

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

FORM 10-Q

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

For the quarterly period ended September 30, 2025
OR

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

For the transition period from _____ to _____
Commission file number: 001-38274



FUNKO, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

2802 Wetmore Avenue
Everett Washington
(Address of principal executive offices)

35-2593276
(I.R.S. Employer
Identification No.)

98201
(Zip Code)

(425) 783-3616
(Registrant's telephone number, including area code)
N/A

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.0001 par value per share	FNKO	The Nasdaq Stock Market LLC

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

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

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

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

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

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

As of November 4, 2025, the registrant had 54,742,995 shares of Class A common stock, \$0.0001 par value per share, and 647,833 shares of Class B common stock, \$0.0001 par value per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future operating results and financial position, the expected impact of general economic and market conditions, including the imposition of tariffs and the uncertainty over U.S. trade and tariff policies, on our business, results of operations and financial condition, capital resources and our ability to generate cash to fund our operations, anticipated benefits from sales under our registration statement on Form S-3 and Sales Agreement, as defined herein, compliance with financial and negative covenants and related impacts to our business, our business strategy and plans, our review of strategic alternatives, our ability to continue as a going concern, potential acquisitions, market growth and trends, demand for our products, inventory expectations, anticipated future expenses and payments, efforts to remediate our material weaknesses in internal control over financial reporting and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “could,” “would,” “project,” “plan,” “potentially,” “preliminary,” “likely,” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including the important factors described in this Quarterly Report on Form 10-Q under Part II. Item 1A. “Risk Factors,” and in our other filings with the Securities and Exchange Commission (“SEC”), that may cause our actual results, performance or achievements to differ materially and adversely from those expressed or implied by the forward-looking statements.

Any forward-looking statements made herein speak only as of the date of this Quarterly Report on Form 10-Q, and you should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or achievements reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this Quarterly Report on Form 10-Q or to conform these statements to actual results or revised expectations.

Summary of Risk Factors

Our business is subject to numerous risks and uncertainties, including those described in Part II, Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q. 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 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.
- 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 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.
- There is substantial doubt about our ability to continue as a going concern due to pressure on our financial covenants arising from the current tariff retail environment and potentially insufficient working capital and potential non-compliance with other covenants as defined within the Fourth Amendment, as defined herein.
- We are reviewing strategic alternatives. There can be no assurance that we will be successful in identifying or completing any strategic alternative, that any such strategic alternative will result in additional value for our stockholders or that the process will not have an adverse impact on our business.
- 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 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 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 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 with 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.
- 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 parties to the TRA (the "TRA Parties") that will not benefit other Class A common stockholders to the same extent as it will benefit the TRA Parties.
- 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 – FINANCIAL INFORMATION

Item 1. Financial Statements

FUNKO, INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
(In thousands, except per share data)				
Net sales	\$ 250,905	\$ 292,765	\$ 635,113	\$ 756,121
Cost of sales (exclusive of depreciation and amortization)	150,154	172,956	395,451	445,992
Selling, general, and administrative expenses	79,794	92,662	246,860	256,154
Depreciation and amortization	14,529	15,411	44,319	46,409
Total operating expenses	244,477	281,029	686,630	748,555
Income (loss) from operations	6,428	11,736	(51,517)	7,566
Interest expense, net	5,611	4,971	13,982	16,363
Other (income) expense, net	(1,359)	998	(304)	1,994
Income (loss) before income taxes	2,176	5,767	(65,195)	(10,791)
Income tax expense	1,228	1,170	2,920	2,859
Net income (loss)	948	4,597	(68,115)	(13,650)
Less: net income (loss) attributable to non-controlling interests	47	267	(938)	(432)
Net income (loss) attributable to Funko, Inc.	\$ 901	\$ 4,330	\$ (67,177)	\$ (13,218)
Earnings (loss) per share of Class A common stock:				
Basic	\$ 0.02	\$ 0.08	\$ (1.24)	\$ (0.26)
Diluted	\$ 0.02	\$ 0.08	\$ (1.24)	\$ (0.26)
Weighted average shares of Class A common stock outstanding:				
Basic	54,649	52,523	54,184	51,781
Diluted	54,707	53,428	54,184	51,781

See accompanying notes to the unaudited condensed consolidated financial statements.

FUNKO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
	(In thousands)			
Net income (loss)	\$ 948	\$ 4,597	\$ (68,115)	\$ (13,650)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation (loss) gain	(1,919)	4,768	6,299	4,262
Comprehensive (loss) income	(971)	9,365	(61,816)	(9,388)
Less: Comprehensive income (loss) attributable to non-controlling interests	21	426	(859)	(301)
Comprehensive (loss) income attributable to Funko, Inc.	<u>\$ (992)</u>	<u>\$ 8,939</u>	<u>\$ (60,957)</u>	<u>\$ (9,087)</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

FUNKO, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2025	December 31, 2024
	(In thousands, except per share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 39,177	\$ 34,655
Accounts receivable, net	128,434	119,882
Inventories	99,805	92,580
Prepaid expenses and other current assets	32,527	39,942
Total current assets	299,943	287,059
Property and equipment, net	70,631	78,357
Operating lease right-of-use assets, net	48,766	52,846
Goodwill	133,920	133,652
Intangible assets, net	139,789	151,547
Other assets	6,222	3,793
Total assets	\$ 699,271	\$ 707,254
Liabilities and Stockholders' Equity		
Current liabilities:		
Line of credit	\$ 135,000	\$ 60,000
Current portion of long-term debt	104,579	22,512
Current portion of operating lease liabilities	18,720	17,102
Accounts payable	63,952	63,130
Accrued royalties	57,795	61,362
Accrued expenses and other current liabilities	77,363	81,688
Total current liabilities	457,409	305,794
Long-term debt	1,388	100,303
Operating lease liabilities	52,548	60,390
Other long-term liabilities	4,313	4,414
Commitments and Contingencies (Note 6)		
Stockholders' equity:		
Class A common stock, par value \$0.0001 per share, 200,000 shares authorized; 54,740 and 52,967 shares issued and outstanding as of September 30, 2025 and December 31, 2024, respectively	5	5
Class B common stock, par value \$0.0001 per share, 50,000 shares authorized; 648 and 1,430 shares issued and outstanding as of September 30, 2025 and December 31, 2024, respectively	—	—
Additional paid-in-capital	354,094	343,472
Accumulated other comprehensive income (loss)	4,544	(1,676)
Accumulated deficit	(175,959)	(108,782)
Total stockholders' equity attributable to Funko, Inc.	182,684	233,019
Non-controlling interests	929	3,334
Total stockholders' equity	183,613	236,353
Total liabilities and stockholders' equity	\$ 699,271	\$ 707,254

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2025	2024
	(In thousands)	
Operating Activities		
Net loss	\$ (68,115)	\$ (13,650)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	44,319	46,409
Equity-based compensation	8,906	10,530
Other, net	(2,298)	(271)
Changes in operating assets and liabilities:		
Accounts receivable, net	(5,617)	(38,547)
Inventories	(4,755)	3,306
Prepaid expenses and other assets	13,847	26,608
Accounts payable	(153)	23,851
Accrued royalties	(3,567)	6,838
Accrued expenses and other liabilities	(15,773)	(1,332)
Net cash (used in) provided by operating activities	(33,206)	63,742
Investing Activities		
Purchases of property and equipment	(24,064)	(20,796)
Sale of Funko Games inventory and certain intellectual property	—	6,754
Other, net	1,042	655
Net cash used in investing activities	(23,022)	(13,387)
Financing Activities		
Borrowings on line of credit	85,000	25,000
Payments on line of credit	(10,000)	(50,500)
Payments of long-term debt	(17,323)	(25,365)
Payments under tax receivable agreement	—	(8,960)
Other, net	171	1,250
Net cash provided by (used in) financing activities	57,848	(58,575)
Effect of exchange rates on cash and cash equivalents	2,902	313
Net change in cash and cash equivalents	4,522	(7,907)
Cash and cash equivalents at beginning of period	34,655	36,453
Cash and cash equivalents at end of period	\$ 39,177	\$ 28,546

See accompanying notes to the unaudited condensed consolidated financial statements.

FUNKO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

(in thousands)	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Other Comprehensive Income	Accumulated Deficit	Non-Controlling Interests	Total
	Shares	Amount	Shares	Amount					
Period ended June 30, 2025	54,530	\$ 5	648	\$ —	\$ 351,587	\$ 6,437	\$ (176,860)	\$ 908	\$ 182,077
Equity-based compensation	—	—	—	—	2,529	—	—	—	2,529
Activity under equity-based compensation plans	210	—	—	—	—	—	—	—	—
Cumulative translation adjustment	—	—	—	—	—	(1,893)	—	(26)	(1,919)
Other	—	—	—	—	(22)	—	—	—	(22)
Net income	—	—	—	—	—	—	901	47	948
Period ended September 30, 2025	54,740	\$ 5	648	\$ —	\$ 354,094	\$ 4,544	\$ (175,959)	\$ 929	\$ 183,613

(in thousands)	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Other Comprehensive (Loss) Income	Accumulated Deficit	Non-Controlling Interests	Total
	Shares	Amount	Shares	Amount					
Period ended June 30, 2024	52,488	\$ 5	1,433	\$ —	\$ 335,808	\$ (658)	\$ (111,612)	\$ 3,703	\$ 227,246
Equity-based compensation	—	—	—	—	3,430	—	—	—	3,430
Activity under equity-based compensation plans	104	—	—	—	391	—	—	—	391
Cumulative translation adjustment	—	—	—	—	—	4,609	—	159	4,768
Redemption of common units of FAH, LLC	100	—	—	—	205	—	—	(205)	—
Net income	—	—	—	—	—	—	4,330	267	4,597
Period ended September 30, 2024	52,692	\$ 5	1,433	\$ —	\$ 339,834	\$ 3,951	\$ (107,282)	\$ 3,924	\$ 240,432

See accompanying notes to the unaudited condensed consolidated financial statements.

