to sanctions or investigations by the SEC, the Nasdaq Stock Market or other regulatory authorities, a loss of public and investor confidence, and litigation from investors and stockholders, any of which could have a material adverse effect on our business and our stock price. Our failure to implement and maintain effective internal control over financial reporting could result in errors in our consolidated financial statements that could result in a restatement of our financial statements, and could cause us to fail to meet our reporting obligations, any of which could also diminish investor confidence in us and cause a decline in the price of our common stock. Additionally, ineffective internal ~~controls~~ **control over financial reporting** could expose us to an increased risk of financial reporting fraud and the misappropriation of assets and subject us to potential delisting from the stock exchange on which we list or to other regulatory investigations and civil or criminal sanctions. GENERAL RISKS Changes in foreign currency exchange rates can significantly impact our reported financial performance. Our increasingly global operations mean we produce, buy, and sell products in many different markets with many different currencies. As a result, if the exchange rate between the U. S. dollar and a local currency for an international market in which we have significant sales or operations changes, our financial results as reported in U. S. dollars may be meaningfully impacted even if our business in the local currency is not significantly affected. Similarly, our expenses can be significantly impacted, in U. S. dollar terms, by exchange rates, meaning the profitability of our business in U. S. dollar terms can be negatively impacted by exchange rate movements which we do not control. In recent years, certain key currencies, such as the euro and the British pound sterling, depreciated significantly compared to the U. S. dollar. Depreciation in key currencies may have a significant negative impact on our sales and earnings as they are reported in U. S. dollars. ~~If our or our third-party providers' electronic data is compromised our business could be significantly harmed.~~ We rely extensively on **various** IT Systems for internal and external operations **that are critical to our business**, and while we operate certain of these IT Systems, we also rely on third- party providers for a host of technologies, products and services. In addition, in the ordinary course of business, both we and our third- party providers collect, process and maintain significant amounts of data ~~electronically~~, including proprietary and confidential business information as well as personal information **(collectively "Confidential Information")**. This ~~data~~ **Confidential Information** relates to all aspects of our business, including but not limited to current and future products and entertainment under development, and also contains certain customer, consumer, supplier, partner and employee data. We ~~maintain systems and processes designed to protect the data within our control, but notwithstanding such protective measures, we face numerous and evolving cybersecurity risks that threaten the confidentiality, integrity, availability, and privacy of this data~~ **our IT Systems and Confidential Information**. In addition, we **may** provide ~~confidential Confidential and proprietary information Information~~ to our third- party business partners in certain cases ~~where doing so is necessary or appropriate to conduct our business~~. While we seek to obtain assurances from those parties that they have systems and processes in place designed to protect such ~~data~~ **Confidential Information**, and where applicable, that they will take steps to assure the protections of such ~~data~~ **Confidential Information** by third parties, nonetheless those partners may also be subject to cybersecurity risks or otherwise compromise the protection of such ~~data~~ **Confidential Information**. Successful cyberattacks that disrupt or result in unauthorized access to the systems of such business partners can materially impact our operations and financial results. **Moreover, there can also be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with or effective in protecting our IT Systems and Confidential Information.** We and many third parties have experienced and expect to continue to experience cyberattacks and other security incidents. **While to date no incidents have had a material impact on our operations or financial results, we cannot guarantee that material incidents will not occur in the future**. Threat actors are becoming more sophisticated and increasingly using techniques and tools, including artificial intelligence, designed to circumvent security controls, to evade detection and to obfuscate or remove forensic evidence, which

means we may be unable to timely or effectively detect, identify, contain, or remediate future attacks or incidents. Disruptive attacks, such as through ransomware and other extortion- based tactics, that can temporarily or permanently disable operations or otherwise disrupt our business are becoming increasingly prevalent. Such attacks may involve internal or external actors, including state- sponsored organizations, opportunistic hackers and hacktivists, and may result from the exploitation of bugs, misconfigurations or vulnerabilities in our IT Systems (or open- source or commercial software that is integrated into our IT Systems), human error, social engineering / phishing, supply chain attacks, or malware deployment (for example, ransomware), and may disrupt our operations and / or compromise data. Also, remote working arrangements that started during the COVID-19 pandemic have continued, which increases **increase** the risk that threat actors will exploit vulnerabilities inherent in many non- corporate home networks. Any compromise of the **confidentiality, integrity, or availability of confidential Confidential data Information (including that** of our customers, consumers, suppliers, partners, employees or ourselves **), or failure to prevent or mitigate the loss of or damage to this data through breach of our IT Systems , or failure to prevent or mitigate the loss of or damage to this Confidential Information or or our other means IT Systems** could substantially disrupt our operations, harm our customers, consumers and other business partners, damage our reputation, violate applicable laws and regulations and subject us to litigation (including class action lawsuits) or regulatory actions, **to and result in** additional costs for remediation and compliance, as well as to liabilities and loss of business that could be material. **Additionally, Global global consumer protection, data privacy and cybersecurity legal requirements, such as under the General Data Protection Regulation (" GDPR ") and the California Consumer Privacy Act (" CCPA ") , are evolving rapidly and increasingly exposing companies to significant fines and penalties for violations , including in relation to security incidents .