FUNKO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

(in thousands)	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Other Comprehensive (Loss) Income	Accumulated Deficit	Non-Controlling Interests	Total
	Shares	Amount	Shares	Amount					
Period ended December 31, 2024	52,967	\$ 5	1,430	\$ —	\$ 343,472	\$ (1,676)	\$ (108,782)	\$ 3,334	\$ 236,353
Distribution to continuing equity owners	—	—	—	—	—	—	—	(35)	(35)
Equity-based compensation	—	—	—	—	8,906	—	—	—	8,906
Activity under equity-based compensation plans	991	—	—	—	227	—	—	—	227
Cumulative translation adjustment	—	—	—	—	—	6,220	—	79	6,299
Redemption of common units of FAH, LLC	782	—	(782)	—	1,511	—	—	(1,511)	—
Other	—	—	—	—	(22)	—	—	—	(22)
Net loss	—	—	—	—	—	—	(67,177)	(938)	(68,115)
Period ended September 30, 2025	54,740	\$ 5	648	\$ —	\$ 354,094	\$ 4,544	\$ (175,959)	\$ 929	\$ 183,613

(in thousands)	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Other Comprehensive (Loss) Income	Accumulated Deficit	Non-Controlling Interests	Total
	Shares	Amount	Shares	Amount					
Period ended December 31, 2023	50,549	\$ 5	2,277	\$ —	\$ 326,180	\$ (180)	\$ (94,064)	\$ 6,099	\$ 238,040
Distribution to continuing equity owners	—	—	—	—	—	—	—	(88)	(88)
Equity-based compensation	—	—	—	—	10,530	—	—	—	10,530
Activity under equity-based compensation plans	1,175	—	—	—	1,338	—	—	—	1,338
Cumulative translation adjustment	—	—	—	—	—	4,131	—	131	4,262
Redemption of common units of FAH, LLC	968	—	(844)	—	1,786	—	—	(1,786)	—
Net loss	—	—	—	—	—	—	(13,218)	(432)	(13,650)
Period ended September 30, 2024	52,692	\$ 5	1,433	\$ —	\$ 339,834	\$ 3,951	\$ (107,282)	\$ 3,924	\$ 240,432

See accompanying notes to the unaudited condensed consolidated financial statements.

FUNKO, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Operations

The unaudited condensed consolidated financial statements include Funko, Inc. and its subsidiaries (together, the “Company”) and have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by U.S. GAAP for complete financial statements. All intercompany balances and transactions have been eliminated.

The Company was formed as a Delaware corporation on April 21, 2017. The Company was formed for the purpose of completing an initial public offering (“IPO”) of its Class A common stock and related transactions in order to carry on the business of Funko Acquisition Holdings, L.L.C. (“FAH, LLC”) and its subsidiaries.

Funko, Inc. operates and controls all of FAH, LLC’s operations and, through FAH, LLC and its subsidiaries, conducts FAH, LLC’s business as the sole managing member. Accordingly, the Company consolidates the financial results of FAH, LLC and reports a non-controlling interest in its unaudited condensed consolidated financial statements representing the common units of FAH, LLC interests still held by other owners of FAH, LLC (collectively, the “Continuing Equity Owners”).

Interim Financial Information

In the opinion of management, all adjustments considered necessary for a fair statement of the results as of the date of and for the interim periods presented have been included, and such adjustments consist of normal recurring adjustments. Certain prior-year amounts have been reclassified to conform to the current year presentation. The unaudited condensed consolidated results of operations for the current interim period are not necessarily indicative of the results for the entire year ending December 31, 2025, due to seasonality and other factors. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes included in Exhibit 99.1 to the Current Report on Form 8-K filed on August 7, 2025.

Going Concern

The accompanying unaudited interim condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The realization of assets and the satisfaction of liabilities in the normal course of business are dependent on, among other things, the Company’s ability to operate profitably, to generate cash flows from operations, and to pursue appropriate financing arrangements to support its working capital requirements.

The Company sources, procures and assembles inventory, primarily out of Vietnam, China and Mexico. The effects of recently implemented tariffs, and the potential imposition of modified or additional tariffs or export controls by other countries, continue to have an adverse effect on future net sales, margins and profitability. The Company anticipates continued supply chain challenges, cost volatility, and consumer and economic uncertainty due to these rapid changes in global trade policies. The Company has implemented a plan, as described below, designed to mitigate these challenges and improve its financial position.

The Company is party to a Credit Agreement, dated September 17, 2021 with JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto (as amended, the "Credit Agreement"). On July 16, 2025, the Company entered into Credit Agreement Amendment No. 4 (the "Fourth Amendment"), that among other things, amends the Credit Agreement by waiving compliance with (x) the maximum Net Leverage Ratio and (y) the minimum Fixed Charge Coverage Ratio financial covenants, in each case, for the fiscal quarters ended June 30, 2025 and September 30, 2025. The Fourth Amendment also contains covenants that the Company shall take certain actions in furtherance of a Refinancing Transaction or a Sale Transaction (each as defined in the Fourth Amendment), and certain covenants have not been satisfied as of the date of this Quarterly Report (such covenants, the "Outstanding Milestone Covenants"). The administrative agent under the Credit Agreement has the discretion to extend the compliance dates for the Outstanding Milestone Covenants. Failure to satisfy the covenants under the Credit Agreement, without a timely cure, waiver or amendment, would be considered an event of default.

If an event of default occurs and is not cured or waived, the Required Lenders (as defined in the Credit Agreement) could elect to declare all amounts outstanding under the Credit Agreement immediately due and payable and exercise other remedies as set forth in the Credit Agreement. In addition, the Required Lenders would have the right to proceed against the collateral pledged to them, which includes substantially all of the Company's assets.

In connection with preparing the unaudited consolidated financial statements for the three months ended September 30, 2025, management evaluated the Company's future liquidity, forecasts of the expected effects of announced tariffs and other facts and conditions, and ability to comply with the covenants under the Credit Agreement, and determined that there is substantial doubt about the Company's ability to continue as a going concern for the next twelve months from the date of issuance of these financial statements. The Company anticipates it will not be in compliance with the maximum Net Leverage Ratio and minimum Fixed Charge Coverage Ratio (each as defined in the Credit Agreement) covenants as of the end of the quarter ending December 31, 2025 and future quarters. The Company has not yet satisfied the actions under the Outstanding Milestone Covenants with upcoming compliance dates of November 25, 2025 and February 16, 2026, respectively.

In addition, based on the Company's forecast of the expected effects of the announced tariffs and other facts and conditions, the Company anticipates that its cash flows may be insufficient to support working capital needs within the next twelve months and, relatedly, the Company may not be able to comply with its minimum Qualified Cash (as defined in the Credit Agreement) covenant in future periods.

The Credit Agreement matures in September 2026, however, the Company is not forecasted to have sufficient cash reserves to fully repay the loans outstanding under the Credit Agreement at that time or an earlier date, if applicable, and as such, the Credit Agreement will need to be refinanced. See Note 4, "Debt".

Management has developed a plan, as summarized below, that, if executed successfully, it believes will provide sufficient liquidity to meet the Company's obligations as they become due for a reasonable period of time, including to meet the Company's obligations under the Credit Agreement. The plan includes:

- Continuing to monitor the Company's commercial pricing strategy, working with current and potential sourcing partners to mitigate the effects of increasing costs, including shifting certain manufacturing out of China, and, if necessary and consistent with its existing contractual commitments, decreasing its activity level and capital expenditures further. This plan reflects its strategy of controlling capital costs and maintaining financial flexibility.

- Gaining positive cash-inflow from operating activities through continuous overhead cost reductions, increased sales of higher margin products and working capital management, including timing of accounts receivable collections. The Company has a significant presence in international markets, which are not impacted by tariffs, and will continue to pursue strategies to grow those markets.
- Raising additional cash through the issuance of equity or debt or assessing potential amendments, including additional covenant relief, and/or refinancing of the Company's existing debt arrangements as considered necessary. In addition, the Company intends to opportunistically consider other potential business opportunities or strategic transactions, including a potential sale of the Company. The Company will need to raise additional cash or refinance its Credit Agreement in the near term.

While management believes that the measures described in the above plan will be adequate to satisfy its liquidity requirements, there can be no assurance that management's liquidity plan will be successfully implemented, the Company's lenders will agree to waive, modify and/or amend the maximum Net Leverage Ratio and minimum Fixed Charge Coverage Ratio covenants for the periods of forecasted covenant noncompliance, the Credit Agreement's administrative agent will agree to further extend the compliance dates related to the Outstanding Milestone Covenants, if necessary, or that the Credit Agreement can be refinanced before its maturity date, which all raise substantial doubt about the Company's ability to continue as a going concern for the next twelve months from the date of issuance of these financial statements.

These unaudited interim condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

2. Significant Accounting Policies and Transactions

Use of Estimates

The preparation of the Company's unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions.

Significant Accounting Policies

Inventories

Inventories consist primarily of figures, plush, apparel, homewares, accessories and other finished goods, and are accounted for using the first-in, first-out ("FIFO") method. Inventory costs include direct product costs, freight and duty costs. Inventories are stated at the lower of cost or net realizable value. The Company estimates obsolescence based on assumptions regarding future demand. This valuation requires us to make judgments, based on currently available information, about the likely method of disposition, such as through sales to customers, or liquidation, and expected recoverable value of each disposition category. Reserves for excess and obsolete inventories were \$10.0 million and \$11.8 million as of September 30, 2025 and December 31, 2024, respectively.

Revenue Recognition and Sales Allowance

Revenue from the sale of the Company's products is recognized when control of the goods is transferred to the customer, which is upon shipment or upon receipt of finished goods by the customer, depending on the contract terms. Deferred revenue is recognized when the Company collects cash from the customer and has not yet filled its obligation for delivery of product. Deferred revenue was \$22.2 million and \$13.3 million as of September 30, 2025 and December 31, 2024, respectively, and is recorded within accrued expenses and other current liabilities on the Company's condensed consolidated balance sheets.

The Company routinely enters into arrangements with its customers to provide sales incentives, support customer promotions, and provide allowances for returns and defective merchandise. These sales adjustments require management to make estimates. In making these estimates, management considers all available information including the overall business environment, historical trends and information from customers, such as agreed upon customer contract terms as well as historical experience from the customer. The costs of these programs reduce gross sales in the period the related sale is recognized. The Company adjusts its estimates at least quarterly or when facts and circumstances used in the estimate process change. As of September 30, 2025 and December 31, 2024, we had reserves for sales allowances of \$40.1 million and \$42.2 million, respectively.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the net amount of identifiable assets acquired and liabilities assumed in a business combination measured at fair value. The Company evaluates goodwill for impairment annually on October 1 of each year and upon the occurrence of triggering events or substantive changes in circumstances that could indicate a potential impairment by assessing qualitative factors or performing a quantitative analysis in determining whether it is more likely than not that the fair value of the net assets is below their carrying amounts.

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date. Intangible assets acquired include intellectual property (product design), customer relationships, and trade names. These are definite-lived assets and are amortized on a straight-line basis over their estimated useful lives. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable.

During the three months ended September 30, 2025, the Company observed a significant decline in the market valuation of the Company's Class A common stock along with a volatile macroeconomic environment. As a result, the Company has evaluated potential goodwill impairment triggering events as of September 30, 2025, and determined it was more likely than not that the fair value of the reporting unit was above carrying value of the net assets. However, the Company will continue to evaluate for impairment triggering events due to the substantive changes in circumstances, such as market capitalization, which could indicate a potential impairment and the need to record a material, non-cash charge in a future period. The Company also expects to assess the recoverability of the carrying value of the identified intangible and other long-lived assets, to the extent conditions necessitate an impairment assessment.

A description of the Company's other significant accounting policies is included in the audited consolidated financial statements and related notes included in Exhibit 99.1 to the Current Report on Form 8-K filed on August 7, 2025.

Significant Transactions

In January 2024, the Company sold all outstanding inventory and certain intellectual property marketed under and related to Funko Games, to an independent third-party. The Company also entered into a multi-year exclusive worldwide license and distribution agreement with the purchaser, whereby the Company will earn minimum guaranteed royalty payments for the continued use of the Funko brand. Proceeds from the transaction were utilized to pay down a portion of the outstanding balance of the Term Loan Facility (as defined below).

Recently Adopted Accounting Standards

In January 2025, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") 122, that rescinded SAB 121, Accounting for Obligations to Safeguard Crypto-Assets an Entity Holds for its Platform Users. The Company had elected to early adopt SAB 122 as of December 31, 2024, on a fully retrospective basis.

The Company, through its wholly-owned subsidiary TokenWave, LLC, operates the Droppp.io platform, to facilitate the buying and selling of its NFTs, holds cryptographic key information for NFTs and is a custodian for NFTs held in platform users' accounts. The Company has not incurred a loss event during the periods ended September 30, 2025 and 2024 as a result of its safeguarding.

In November 2023, the Financial Accounting Standards Board issued an Accounting Standards Update ("ASU"), which requires all public entities, including public entities with a single reportable segment, to provide in interim and annual periods one or more measures of segment profit or loss used by the Chief Operating Decision Maker ("CODM") to allocate resources and assess performance. Additionally, the standard requires disclosures of significant segment expenses and other segment items as well as incremental qualitative disclosures. The Company adopted the ASU for the year ended December 31, 2024, on a retrospective basis. The adoption of this ASU did not change the way that the Company identifies its reportable segments and, as a result, did not have a material impact on the Company's segment-related disclosures. Refer to Note 7, "Segments and Disaggregated Revenue Information" for further information on the Company's reportable segment.

Accounting Pronouncements Not Yet Adopted

In December 2023, the Financial Accounting Standards Board issued an ASU amending existing income tax disclosure guidance, primarily requiring more detailed disclosure for income taxes paid by jurisdiction and the effective tax rate reconciliation. The ASU is effective for annual reporting periods beginning after December 15, 2024, with early adoption permitted and it can be applied on either a prospective or retroactive basis. The Company is currently evaluating the ASU to determine its impact on income tax disclosures and plans to adopt the ASU on a prospective basis.

In November 2024, the Financial Accounting Standards Board issued an ASU requiring that an entity disclose in the notes to the financial statements specified information about certain costs and expenses, including the amounts of (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) other amounts of depletion expense included in each relevant expense caption presented on the statement of operations. The standard also requires disclosure of a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively, as well as the total amount of selling expenses and an entity's definition of selling expenses. The ASU was clarified in January 2025 and is effective for annual reporting periods beginning after December 15, 2026 and interim periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted and it can be applied on either a prospective or retroactive basis. The Company is currently evaluating the ASU to determine its impact on income statement presentation and enhanced footnote disclosures.

3. Fair Value Measurements

The Company's financial instruments, other than those discussed below, include cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities. The carrying amounts of these financial instruments approximate fair value due to the short-term nature of these instruments. For financial instruments measured at fair value on a recurring basis, the Company prioritizes the inputs used in measuring fair value according to a three-tier fair value hierarchy defined by U.S. GAAP.

Cash equivalents. As of September 30, 2025 and December 31, 2024, cash equivalents included \$22.9 million and \$1.5 million, respectively, of highly liquid money market funds, which are classified as Level 1 within the fair value hierarchy.

Debt. The estimated fair value of the Company's debt instruments, which are classified as Level 3 financial instruments, at September 30, 2025 and December 31, 2024, was approximately \$106.5 million and \$123.8 million, respectively. The carrying values of the Company's debt instruments at September 30, 2025 and December 31, 2024, were \$106.0 million and \$122.8 million, respectively. The estimated fair value of the Company's debt instruments primarily reflects assumptions regarding credit spreads for similar floating-rate instruments with similar terms and maturities and the Company's standalone credit risk.

4. Debt

Debt consists of the following (in thousands):

	September 30, 2025	December 31, 2024
Revolving Credit Facility	\$ 135,000	\$ 60,000
Term Loan Facility	\$ 99,746	\$ 113,246
Equipment Finance Loan	6,747	10,569
Debt issuance costs	(526)	(1,000)
Total term debt	105,967	122,815
Less: current portion	104,579	22,512
Long-term debt, net	\$ 1,388	\$ 100,303

Credit Facilities

On September 17, 2021, FAH, LLC and certain of its material domestic subsidiaries from time to time (the “Credit Agreement Parties”) entered into the Credit Agreement with JPMorgan Chase Bank, N.A., PNC Bank, National Association, KeyBank National Association, Citizens Bank, N.A., Bank of the West, HSBC Bank USA, National Association, Bank of America, N.A., U.S. Bank National Association, MUFG Union Bank, N.A., and Wells Fargo Bank, National Association (collectively, the “Initial Lenders”) and JPMorgan Chase Bank, N.A. as administrative agent (the “Administrative Agent”), providing for a term loan facility in the amount of \$180.0 million (the “Term Loan Facility”) and a revolving credit facility of \$100.0 million (the “Revolving Credit Facility”) (together the “Credit Facilities”). Proceeds from the Credit Facilities were primarily used to repay the Company’s former credit facilities. On April 26, 2022, the Credit Agreement Parties entered into Amendment No. 1 to the Credit Agreement (the “First Amendment”) with the Initial Lenders and JPMorgan Chase Bank, N.A. as administrative agent, which allows for additional Restricted Payments (as defined in the First Amendment) using specified funding sources. On July 29, 2022, the Credit Agreement Parties entered into Amendment No. 2 to the Credit Agreement (the “Second Amendment”) with the Initial Lenders and Goldman Sachs Bank USA (collectively, the “Lenders”) and JPMorgan Chase Bank, N.A. as administrative agent, which increased the Revolving Credit Facility to \$215.0 million and converted the Credit Facility interest rate index from Borrower (as defined in the Credit Agreement) option LIBOR to SOFR.

On February 28, 2023, the Credit Agreement Parties entered into Amendment No. 3 (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 \$215.0 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. Beginning in the fiscal quarter ended March 31, 2024, the Third Amendment 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.

On July 16, 2025, the Credit Agreement Parties entered into an Amendment No. 4 (the "Fourth Amendment") to the Credit Agreement to, among other things, (i) waive compliance with (x) the maximum Net Leverage Ratio and (y) the minimum Fixed Charge Coverage Ratio financial covenants under the Credit Agreement, in each case, for the fiscal quarters ended June 30, 2025 and September 30, 2025; (ii) permanently reduce the revolving commitments (x) from \$150.0 million to \$135.0 million as of the effective date of the Fourth Amendment and (y) from \$135.0 million to \$125.0 million as of December 31, 2025; (iii) increase the applicable margin on all outstanding loans to 400 basis points until the Credit Facilities are paid in full; (iv) modify certain financial reporting obligations of the Credit Agreement Parties; (v) add additional affirmative covenants applicable to the Credit Agreement Parties and their subsidiaries; (vi) amend certain negative covenants applicable to the Credit Agreement Parties and their subsidiaries, including to add a covenant to hold no less than \$10.0 million of Qualified Cash at any time following the date of the Fourth Amendment; (vii) modify thresholds and grace periods for certain events of default; (viii) add certain new event of default triggers; and (ix) amend a covenant that the Company will not have a going concern or similar qualification to the Company's annual audited financial statements to begin with the year ending December 31, 2025. On November 5, 2025, the Administrative Agent, in its sole discretion, and the Credit Agreement Parties confirmed the first of the Outstanding Milestone Covenants has been extended until November 25, 2025. If the first of the Outstanding Milestone Covenants has not been met by November 25, 2025, the Administrative Agent has the right to secure a financial advisor on behalf of itself and other secured parties, at the Company's expense, to assist in the refinancing process. As long as the financial advisor remains engaged, the Company would receive automatic periodic extensions until the first of the Outstanding Milestone Covenants are satisfied. The second of the Outstanding Milestone Covenants remains that the Company must deliver a compliance certificate by February 16, 2026 for the quarter ending December 31, 2025.

The Term Loan Facility matures on the Maturity Date (as defined below) and amortizes in quarterly installments in aggregate amounts equal to 2.50% of the original principal amount of the Term Loan Facility, with any outstanding balance due and payable on the Maturity Date. The first amortization payment commenced with the quarter ended on December 31, 2021. The Revolving Credit Facility also terminates on the Maturity Date.

Loans under the Credit Facilities will, at the Borrowers' option, bear interest at either (i) SOFR plus (x) 4.00% per annum and (y) 0.10% per annum or (ii) ABR plus 3.00% per annum. SOFR rate is subject to a 0% floor. For loans based on ABR, interest payments are due quarterly. For loans based on SOFR, interest payments are due at the end of each applicable interest period.

The Credit Facilities are secured by substantially all of the assets of FAH, LLC and any of its existing or future material domestic subsidiaries, subject to customary exceptions. Following the Fourth Amendment, as of September 30, 2025, the Credit Agreement Parties were in compliance with all of the covenants then in effect and required to be tested under the Credit Agreement. The Credit Agreement Parties were also in compliance with all of the covenants then in effect under the Credit Agreement as of December 31, 2024.

At September 30, 2025 and December 31, 2024, the Credit Agreement Parties had \$99.7 million and \$113.2 million of borrowings outstanding under the Term Loan Facility, respectively, and \$135.0 million and \$60.0 million of outstanding borrowings under the Revolving Credit Facility, respectively. Interest rates on the outstanding borrowings under the Revolving Credit Facility at September 30, 2025 are reset every 30 days and can be repaid and reborrowed up until the maturity date. The weighted average rate on outstanding borrowings under the Revolving Credit Facility as of September 30, 2025 and December 31, 2024 was 8.27% and 6.71%, respectively. At September 30, 2025 and December 31, 2024, the Company had \$0.0 million and \$90.0 million available under the Revolving Credit Facility, respectively.

There were no outstanding letters of credit as of September 30, 2025 and December 31, 2024.

Equipment Finance Loan

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 loan is to be repaid in 48 monthly equal installments starting January 15, 2023, utilizing an annual fixed interest rate of 5.71%.

The Equipment Finance Loan is secured by certain identified assets held within our Buckeye, Arizona warehouse.

At September 30, 2025 and December 31, 2024, the Company had \$6.7 million and \$10.6 million outstanding under the Equipment Finance Loan, respectively.

5. Liabilities under Tax Receivable Agreement

The Company is party to a Tax Receivable Agreement and each of the Continuing Equity Owners, and certain transferees of the Continuing Equity Owners have been joined as parties to the Tax Receivable Agreement (the parties entitled to payments under the Tax Receivable Agreement are referred to herein as the "TRA Parties") that provides for the payment by the Company to the TRA Parties of 85% of the amount of tax benefits, if any, that it realizes, or in some circumstances, is deemed to realize, as a result of (i) future redemptions funded by the Company or exchanges, or deemed exchanges in certain circumstances, of common units of FAH, LLC for Class A common stock of Funko, Inc. or cash, and (ii) certain additional tax benefits attributable to payments made under the Tax Receivable Agreement.