** While we carry insurance, our policies may not cover, or may not fully cover or reimburse us for, any or all costs and losses associated with cybersecurity related events, or applicable insurance may not be available to us in the future on economically reasonable terms or at all . **In addition, there can be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with or effective in protecting our systems and information.** Any impairment in the value of our goodwill or other assets could adversely affect our financial condition and results of operations. We are required, at least annually, or as facts and circumstances warrant, to test goodwill and other assets to determine if impairment has occurred. Impairment may result from any number of factors, including adverse changes in assumptions used for valuation purposes, such as actual or projected net sales growth rates, profitability or discount rates, or other variables. If the testing indicates that impairment has occurred, we are required to record a non- cash impairment charge for the difference between the carrying value of the goodwill or other assets and the implied fair value of the goodwill or the fair value of other assets in the period the determination is made. We cannot always predict the amount and timing of any impairment of assets and we have incurred impairment charges in the past. Should the value of goodwill or other assets become impaired, it would have an adverse effect on our financial condition and results of operations . **If our estimates or judgments relating to our critical accounting estimates prove to be incorrect, our operating results could be adversely affected. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances, as provided in Item 7," Management' s Discussion and Analysis of Financial Condition and Results of Operations". The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenues and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to sales- related discounts and allowances, royalty reserves, inventory reserves, carrying value of goodwill and intangibles, and income taxes. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the price of our Class A Common Stock .** Our Class A common stock price may be volatile or may decline regardless of our operating performance and you may not be able to resell your shares at or above the price you paid for them. Volatility in the market price of our Class A common stock may prevent you from being able to sell your shares at or above the price you paid for them. Many factors, which are outside our control, may cause the market price of our Class A common stock to fluctuate significantly, including those described elsewhere in this “ Risk Factors ” section, as well as the following: • our operating and financial performance and prospects; • our quarterly or annual earnings or those of other companies in our industry compared to market expectations; • conditions that impact demand for our products; • future announcements concerning our business, our customers’ businesses or our competitors’ businesses; • the public’ s reaction to our press releases, other public announcements and filings with the SEC; • the size of our public float; • coverage by or changes in financial estimates by securities analysts or failure to meet their expectations; • market and industry perception of our success, or lack thereof, in pursuing our growth strategy; • short sales of our stock or trading phenomena such as " short squeezes"; • strategic actions by us or our competitors, such as acquisitions or restructurings; • changes in laws or regulations which adversely affect our industry, our licensors or us; • changes in accounting standards, policies, guidance, interpretations or principles; • changes in senior management or key personnel; • issuances, exchanges or sales, or expected issuances, exchanges or sales of our capital stock; • changes in our dividend policy; • adverse resolution of new or pending litigation against us; • the imposition of fines or other remedial measures as a result of regulatory violations or civil liability **such as due to the underpayment of customs duties at Loungefly**; and • changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural disasters, terrorist attacks, acts of war, pandemics **or other health crises** and responses to such events. As a result, volatility in the market price of our Class A common stock may prevent investors from being able to sell their Class A common stock at or above the price they paid for them or at all. These broad market and industry factors may materially reduce the

market price of our Class A common stock, regardless of our operating performance. In addition, price volatility may be greater if the public float and trading volume of our Class A common stock is low. As a result, you may suffer a loss on your investment. We may fail to meet analyst expectations, or analysts may issue unfavorable commentary about us or our industry or downgrade our Class A common stock, which could cause the price of our Class A common stock to decline. Our Class A common stock is traded publicly, and various securities analysts follow our company and issue reports on us. These reports include information about our historical financial results as well as the analysts' estimates of our future performance. The analysts' estimates are based upon their own independent opinions and may be different from our own estimates or expectations. If our operating results are below the estimates or expectations of public market analysts and investors, the trading price of our Class A common stock could decline. In addition, one or more analysts could cease to cover our company, which could cause us to lose visibility in the market, and one or more analysts could downgrade our Class A common stock or issue other negative commentary about our company or our industry. As a result of one or more of these factors, the trading price of our Class A common stock could decline.