The Company is generally not obligated to make any payments under the Tax Receivable Agreement until the tax benefits associated with a relevant transaction that gave rise to the payment are realized. Amounts payable under the Tax Receivable Agreement are contingent upon, among other things, (i) the generation of future taxable income over the term of the Tax Receivable Agreement and (ii) future changes in tax laws. If the Company does not generate sufficient taxable income in the aggregate over the term of the Tax Receivable Agreement to utilize the tax benefits, then it would not be required to make the related Tax Receivable Agreement payments. There were no common units of FAH, LLC acquired during the three months ended September 30, 2025. During the nine months ended September 30, 2025, the Company acquired 0.8 million common units of FAH, LLC. There were 0.1 million and 1.0 million common units of FAH, LLC acquired during the three and nine months ended September 30, 2024, respectively.

The Company estimated a TRA liability for the year ended December 31, 2024 of \$547 thousand as utilization of certain portions of the deferred tax assets subject to the TRA were more likely than not to be recognized. As a result of the 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 certain payments to the TRA Parties related to unrealized tax benefits under the TRA were no longer probable. The estimated gross outstanding balance of the TRA liability was \$102.8 million and \$99.6 million as of September 30, 2025 and December 31, 2024, respectively.

The following table summarizes changes in the amount of the Company's Tax Receivable Agreement liability (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Beginning balance	\$ 547	\$ 8,960	\$ 547	\$ 8,960
Additional liabilities for exchanges	—	—	3,156	—
Adjustment to remeasurement of liabilities	—	—	(3,156)	—
Payments under tax receivable agreement	—	(8,960)	—	(8,960)
Ending balance	<u>\$ 547</u>	<u>\$ —</u>	<u>\$ 547</u>	<u>\$ —</u>

6. Commitments and Contingencies

License Agreements

The Company enters into license agreements with various licensors of copyrighted and trademarked characters and design in connection with the products that it sells. The agreements generally require royalty payments based on product sales and in some cases may require minimum royalty and other related commitments. Our license agreements 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. As of September 30, 2025, we had a reserve of \$29.6 million, related to ongoing and future royalty audits, based on estimates of the costs we expect to incur.

Pre-Production Costs and Inventory

The Company routinely enters into purchase commitments for tooling and molds and pre-production costs related to inventory. The Company bases production schedules for products on internal forecasts, taking into account historical trends of similar products and properties, current market information and communications with customers.

Employment Agreements

The Company has employment agreements with certain officers. The agreements include, among other things, an annual bonus based on certain performance metrics of the Company, as defined by the board of directors, and up to two years' severance pay beyond termination date.

Debt

The Company has entered into a Credit Facility which includes a term loan facility and a revolving credit facility. The Company has also entered into an Equipment Finance Loan. See Note 4, "Debt".

Tax Receivable Agreement

The Company is party to the Tax Receivable Agreement that provides for the payment by the Company to the TRA Parties under certain circumstances. See Note 5, "Liabilities under Tax Receivable Agreement".

Leases

The Company has entered into non-cancellable operating leases for office, warehouse, and distribution facilities, with original lease periods expiring through 2032. Some operating leases also contain the option to renew for five-year periods at prevailing market rates at the time of renewal. In addition to minimum rent, certain of the leases require payment of real estate taxes, insurance, common area maintenance charges, and other executory costs.

Legal Contingencies

The Company is involved in claims and litigation in the ordinary course of business, some of which seek monetary damages, including claims for punitive damages, which are not covered by insurance. For certain pending matters, accruals have not been established because such matters have not progressed sufficiently through discovery, and/or development of important factual information and legal information is insufficient to enable the Company to estimate a range of possible loss, if any. An adverse determination in one or more of these pending matters could have an adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company is, 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, 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 the Company's 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, the defendants 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 August 12, 2022. On December 15, 2022, Plaintiff opposed the Defendants' motion to dismiss, and also moved for attorneys' fees. On December 18, 2023, the Court denied Defendants' motion to dismiss and denied Plaintiffs' application for an interim fee. 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. As a result, the litigation is now captioned *Lynch vs. Mariotti, et al.* 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.

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 Securities and Exchange Act of 1934, as amended (the "Exchange Act"), 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 two lead plaintiffs, and, those lead plaintiffs filed an amended complaint on October 19, 2023. The amendment adds additional allegations by including accounts from purported former employees and contractors. Plaintiffs seek 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, Inc., et al.* Plaintiffs' opening brief was filed on October 21, 2024, and briefing was completed on February 10, 2025. Oral argument was held on May 23, 2025. The parties are awaiting a decision on the appeal.

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. On May 20, 2025, the parties participated in mediation and reached an immaterial monetary settlement in exchange for a release of all claims that were or could have been asserted in the complaint for the period from April 12, 2020 through July 19, 2025. Final court approval and payment of the settlement are expected in early 2026.

The Company is party to additional legal proceedings incidental to its business. While the outcome of these additional matters could differ from management's expectations, the Company does not believe that the resolution of such matters is reasonably likely to have a material effect on its results of operations or financial condition.

7. Segments and Disaggregated Revenue Information

The Company identifies its segments according to how the business activities are managed and evaluated and for which discrete financial information is available and regularly reviewed by its CODM to allocate resources and assess performance. The CODM reviews financial performance and allocates resources at a consolidated level on a regular basis, the Company has one segment. There were no changes to the CODM information review during the three and nine months ended September 30, 2025, other than product costs are now reported inclusive of all inventoriable costs, effective as of the reporting period ended June 30, 2025. During the three months ended September 30, 2025, Josh Simon was appointed Chief Executive Officer and identified as the Company's CODM, replacing Michael Lunsford, Interim Chief Executive Officer.

The CODM assesses performance for the segment and decides how to allocate resources (including employees, property, financial, and capital resources) based on consolidated net income (loss) that also is reported on the Company's consolidated statements of operations.

The CODM uses consolidated net income (loss) to monitor budget-to-actual results on a monthly basis. During the monthly finance review, consolidated net income (loss) along with other finance metrics are presented to the CODM to understand how branded categories are tracking to budget, specific to net sales. During the three and nine months ended September 30, 2025, there were no changes to the measures used for finance metrics utilized.

The following table sets forth segment information for revenue, segment net income (loss) and significant expenses:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
	(in thousands)			
Net sales	\$ 250,905	\$ 292,765	\$ 635,113	\$ 756,121
Less:				
Product, freight, duties, shipping and other inventoriable costs	104,112	124,532	280,774	323,579
License and royalty costs	46,042	48,424	114,677	122,413
Salaries, benefits, incentive and stock compensation	34,922	38,418	110,438	112,469
Warehouse labor and third-party logistics fees	8,615	11,437	26,564	33,014
Advertising and marketing	10,653	15,215	30,286	31,040
Other selling, general and administrative fees	25,604	27,592	79,572	79,631
Depreciation and amortization	14,529	15,411	44,319	46,409
Other expense, net	4,252	5,969	13,678	18,357
Income tax expense	1,228	1,170	2,920	2,859
Net income (loss)	<u>\$ 948</u>	<u>\$ 4,597</u>	<u>\$ (68,115)</u>	<u>\$ (13,650)</u>

The following table presents summarized product information (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Core Collectible	\$ 200,414	\$ 227,845	\$ 502,370	\$ 571,704
Loungefly	44,685	47,310	111,906	129,469
Other	5,806	17,610	20,837	54,948
	<u>\$ 250,905</u>	<u>\$ 292,765</u>	<u>\$ 635,113</u>	<u>\$ 756,121</u>

The following tables present summarized geographical information, shipped to (net sales) and used in (long-term assets) (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net sales:				
United States	\$ 155,415	\$ 194,416	\$ 389,609	\$ 503,803
Europe	74,196	74,473	192,110	189,098
Other International	21,294	23,876	53,394	63,220
Total net sales	<u>\$ 250,905</u>	<u>\$ 292,765</u>	<u>\$ 635,113</u>	<u>\$ 756,121</u>

	September 30, 2025	December 31, 2024
Long-term assets:		
United States	\$ 80,038	\$ 88,705
Europe	14,079	15,055
Other International	31,502	31,236
Total long-lived assets	<u>\$ 125,619</u>	<u>\$ 134,996</u>

8. Income Taxes

Funko, Inc. is taxed as a corporation and pays corporate federal, state and local taxes on income allocated to it from FAH, LLC based upon Funko, Inc.'s economic interest held in FAH, LLC. FAH, LLC is treated as a pass-through partnership for income tax reporting purposes. FAH, LLC's members, including the Company, are liable for federal, state and local income taxes based on their share of FAH, LLC's pass-through taxable income.

The Company recorded \$1.2 million of income tax expense for both the three months ended September 30, 2025 and September 30, 2024, respectively and \$2.9 million of income tax expense for both the nine months ended September 30, 2025 and September 30, 2024, respectively. The Company's effective tax rate for the nine months ended September 30, 2025 was (4.5)%. The Company's effective tax rate is less than the statutory rate of 21% due to the valuation allowance and foreign taxes.

On July 4, 2025, the U.S. government enacted the One Big Beautiful Bill Act of 2025 ("OBBBA"), which includes, among other provisions, significant changes to the U.S. corporate income tax system, such as the permanent extension of certain provisions originally enacted under the Tax Cuts and Jobs Act of 2017 and the reinstatement of 100 percent bonus depreciation for qualified property.

In accordance with ASC 740, Income Taxes, the Company evaluated the effects of the OBBBA in the period of enactment. The enactment did not have a material impact on the Company's consolidated financial statements, as the Company continues to maintain a full valuation allowance against its U.S. deferred tax assets.

The Company is party to the Tax Receivable Agreement that provides for the payment by the Company to the TRA Parties under certain circumstances. See Note 5, "Liabilities under Tax Receivable Agreement".

9. Non-controlling interests

Funko, Inc. is the sole managing member of FAH, LLC and as a result consolidates the financial results of FAH, LLC and reports a non-controlling interest representing the common units of FAH, LLC held by the Continuing Equity Owners. Changes in Funko, Inc.'s ownership interest in FAH, LLC while Funko, Inc. retains its controlling interest in FAH, LLC will be accounted for as equity transactions. As such, future redemptions or direct exchanges of common units of FAH, LLC by the Continuing Equity Owners will result in a change in ownership and reduce or increase the amount recorded as non-controlling interest and increase or decrease additional paid-in capital when FAH, LLC has positive or negative net assets, respectively.

Net income (loss) and comprehensive income (loss) are attributed between Funko, Inc. and non-controlling interest holders based on each party's relative economic ownership interest in FAH, LLC. As of September 30, 2025 and December 31, 2024, Funko, Inc. owned 54.7 million and 53.0 million of FAH, LLC common units, respectively, representing a 98.7% and 97.2% economic ownership interest in FAH, LLC, respectively.