~~A 1% U. S. federal excise tax could be imposed on us if we were to undertake redemptions or certain other transactions. On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into federal law. The IRA provides for, among other things, a U. S. federal 1% excise tax on certain repurchases (including redemptions) of stock by publicly traded U. S. corporations and certain other persons (a "covered corporation"). Because we are a Delaware corporation and our securities are trading on the Nasdaq, we are a "covered corporation" for this purpose. The excise tax is imposed on the repurchasing corporation itself, not its stockholders from which shares are repurchased. The amount of the excise tax is generally 1% of the fair market value of the shares repurchased at the time of the repurchase. However, for purposes of calculating the excise tax, repurchasing corporations are permitted to net the fair market value of certain new stock issuances against the fair market value of stock repurchases during the same taxable year. In addition, certain exceptions apply to the excise tax. The U. S. Department of Treasury has been given authority to provide regulations and other guidance to carry out, and prevent the abuse or avoidance of the excise tax. If we were to conduct repurchases of our stock or other transactions covered by the excise tax described above, we could potentially be subject to this excise tax, which could increase our costs and adversely affect our operating results.~~

Our ability to use certain tax attributes may be limited. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an "ownership change," the corporation's ability to use certain of its tax attributes (including any net operating loss carryforwards) to offset its post- change income and taxes may be limited. In general, an "ownership change" occurs if there is a cumulative change in ownership of the relevant corporation by "5% shareholders" (as defined under U. S. income tax laws) that exceeds 50 percentage points over a rolling three- year period. Similar rules apply under state tax laws. If we were to experience one or more ownership changes, then we may be limited in our ability to use certain tax attributes. Any such limitations on the ability to use tax attributes could adversely impact our business, financial condition, and operating results. Failure to comply with anti- corruption and anti- bribery laws could result in fines, criminal penalties and materially adversely affect our business, financial condition and results of operations. A significant risk resulting from our global operations is compliance with a wide variety of U. S. federal and state and non- U. S. laws, regulations and policies, including laws related to anti- corruption, anti- bribery and laundering. The FCPA, the U. K. Bribery Act of 2010 and similar anti- corruption and anti- bribery laws in other jurisdictions generally prohibit companies, their officers, directors, employees and third- party intermediaries, business partners, and agents from making improper payments or other improper things of value to government officials or other persons. There has been an increase in anti- bribery and anti- corruption law enforcement activity in recent years, with more frequent and aggressive investigations and enforcement proceedings by both the U. S. Department of Justice and the SEC, increased enforcement activity by non- U. S. regulators, and increases in criminal and civil proceedings brought against companies and individuals. We operate in parts of the world that are considered high- risk from an anti- bribery and anti- corruption perspective, and strict compliance with anti- bribery and anti- corruption laws may conflict with local customs and practices. We cannot assure you that our internal controls, policies and procedures will protect us from improper conduct by our officers, directors, employees, third- party intermediaries, business partners or agents. To the extent that we learn that any of these parties do not adhere to our internal control policies, we are committed to taking appropriate remedial action. In the event that we believe or have reason to believe that any such party has or may have violated such laws, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances, and detecting, investigating and resolving actual or alleged violations can be expensive and require a significant diversion of time, resources and attention from senior management. Any violation of U. S. federal and state and non- U. S. anti- bribery and anti- corruption laws, regulations and policies could result in substantial fines, sanctions, civil or criminal penalties, and curtailment of operations in the U. S. or other applicable jurisdictions. In addition, actual or alleged violations could damage our reputation and ability to do business. Any of the foregoing could materially adversely affect our business, financial condition and results of operations.