Net income (loss) and comprehensive income (loss) of FAH, LLC excludes certain activity attributable to Funko, Inc., including equity-based compensation expense for share-based compensation awards issued by Funko, Inc. and income tax expense (benefit) for corporate, federal, state and local taxes attributable to Funko, Inc. The following represents the amounts excluded from the computation of net income (loss) and comprehensive income (loss) of FAH, LLC:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
	(In thousands)			
Funko, Inc.				
Equity-based compensation	\$ 2,529	\$ 3,430	\$ 8,906	\$ 10,530

10. Earnings per Share

Basic earnings (loss) per share of Class A common stock is computed by dividing net income (loss) attributable to Funko, Inc. by the weighted-average number of shares of Class A common stock outstanding during the period. Diluted earnings (loss) per share of Class A common stock is computed by dividing net income (loss) attributable to Funko, Inc. by the weighted-average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive securities.

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted earnings (loss) per share of Class A common stock (in thousands, except shares and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Numerator:				
Net income (loss)	\$ 948	\$ 4,597	\$ (68,115)	\$ (13,650)
Less: net income (loss) attributable to non-controlling interests	47	267	(938)	(432)
Net income (loss) attributable to Funko, Inc. — basic and diluted	<u>\$ 901</u>	<u>\$ 4,330</u>	<u>\$ (67,177)</u>	<u>\$ (13,218)</u>
Denominator:				
Weighted-average shares of Class A common stock outstanding — basic	54,648,816	52,522,912	54,184,415	51,781,072
Add: Dilutive Funko, Inc. equity compensation awards	<u>58,542</u>	<u>905,024</u>	<u>—</u>	<u>—</u>
Weighted-average shares of Class A common stock outstanding — diluted	54,707,358	53,427,936	54,184,415	51,781,072
Earnings (loss) per share of Class A common stock — basic	\$ 0.02	\$ 0.08	\$ (1.24)	\$ (0.26)
Earnings (loss) per share of Class A common stock — diluted	\$ 0.02	\$ 0.08	\$ (1.24)	\$ (0.26)

For the three months ended September 30, 2025 and 2024, an aggregate of 6.1 million and 5.6 million, respectively, and for the nine months ended September 30, 2025 and 2024, an aggregate of 5.9 million and 6.9 million, respectively, of potentially dilutive securities were excluded from the weighted-average in the computation of diluted loss per share of Class A common stock because the effect would have been anti-dilutive. For the three months ended September 30, 2025 and 2024, anti-dilutive securities included 0.8 million and 1.9 million, respectively, and for the nine months ended September 30, 2025 and 2024, anti-dilutive securities included 0.9 million and 2.2 million, respectively, of common units of FAH, LLC that are convertible into Class A common stock, but were excluded from the computations of diluted earnings (loss) per share because the effect would have been anti-dilutive under the if-converted method.

Shares of the Company's Class B common stock do not participate in the earnings or losses of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted earnings per share of Class B common stock under the two-class method has not been presented.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and related notes as disclosed in Exhibit 99.1 to the Current Report on Form 8-K filed on August 7, 2025. This discussion and analysis contains forward-looking statements based upon current plans, expectations and beliefs involving risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various important factors, including those set forth under "Risk Factors" included in this Quarterly Report on Form 10-Q.

As used in this Quarterly Report on Form 10-Q, unless the context otherwise requires, references to:

- "we," "us," "our," the "Company," "Funko" and similar references refer to: Funko, Inc., and, unless otherwise stated, all of its direct and indirect subsidiaries, including FAH, LLC.
- "ACON" refers to ACON Funko Investors, L.L.C., a Delaware limited liability company, and certain funds affiliated with ACON Funko Investors, L.L.C. (including each of the Former Equity Owners).
- "ACON Sale" refers to the sale by ACON and certain of its affiliates to TCG of an aggregate of 12,520,559 shares of our Class A common stock, \$0.0001 par value per share ("Class A common stock") pursuant to a Stock Purchase Agreement, dated as of May 3, 2022, by and among ACON, certain affiliates of ACON and TCG.
- "Continuing Equity Owners" refers collectively to ACON Funko Investors, L.L.C., the Former Profits Interests Holders, certain former warrant holders and certain current and former executive officers, employees and directors and each of their permitted transferees, in each case, that owned common units in FAH, LLC after our initial public offering ("IPO") and who may redeem at each of their options, their common units for, at our election, cash or newly-issued shares of Funko, Inc.'s Class A common stock.
- "FAH, LLC" refers to Funko Acquisition Holdings, L.L.C., a Delaware limited liability company.
- "FAH LLC Agreement" refers to FAH, LLC's second amended and restated limited liability company agreement, as amended from time to time.
- "Former Equity Owners" refers to those Original Equity Owners affiliated with ACON who transferred their indirect ownership interests in common units of FAH, LLC for shares of Funko, Inc.'s Class A common stock (to be held by them either directly or indirectly) in connection with our IPO.
- "Former Profits Interests Holders" refers collectively to certain of our directors and certain current executive officers and employees, in each case, who held existing vested and unvested profits interests in FAH, LLC pursuant to FAH, LLC's prior equity incentive plan and received common units of FAH, LLC in exchange for their profits interests (subject to any common units received in exchange for unvested profits interests remaining subject to their existing time-based vesting requirements) in connection with our IPO.
- "Fundamental" refers collectively to Fundamental Capital, LLC and Funko International, LLC.
- "Original Equity Owners" refers to the owners of ownership interests in FAH, LLC, collectively, prior to the IPO, which include ACON, Fundamental, the Former Profits Interests Holders and certain current and former executive officers, employees and directors.
- "Tax Receivable Agreement" or "TRA" refers to a tax receivable agreement entered into between Funko, Inc., FAH, LLC and each of the Continuing Equity Owners and certain transferees.
- "TCG" refers to TCG 3.0 Fuji, LP.

Overview

Funko is a leading global pop culture lifestyle company, with a diverse collection of brands, including Funko, Loungefly, and Mondo, and an industry-leading portfolio of licenses. Funko delivers industry-defining products that span vinyl figures, micro-collectibles, fashion accessories, apparel, plush, action toys, high-end art, music and digital collectibles, many of which are at the forefront of the growing Kidult economy. Through these products, which include the iconic original Pop! line, Bitty Pop!, and Pop! Yourself, Funko inspires fans across the globe to express their passions, build community, and have fun.

We sell our products in numerous countries across North America, Europe, Latin America, Asia and Africa, with approximately 39% of our net sales in the nine months ended September 30, 2025 generated outside of the United States. We also source, procure and assemble inventory, primarily out of Vietnam, China and Mexico. As such, we are exposed to and impacted by global macroeconomic factors. Current macroeconomic factors remain very dynamic, including greater political uncertainty, new or increasing tariffs and general uncertainty over U.S. trade and tariff policies, unrest or instability in the United States, Central and Eastern Europe (including the ongoing Russia-Ukraine War), the Middle East (including the Israel-Hamas War), and certain Southeast Asia regions as well as financial instability, rising interest rates and heightened inflation that could reduce our net sales or have impacts to our gross margin (as defined below), net income and cash flows.

In addition, we have been and continue to be operating in a challenging retail environment where retailers have slowed their restocking, prioritized lower inventory levels and, in some cases, have canceled their orders. Moreover, tariffs on imports have adversely impacted and are expected to adversely impact our costs, and we have raised prices for certain of our products. This has had an impact across our brands and geographies of reducing our net sales, gross margin and net income, and could impact consumer discretionary spending in future periods. We have strategically adjusted our inventory buy-in to focus on non-exclusive core products in order to help mitigate this impact. For additional information regarding our financial condition, see "Liquidity and Financial Condition" below.

Key Performance Indicators

We consider the following metrics to be key performance indicators to evaluate our business, develop financial forecasts, and make strategic decisions.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
	(amounts in thousands)			
Net sales	\$ 250,905	\$ 292,765	\$ 635,113	\$ 756,121
Net income (loss)	\$ 948	\$ 4,597	\$ (68,115)	\$ (13,650)
EBITDA ⁽¹⁾	\$ 22,316	\$ 26,149	\$ (6,894)	\$ 51,981
Adjusted EBITDA ⁽¹⁾	\$ 24,432	\$ 30,985	\$ 3,238	\$ 68,476

(1) Earnings before interest, taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA are financial measures not calculated in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), or non-GAAP financial measures. For a reconciliation of EBITDA and Adjusted EBITDA to net income (loss), the most closely comparable U.S. GAAP financial measure, see "Non-GAAP Financial Measures" below.

Results of Operations

Three Months Ended September 30, 2025 Compared to Three Months Ended September 30, 2024

The following table sets forth information comparing the components of net income (loss) for the three months ended September 30, 2025 and 2024:

	Three Months Ended September 30,		Period over Period Change	
	2025	2024	Dollar	Percentage
	(amounts in thousands, except percentages)			
Net sales	\$ 250,905	\$ 292,765	\$ (41,860)	(14.3)%
Cost of sales (exclusive of depreciation and amortization)	150,154	172,956	(22,802)	(13.2)%
Selling, general, and administrative expenses	79,794	92,662	(12,868)	(13.9)%
Depreciation and amortization	14,529	15,411	(882)	(5.7)%
Total operating expenses	244,477	281,029	(36,552)	(13.0)%
Income from operations	6,428	11,736	(5,308)	(45.2)%
Interest expense, net	5,611	4,971	640	12.9 %
Other (income) expense, net	(1,359)	998	(2,357)	nm
Income before income taxes	2,176	5,767	(3,591)	(62.3)%
Income tax expense	1,228	1,170	58	5.0 %
Net income	948	4,597	(3,649)	(79.4)%
Less: net income attributable to non-controlling interests	47	267	(220)	(82.4)%
Net income attributable to Funko, Inc.	\$ 901	\$ 4,330	\$ (3,429)	(79.2)%

Net Sales

Net sales were \$250.9 million for the three months ended September 30, 2025, a decrease of 14.3%, compared to \$292.8 million for the three months ended September 30, 2024. The decrease in net sales was across all distribution channels as a result of tariff disruption and general macroeconomic uncertainty for the three months ended September 30, 2025 compared to the three months ended September 30, 2024.

On a geographical basis, net sales in the United States decreased 20.1% to \$155.4 million in the three months ended September 30, 2025 as compared to \$194.4 million in the three months ended September 30, 2024. Net sales in Europe decreased 0.4% to \$74.2 million in the three months ended September 30, 2025 as compared to \$74.5 million in the three months ended September 30, 2024. Net sales in other international locations decreased 10.8% to \$21.3 million in the three months ended September 30, 2025 as compared to \$23.9 million in the three months ended September 30, 2024.