Any actual or perceived failure to comply with new or existing laws and regulations, and other requirements relating to privacy and the protection of personal information may result in negative publicity, claims, investigations and litigation, and adversely affect our **business, results of operations, or** financial performance. **In connection with running our business, we receive, store, use and otherwise process information that relates to individuals and / or constitutes "personal data," "personal information," "personally identifiable information," or similar terms under applicable data privacy laws (collectively, "Personal Information"), including from and about actual and prospective customers, as well as our employees and business contacts.** We are **therefore** subject to laws, rules, and regulations in the United States, the European Union, and other jurisdictions relating to the collection, use, and security of ~~personal~~ **Personal information**. Such data privacy laws, regulations, and other obligations may require us to change our business practices and may negatively impact our ability to expand our business and pursue business opportunities. We may incur significant expenses to comply with the laws, regulations and other obligations that apply to us. Additionally, the privacy- and data protection- related laws, rules, ~~and~~ **regulations, and other obligations** applicable to us are subject to significant change.

Several jurisdictions have passed new laws and regulations in this area, and other jurisdictions are considering imposing additional restrictions. For example, our operations are subject to the GDPR, which imposes data privacy and security requirements on companies doing business in the European Union, including: providing detailed disclosures about how ~~personal~~ **Personal data-Information** is collected and processed; demonstrating an appropriate legal basis; granting new rights for data subjects in regard to their ~~personal-**Personal data-Information**~~; and imposing limitations on retention of ~~personal-**Personal data-Information**~~; and maintaining a record of data processing. Each of the GDPR and the UK data protection regime can result in fines up to the greater of EUR 20 million or £ 17 million, as applicable, or 4 % of total global annual turnover. We are also subject to European Union rules with respect to cross- border transfers of ~~personal-**Personal data-Information**~~ out of the European Economic Area (" EEA") and the United Kingdom. Recent legal developments in Europe have created complexity and uncertainty regarding transfers of ~~personal-**Personal information-Information**~~ from the EEA and the United Kingdom to the United States. These recent developments may require us to review and amend the legal mechanisms by which we make and / or receive ~~personal-**Personal data-Information**~~ transfers to / in the U. S. In the U. S., the CCPA, imposes similar requirements on companies handling ~~data-**the Personal Information**~~ of California residents and creates a ~~new and~~ potentially severe statutory damages framework for violations of the CCPA. ~~The~~ Additionally, the California Privacy Rights Act (the "~~CPRA-**CCPA**~~"), imposes ~~additional~~ data protection obligations on companies doing business in California, including ~~additional~~ consumer rights processes, limitations on ~~data-**Personal Information**~~ uses, ~~new audit requirements for higher risk data processing~~, and opt outs for certain disclosures of ~~data-**Personal Information**~~ and uses of sensitive **Personal data**. It also created a new California data protection agency authorized to issue substantive regulations and could result in increased privacy and information **Information security enforcement**. The enactment of the CCPA ~~prompted~~ is prompting a wave of similar ~~laws~~ legislative developments in other states in the United States, which ~~creates~~ **created** a patchwork of overlapping but different state **privacy laws (with additional privacy laws expected to be forthcoming at both the federal and state level)**. We are also subject to general consumer protection laws, rules and regulations, such as the authority of the Federal Trade Commission and state attorneys general to enforce " unfair " or " deceptive " trade practices, including statements made in our public- facing website, privacy policy, and other statements. Privacy and data protection- related laws and regulations also may be interpreted and enforced inconsistently over time and from jurisdiction to jurisdiction. In addition to government regulation, privacy advocates and industry groups may propose new and different self- regulatory standards that either legally or contractually apply to us. One example of such self- regulatory standards to which we may be contractually bound is the Payment Card Industry Data Security Standard, ~~or~~ ("**PCI DSS** "). Though we currently use third- party vendors to process and store credit card data in connection with our e- commerce business, we are subject to various aspects of the PCI DSS, and fines, penalties, and a loss of the ability to process credit card payments could result from any failure to comply with the PCI DSS. Any actual or perceived inability to comply with applicable privacy or data protection laws, regulations, or other obligations could result in significant cost and liability, litigation or governmental investigations, damage our reputation, and adversely affect our business.