On a branded category basis, net sales of the Core Collectible branded category decreased 12.0% to \$200.4 million in the three months ended September 30, 2025 as compared to \$227.8 million in the three months ended September 30, 2024. Loungefly branded category net sales decreased 5.5% to \$44.7 million in the three months ended September 30, 2025 as compared to \$47.3 million in the three months ended September 30, 2024. Other branded category net sales decreased 67.0% to \$5.8 million in the three months ended September 30, 2025 as compared to \$17.6 million in the three months ended September 30, 2024, primarily as a result of rationalizing underperforming items and product lines.

Cost of Sales and Gross Margin (exclusive of depreciation and amortization)

Cost of sales (exclusive of depreciation and amortization) was \$150.2 million for the three months ended September 30, 2025, a decrease of 13.2%, compared to \$173.0 million for the three months ended September 30, 2024. Cost of sales (exclusive of depreciation and amortization) decreased primarily as a result of decreased sales, as discussed above, offset by increased duty costs.

Gross margin (exclusive of depreciation and amortization), calculated as net sales less cost of sales as a percentage of net sales, was 40.2% for the three months ended September 30, 2025, compared to 40.9% for the three months ended September 30, 2024. The decrease in gross margin (exclusive of depreciation and amortization) for the three months ended September 30, 2025 compared to the three months ended September 30, 2024 was driven primarily by increased shipping, freight and duty costs, offset by price increases and decreased sales to discount channel partners.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses were \$79.8 million for the three months ended September 30, 2025, a decrease of 13.9%, compared to \$92.7 million for the three months ended September 30, 2024. The decrease was driven primarily by a \$5.1 million decrease in personnel and related costs (including salary and related taxes/benefits, commissions and equity-based compensation), a \$4.6 million decrease in advertising and marketing fees and a \$1.4 million decrease in facilities and rent related to decreased usage of third-party logistics sites. Selling, general and administrative expenses were 31.8% and 31.7% of net sales for each of the three months ended September 30, 2025 and 2024, respectively.

Depreciation and Amortization

Depreciation and amortization expense was \$14.5 million for the three months ended September 30, 2025, a decrease of 5.7%, compared to \$15.4 million for the three months ended September 30, 2024, primarily related to the type and timing of assets placed in service.

Interest Expense, Net

Interest expense, net was \$5.6 million for the three months ended September 30, 2025, an increase of 12.9%, compared to \$5.0 million for the three months ended September 30, 2024. The increase in interest expense, net was due primarily to increased interest rates on outstanding borrowings during the three months ended September 30, 2025.

Other (Income) Expense, Net

Other income, net was \$1.4 million and other expense, net was \$1.0 million for the three months ended September 30, 2025 and 2024, respectively. Other (income) expense, net for the three months ended September 30, 2025 and 2024 was primarily related to foreign currency gains and losses relating to transactions denominated in currencies other than the U.S. dollar.

Income Tax Expense

Income tax expense was \$1.2 million for both the three months ended September 30, 2025 and 2024, respectively. The Company's tax expense primarily reflects foreign income taxes in jurisdictions where the Company generates taxable income under its transfer pricing arrangements. The U.S. operations continue to be in a full valuation allowance position, resulting in no material U.S. federal or state income tax expense.

Net Income

Net income was \$0.9 million and \$4.6 million for the three months ended September 30, 2025 and 2024, respectively. The decrease in net income was primarily due to the decrease in net sales as compared to the three months ended September 30, 2024.

Nine Months Ended September 30, 2025 Compared to Nine Months Ended September 30, 2024

The following table sets forth information comparing the components of net loss for the nine months ended September 30, 2025 and 2024:

	Nine Months Ended September 30,		Period over Period Change	
	2025	2024	Dollar	Percentage
	(amounts in thousands, except percentages)			
Net sales	\$ 635,113	\$ 756,121	\$ (121,008)	(16.0)%
Cost of sales (exclusive of depreciation and amortization)	395,451	445,992	(50,541)	(11.3)%
Selling, general, and administrative expenses	246,860	256,154	(9,294)	(3.6)%
Depreciation and amortization	44,319	46,409	(2,090)	(4.5)%
Total operating expenses	686,630	748,555	(61,925)	(8.3)%
(Loss) income from operations	(51,517)	7,566	(59,083)	nm
Interest expense, net	13,982	16,363	(2,381)	(14.6)%
Other (income) expense, net	(304)	1,994	(2,298)	nm
Loss before income taxes	(65,195)	(10,791)	(54,404)	nm
Income tax expense	2,920	2,859	61	2.1 %
Net loss	(68,115)	(13,650)	(54,465)	nm
Less: net loss attributable to non-controlling interests	(938)	(432)	(506)	nm
Net loss attributable to Funko, Inc.	<u>\$ (67,177)</u>	<u>\$ (13,218)</u>	<u>\$ (53,959)</u>	nm

Net Sales

Net sales were \$635.1 million for the nine months ended September 30, 2025, a decrease of 16.0%, compared to \$756.1 million for the nine months ended September 30, 2024. The decrease in net sales was across all distribution channels as a result of tariff disruption and general macroeconomic uncertainty for the nine months ended September 30, 2025 compared to the nine months ended September 30, 2024.

On a geographical basis, net sales in the United States decreased 22.7% to \$389.6 million in the nine months ended September 30, 2025 as compared to \$503.8 million in the nine months ended September 30, 2024. Net sales in Europe increased 1.6% to \$192.1 million in the nine months ended September 30, 2025 as compared to \$189.1 million in the nine months ended September 30, 2024. Net sales in other international locations decreased 15.5% to \$53.4 million in the nine months ended September 30, 2025 as compared to \$63.2 million in the nine months ended September 30, 2024.

On a branded category basis, net sales of the Core Collectible branded category decreased 12.1% to \$502.4 million in the nine months ended September 30, 2025 as compared to \$571.7 million in the nine months ended September 30, 2024. Loungefly branded category net sales decreased 13.6% to \$111.9 million in the nine months ended September 30, 2025 as compared to \$129.5 million in the nine months ended September 30, 2024. Other branded category net sales decreased 62.1% to \$20.8 million in the nine months ended September 30, 2025 as compared to \$54.9 million in the nine months ended September 30, 2024.

Cost of Sales and Gross Margin (exclusive of depreciation and amortization)

Cost of sales (exclusive of depreciation and amortization) was \$395.5 million for the nine months ended September 30, 2025, a decrease of 11.3%, compared to \$446.0 million for the nine months ended September 30, 2024. Cost of sales (exclusive of depreciation and amortization) decreased primarily as a result of decreased sales, as discussed above, offset by increased duty costs.

Gross margin (exclusive of depreciation and amortization), calculated as net sales less cost of sales as a percentage of net sales, was 37.7% for the nine months ended September 30, 2025, compared to 41.0% for the nine months ended September 30, 2024. The decrease in gross margin (exclusive of depreciation and amortization) for the nine months ended September 30, 2025 compared to the nine months ended September 30, 2024 was driven primarily by increased shipping, freight and duty costs and increased inventory reserves as a result of comparable nine months ended September 30, 2024 product mix sell-through and related inventory reserve benefit.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses were \$246.9 million for the nine months ended September 30, 2025, a decrease of 3.6%, compared to \$256.2 million for the nine months ended September 30, 2024. The decrease was driven primarily by a \$4.7 million decrease in personnel and related costs (including salary and related taxes/benefits, commissions and equity-based compensation), a \$3.4 million decrease in facilities and rent related to decreased usage of third-party logistics sites, a \$3.0 million decrease in administrative fees, offset by a \$3.6 million increase in software expenses to support direct-to-consumer growth initiatives. Selling, general and administrative expenses were 38.9% and 33.9% of net sales for each of the nine months ended September 30, 2025 and 2024, respectively.

Depreciation and Amortization

Depreciation and amortization expense was \$44.3 million for the nine months ended September 30, 2025, a decrease of 4.5%, compared to \$46.4 million for the nine months ended September 30, 2024, primarily related to the type and timing of assets placed in service.

Interest Expense, Net

Interest expense, net was \$14.0 million for the nine months ended September 30, 2025, a decrease of 14.6%, compared to \$16.4 million for the nine months ended September 30, 2024. The decrease in interest expense, net was due primarily to lower average balance of debt outstanding during the nine months ended September 30, 2025.

Other (Income) Expense, Net

Other income, net was \$0.3 million and other expense, net was \$2.0 million for the nine months ended September 30, 2025 and 2024, respectively. Other (income) expense, net for the nine months ended September 30, 2025 and 2024 was primarily related to foreign currency gains and losses relating to transactions denominated in currencies other than the U.S. dollar.

Income Tax Expense

Income tax expense was \$2.9 million for both the nine months ended September 30, 2025 and 2024, respectively. The Company's tax expense primarily reflects foreign income taxes in jurisdictions where the Company generates taxable income under its transfer pricing arrangements. The U.S. operations continue to be in a full valuation allowance position, resulting in no material U.S. federal or state income tax expense.

Net Loss

Net loss was \$68.1 million for the nine months ended September 30, 2025, compared to \$13.7 million for the nine months ended September 30, 2024. The increase in net loss was primarily due to the decrease in net sales outpacing the decrease in operating expenses as compared to the nine months ended September 30, 2024.

Non-GAAP Financial Measures

EBITDA, Adjusted EBITDA, Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Diluted Share (collectively the "Non-GAAP Financial Measures") are supplemental measures of our performance that are not required by, or presented in accordance with, U.S. GAAP. The Non-GAAP Financial Measures are not measurements of our financial performance under U.S. GAAP and should not be considered as an alternative to net income (loss), income (loss) per share or any other performance measure derived in accordance with U.S. GAAP. We define EBITDA as net income (loss) before interest expense, net, income tax expense, depreciation and amortization. We define Adjusted EBITDA as EBITDA further adjusted for non-cash charges related to equity-based compensation programs, acquisition costs and other expenses, certain severance, relocation and related costs, foreign currency transaction gains and losses and other unusual or one-time items. We define Adjusted Net Income (Loss) as net income (loss) attributable to Funko, Inc. adjusted for the reallocation of income (loss) attributable to non-controlling interests from the assumed exchange of all outstanding common units and options in FAH, LLC for newly issued-shares of Class A common stock of Funko, Inc. and further adjusted for the impact of certain non-cash charges and other items that we do not consider in our evaluation of ongoing operating performance. These items include, among other things, non-cash charges related to equity-based compensation programs, acquisition costs and other expenses, certain severance, relocation and related costs, foreign currency transaction gains and losses and the income tax expense (benefit) effect of these adjustments. We define Adjusted Earnings (Loss) per Diluted Share as Adjusted Net Income (Loss) divided by the weighted-average shares of Class A common stock outstanding, assuming (1) the full exchange of all outstanding common units and options in FAH, LLC for newly issued-shares of Class A common stock of Funko, Inc. and (2) the dilutive effect of stock options and unvested common units, if any. We caution investors that amounts presented in accordance with our definitions of the Non-GAAP Financial Measures may not be comparable to similar measures disclosed by our competitors, because not all companies and analysts calculate the Non-GAAP Financial Measures in the same manner. We present the Non-GAAP Financial Measures because we consider them to be important supplemental measures of our performance and believe they are frequently used by securities analysts, investors, and other interested parties in the evaluation of companies in our industry. Management believes that investors' understanding of our performance is enhanced by including these Non-GAAP Financial Measures as a reasonable basis for comparing our ongoing results of operations.

Management uses the Non-GAAP Financial Measures:

- as a measurement of operating performance because they assist us in comparing the operating performance of our business on a consistent basis, as they remove the impact of items not directly resulting from our core operations;
- for planning purposes, including the preparation of our internal annual operating budget and financial projections;

- as a consideration to assess incentive compensation for our employees;
- to evaluate the performance and effectiveness of our operational strategies; and
- to evaluate our capacity to expand our business.

By providing these Non-GAAP Financial Measures, together with reconciliations, we believe we are enhancing investors' understanding of our business and our results of operations, as well as assisting investors in evaluating how well we are executing our strategic initiatives. The Non-GAAP Financial Measures have limitations as analytical tools, and should not be considered in isolation, or as an alternative to, or a substitute for net income (loss) or other financial statement data presented in our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q (this "Quarterly Report") as indicators of financial performance. Some of the limitations are:

- such measures do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- such measures do not reflect changes in, or cash requirements for, our working capital needs;
- such measures do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and such measures do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate such measures differently than we do, limiting their usefulness as comparative measures.

Due to these limitations, Non-GAAP Financial Measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our U.S. GAAP results and using these non-GAAP measures only supplementally. As noted in the table below, the Non-GAAP Financial Measures include adjustments for non-cash charges related to equity-based compensation programs, acquisition costs and other expenses, certain severance, relocation and related costs, foreign currency transaction gains and losses and other unusual or one-time items. It is reasonable to expect that certain of these items will occur in future periods. However, we believe these adjustments are appropriate because the amounts recognized can vary significantly from period to period, do not directly relate to the ongoing operations of our business and complicate comparisons of our internal operating results and operating results of other companies over time. Each of the normal recurring adjustments and other adjustments described herein and in the reconciliation table below help management with a measure of our core operating performance over time by removing items that are not related to day-to-day operations.

The following tables reconcile the Non-GAAP Financial Measures to the most directly comparable U.S. GAAP financial performance measure, which is net income (loss), for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
(In thousands, except per share data)				
Net income (loss) attributable to Funko, Inc.	\$ 901	\$ 4,330	\$ (67,177)	\$ (13,218)
Reallocation of net income (loss) attributable to non-controlling interests from the assumed exchange of common units of FAH, LLC for Class A common stock ⁽¹⁾	47	267	(938)	(432)
Equity-based compensation ⁽²⁾	2,529	3,430	8,906	10,530
Acquisition costs and other expenses ⁽³⁾	1,029	287	1,029	1,866
Certain severance, relocation and related costs ⁽⁴⁾	—	114	—	2,081
Foreign currency transaction (gain) loss ⁽⁵⁾	(1,442)	1,005	197	2,018
Income tax (benefit) expense ⁽⁶⁾	155	(1,481)	16,686	1,433
Adjusted net income (loss)	\$ 3,219	\$ 7,952	\$ (41,297)	\$ 4,278
Weighted-average shares of Class A common stock outstanding - basic	54,649	52,523	54,184	51,781
Equity-based compensation awards and common units of FAH, LLC that are convertible into Class A common stock	808	2,755	854	2,182
Adjusted weighted-average shares of Class A stock outstanding - diluted	55,457	55,278	55,038	53,963
Earnings (loss) per diluted share	\$ 0.02	\$ 0.08	\$ (1.24)	\$ (0.26)
Adjusted earnings (loss) per diluted share	\$ 0.06	\$ 0.14	\$ (0.75)	\$ 0.08

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
(amounts in thousands)				
Net income (loss)	\$ 948	\$ 4,597	\$ (68,115)	\$ (13,650)
Interest expense, net	5,611	4,971	13,982	16,363
Income tax expense	1,228	1,170	2,920	2,859
Depreciation and amortization	14,529	15,411	44,319	46,409
EBITDA	\$ 22,316	\$ 26,149	\$ (6,894)	\$ 51,981
Adjustments:				
Equity-based compensation ⁽²⁾	2,529	3,430	8,906	10,530
Acquisition costs and other expenses ⁽³⁾	1,029	287	1,029	1,866
Certain severance, relocation and related costs ⁽⁴⁾	—	114	—	2,081
Foreign currency transaction (gain) loss ⁽⁵⁾	(1,442)	1,005	197	2,018
Adjusted EBITDA	\$ 24,432	\$ 30,985	\$ 3,238	\$ 68,476

(1) Represents the reallocation of net income attributable to non-controlling interests from the assumed exchange of common units of FAH, LLC for Class A common stock in periods in which income was attributable to non-controlling interests.

(2) Represents non-cash charges related to equity-based compensation programs, which vary from period to period depending on the timing of awards.

- (3) For the three and nine months ended September 30, 2025, includes charges related to fair market value adjustments for certain assets held for sale. For the three months ended September 30, 2024, includes charges related to contract settlement agreements for warehouse leased space. For the nine months ended September 30, 2024, includes a net one-time legal settlement gain of \$1.4 million related to a previously disclosed Loungefly customs-related matter offset by \$3.2 million related to contract settlement agreements and related services for assets held for sale (including fair market value adjustments of \$135,000) related to a potential business initiative and the sale of certain assets under Funko Games.
- (4) For the three and nine months ended September 30, 2024, includes charges related to severance and benefit costs related to certain management departures.
- (5) Represents both unrealized and realized foreign currency gains and losses on transactions denominated other than in U.S. dollars, including derivative gains and losses on foreign currency forward exchange contracts.
- (6) Represents the income tax expense (benefit) effect of the above adjustments including net income (loss). This adjustment uses an effective tax rate of 25% for all periods presented.

Liquidity and Financial Condition

Introduction

Our primary requirements for liquidity and capital are working capital, inventory management, capital expenditures, debt service and general corporate needs. Our primary sources of cash flows have been cash flows from operating activities and borrowings under the Credit Agreement with FAH, LLC and certain of its material domestic subsidiaries from time to time (the "Credit Agreement Parties") and JPMorgan Chase Bank, N.A., PNC Bank, National Association, KeyBank National Association, Citizens Bank, N.A., Bank of the West, HSBC Bank USA, National Association, Bank of America, N.A., U.S. Bank National Association, MUFG Union Bank, N.A., and Wells Fargo Bank, National Association (collectively, the "Initial Lenders") and JPMorgan Chase Bank, N.A. as administrative agent (the "Administrative Agent"), providing for a term loan facility in the amount of \$180.0 million (the "Term Loan Facility") and a revolving credit facility of \$100.0 million (the "Revolving Credit Facility") (together the "Credit Facilities").

In connection with preparing the unaudited consolidated financial statements for the three months ended September 30, 2025, management evaluated our future liquidity, forecasted operating results and ability to comply with the covenants under its Credit Agreement, for the twelve months from the date of issuance of these financial statements and determined that there is substantial doubt about our ability to continue as a going concern for the next twelve months from the date of issuance of these financial statements, principally based on our forecast of the expected effects of the announced tariffs and other facts and conditions, anticipated non-compliance with the maximum Net Leverage Ratio and minimum Fixed Charge Coverage Ratio (each as defined in the Credit Agreement) covenants as of the end of the quarter ending December 31, 2025 and future quarters and our potential non-compliance with the covenants with respect to a Refinancing Transaction or a Sale Transaction (each as defined the Fourth Amendment).

The challenging retail environment, in particular as a result of the current tariff environment, has adversely impacted and is expected to adversely impact our performance. On July 16, 2025, we entered into Amendment No. 4 (the "Fourth Amendment") to our Credit Agreement, dated September 17, 2021 with JPMorgan Chase Bank, N.A., as administrative agent, and the lenders party thereto (as amended, the "Credit Agreement"), that among other things, amends the Credit Agreement by waiving compliance with (x) the maximum Net Leverage Ratio and (y) the minimum Fixed Charge Coverage Ratio financial covenants, in each case, for the fiscal quarters ended June 30, 2025 and September 30, 2025. The Fourth Amendment also contains covenants that we shall take certain actions in furtherance of a Refinancing Transaction or a Sale Transaction (each as defined in the Fourth Amendment), and certain milestone covenants have not been satisfied as of the date of this Quarterly Report (such covenants, the "Outstanding Milestone Covenants"). The administrative agent under the Credit Agreement has the discretion to extend the compliance dates for the Outstanding Milestone Covenants. On November 5, 2025, the Administrative Agent, in its sole discretion, and the Credit Agreement Parties confirmed the first of the Outstanding Milestone Covenants has been extended until November 25, 2025. If the first of the Outstanding Milestone Covenants has not been met by November 25, 2025, the Administrative Agent has the right to secure a financial advisor on behalf of itself and other secured parties, at the Company's expense, to assist in the refinancing process. As long as the financial advisor remains engaged, the Company would receive automatic periodic extensions until the Outstanding Milestone Covenants are satisfied. If the Outstanding Milestone Covenants are not satisfied by us or extended by the Administrative Agent, the Company would be in default under the Credit Agreement and if such default is not cured within 15 days, it would mature into an event of default under the Credit Agreement.

If an event of default under the Credit Agreement occurs and is not cured or waived, the Required Lenders (as defined in the Credit Agreement) could elect to declare all amounts outstanding under the Credit Agreement immediately due and payable and exercise other remedies as set forth in the Credit Agreement. In addition, the Required Lenders would have the right to proceed against the collateral pledged to them, which includes substantially all of our assets.

In addition, based on our forecast of the expected effects of the announced tariffs and other facts and conditions, we anticipate that our cash flows may be insufficient to support working capital needs within the next twelve months and, relatedly, we may not be able to comply with our minimum Qualified Cash (as defined in the Credit Agreement) covenant in future periods.

The Credit Agreement matures in September 2026, however, we are not forecasted to have sufficient cash reserves to fully repay the loans outstanding under the Credit Agreement at that time, or an earlier date, if applicable, and as such, the Credit Agreement will need to be refinanced. See Part I, Item 1, "Financial Statements - Note 4, "Debt" for additional information.

Management has developed a plan, as summarized below, that, if executed successfully, we believe will provide sufficient liquidity to meet our obligations as they become due for a reasonable period of time, including to meet our obligations under the Credit Agreement. The plan includes:

- Continuing to monitor our commercial pricing strategy, working with current and potential sourcing partners to mitigate the effects of increasing costs, including shifting certain manufacturing out of China, and, if necessary and consistent with our existing contractual commitments, decreasing our activity level and capital expenditures further. This plan reflects our strategy of controlling capital costs and maintaining financial flexibility.
- Gaining positive cash-inflow from operating activities through continuous overhead cost reductions and increased sales of higher margin products and working capital management, including timing of accounts receivable collections. We have a significant presence in international markets, which are not impacted by tariffs, and will continue to pursue strategies to grow those markets.

- Raising additional cash through the issuance of equity or debt or assessing potential amendments, including additional covenant relief and/or refinancing of our existing debt arrangements as considered necessary. In addition, we intend to opportunistically consider other potential business opportunities or strategic transactions, including a potential sale of the Company. We will need to raise additional cash or refinance our Credit Agreement in the near term.

While management believes that the measures described in the above plan will be adequate to satisfy our liquidity requirements, there can be no assurance that management's liquidity plan will be successfully implemented, our lenders will agree to waive, modify and/or amend the maximum Net Leverage Ratio and minimum Fixed Charge Coverage Ratio covenants for the periods of forecasted covenant noncompliance, the Administrative Agent will agree to further extend the compliance dates related to the Outstanding Milestone Covenants, if necessary, or that the Credit Agreement can be refinanced before its maturity date, which all raise substantial doubt about our ability to continue as a going concern for the next twelve months.

See Part I, Item 1, "Financial Statements - Note 1, "Organization and Operations" and Part II, Item 1A, Risk Factors – "There is substantial doubt about our ability to continue as a going concern due to pressure on our financial covenants arising from the current retail environment and potentially insufficient working capital and potential non-compliance with other covenants as defined within the Credit Agreement" for additional information.

We expect it will be necessary to obtain additional financing. If we obtain additional capital by issuing equity, the interests of our existing stockholders will be diluted. If we incur additional indebtedness, that indebtedness may contain significant financial and other covenants that may significantly restrict our operations. We cannot assure you that we could obtain refinancing or additional financing on favorable terms or at all. In addition, our Board of Directors has initiated a formal review process to evaluate strategic alternatives for the Company, including a potential sale of the Company. The Company has not set a deadline or definitive timetable for the completion of the strategic alternatives review process, and there can be no assurance that this process will result in any particular outcome.

Liquidity and Capital Resources

The following table shows summary cash flow information for the nine months ended September 30, 2025 and 2024 (in thousands):

	Nine Months Ended September 30,	
	2025	2024
Net cash (used in) provided by operating activities	\$ (33,206)	\$ 63,742
Net cash used in investing activities	(23,022)	(13,387)
Net cash provided by (used in) financing activities	57,848	(58,575)
Effect of exchange rates on cash and cash equivalents	2,902	313
Net change in cash and cash equivalents	<u>\$ 4,522</u>	<u>\$ (7,907)</u>

Operating Activities. Net cash used in operating activities was \$33.2 million for the nine months ended September 30, 2025, compared to net cash provided by operating activities of \$63.7 million for the nine months ended September 30, 2024. Changes in net cash used in or provided by operating activities resulted primarily from cash received from net sales and cash payments for product costs and royalty expenses paid to our licensors. Other drivers of the changes in net cash provided by operating activities include shipping and freight costs, selling, general and administrative expenses (including personnel expenses and commissions and rent and facilities costs) and interest payments made for our short-term borrowings and long-term debt. Our accounts receivable typically are short term and settle in approximately 30 to 90 days (average 59 days).

The increase in net cash used in operating activities for the nine months ended September 30, 2025 compared to the nine months ended September 30, 2024 was primarily due to changes in working capital that increased net cash used in operating activities by \$36.7 million, an increase in net loss of \$54.5 million and changes in depreciation and amortization, equity-based compensation and other, net of \$5.7 million. Within working capital, the primary drivers were increases in accounts payable of \$24.0 million, accrued expenses and other current liabilities of \$14.4 million, and accrued royalties of \$10.4 million. Prepaid expenses and other assets decreased \$12.8 million and inventory decreased \$8.1 million. This was offset by an increase in accounts receivable of \$32.9 million.

Investing Activities. Our net cash used in investing activities primarily consists of purchases of property and equipment. For the nine months ended September 30, 2025, net cash used in investing activities was \$23.0 million and was primarily related to purchases of tooling and molds used for production of our product lines. For the nine months ended September 30, 2024, net cash used in investing activities was \$13.4 million related to purchases of tooling and molds used for production of our product lines of \$20.8 million, offset by proceeds from the sale of inventory and certain intellectual property marketed under and related to Funko Games of \$6.8 million.

Financing Activities. Our financing activities primarily consist of proceeds from the issuance of long-term debt, net of debt issuance costs, the repayment of long-term debt, payments and borrowings under our line of credit facility.

For the nine months ended September 30, 2025, net cash provided by financing activities was \$57.8 million, primarily related to net borrowings on the Revolving Line of Credit Facility of \$75.0 million, offset by payments on the Term Loan Facility and Equipment Finance Loan of \$17.3 million. For the nine months ended September 30, 2024, net cash used in financing activities was \$58.6 million, primarily related to payments on the Term Loan Facility and Equipment Finance Loan of \$25.4 million and net repayment of borrowings on the Revolving Line of Credit Facility of \$25.5 million.

Credit Facilities

As of September 30, 2025, we had \$99.2 million of indebtedness outstanding under our Term Loan Facility (net of unamortized discount of \$0.5 million) and \$135.0 million outstanding borrowings under our Revolving Credit Facility. Pursuant to the Fourth Amendment, the commitments and outstanding borrowings under the Revolving Credit Facility have since been reduced to \$135.0 million. The Term Loan Facility matures on September 17, 2026 (the "Maturity Date") and amortizes in quarterly installments in aggregate amounts equal to 2.50% of the original principal amount of the Term Loan Facility, with any outstanding balance due and payable on the Maturity Date. The first amortization payment commenced with the quarter ended on December 31, 2021. The Revolving Credit Facility also terminates on the Maturity Date.

Loans under the Credit Facilities will, at the Borrowers' option, bear interest at either (i) SOFR plus (x) 4.00% per annum and (y) 0.10% per annum or (ii) ABR plus 3.00% per annum. SOFR rate is subject to a 0% floor. For loans based on ABR, interest payments are due quarterly. For loans based on SOFR, interest payments are due at the end of each applicable interest period.

The Credit Agreement contains a number of covenants that, among other things and subject to certain exceptions, restrict 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 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 other indebtedness; and
- amend or modify our governing documents.

In addition, the Credit Agreement requires FAH, LLC and its subsidiaries 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). The Fourth Amendment waives the maximum Net Leverage Ratio and the minimum Fixed Charge Coverage Ratio covenants under the Credit Agreement for the periods ended June 30, 2025 and September 30, 2025. The maximum Net Leverage Ratio and the minimum Fixed Charge Coverage Ratio, will reset for the fiscal quarter ended December 31, 2025 and each fiscal quarter thereafter through the Maturity Date. The Fourth Amendment also contains covenants that we shall take certain actions in furtherance of a Refinancing Transaction or a Sale Transaction. For additional information regarding the terms of the Fourth Amendment, see Note 4, "Debt."

As of December 31, 2024, we were in compliance with all covenants in our credit agreement in effect at such time. Following the entrance into the Fourth Amendment, as of September 30, 2025, the Credit Agreement Parties were in compliance with the financial and other covenants then in effect and required to be tested under the Credit Agreement.

In connection with preparing the unaudited consolidated financial statements for the three months ended September 30, 2025, management evaluated the Company's future liquidity, forecasts of the expected effects of announced tariffs and other facts and conditions, and ability to comply with the covenants under the Credit Agreement, and determined that there is substantial doubt about the Company's ability to continue as a going concern for the next twelve months from the date of issuance of these financial statements. We anticipate non-compliance with the maximum Net Leverage Ratio and minimum Fixed Charge Coverage Ratio (each as defined in the Credit Agreement) covenants as of the end of the quarter ending December 31, 2025 and future quarters and potential non-compliance with the covenants with respect to a Refinancing Transaction or a Sale Transaction (each as defined the Fourth Amendment). Failure to satisfy the covenants under the Credit Agreement, without a timely cure, waiver or amendment, would be considered an event of default. As of the date of this Quarterly Report, we have not satisfied the Outstanding Milestone Covenants. The Administrative Agent under the Credit Agreement has the discretion to extend the compliance dates for the Outstanding Milestone Covenants. On November 5, 2025, the Administrative Agent, in its sole discretion, and the Credit Agreement Parties confirmed the first of the Outstanding Milestone Covenants have been extended until November 25, 2025. If the first of the Outstanding Milestone Covenants has not been met by November 25, 2025, the Administrative Agent has the right to secure a financial advisor on behalf of itself and other secured parties, at the Company's expense, to assist in the refinancing process. As long as the financial advisor remains engaged, the Company would receive automatic periodic extensions until the Outstanding Milestone Covenants are satisfied. If an event of default occurs and is not cured or waived, the Required Lenders (as defined in the Credit Agreement) could elect to declare all amounts outstanding under the Credit Agreement immediately due and payable and exercise other remedies as set forth in the Credit Agreement. In addition, the Required Lenders would have the right to proceed against the collateral pledged to them, which includes substantially all of our assets.

The Credit Agreement also contains certain customary representations and warranties and affirmative covenants, and certain reporting obligations. In addition, the lenders under the Credit Facilities will be permitted to accelerate all outstanding borrowings and other obligations, terminate outstanding commitments and exercise other specified remedies upon the occurrence of certain events of default (subject to certain grace periods and exceptions), which include, among other things, payment defaults, breaches of representations and warranties, covenant defaults, certain cross-defaults and cross-accelerations to other indebtedness, certain events of bankruptcy and insolvency, certain material monetary judgments and changes of control. The Credit Agreement defines "change of control" to include, among other things, any person or group other than TCG and its affiliates becoming the beneficial owner of more than 35% of the voting power of the equity interests of Funko, Inc.

Form S-3 Registration Statement

Our registration statement on Form S-3 was declared effective by the SEC on August 15, 2025 and will remain effective through August 15, 2028. The Form S-3 allows us to offer and 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 certain selling stockholders to offer and sell 12,626,024 shares of Class A common stock in one or more offerings. The terms of any offering under the shelf registration statement will be established at the time of such offering and will be described in a prospectus supplement filed with the SEC prior to the completion of any such offering.

The Form S-3 is intended to provide us flexibility to conduct registered sales of our securities, subject to market conditions and our future capital needs. The terms of any future offering under the shelf registration statement will be established at the time of such offering and will be described in a prospectus supplement filed with the SEC prior to the completion of any such offering.

At-the-Market Sales Agreement

On August 15, 2025, we entered into an At-the-Market Sales Agreement (the “Sales Agreement”) with BTIG, LLC (the “Agent”) relating to shares of our Class A common stock. In accordance with the terms of the Sales Agreement, from time to time we may offer and sell shares of our Class A common stock having an aggregate gross sales price of up to \$40.0 million through or to the Agent, acting as sales agent or principal, pursuant to the prospectus supplement. In the quarter ended September 30, 2025, no sales were made under the Sales Agreement.

Future Sources and Uses of Liquidity

As of September 30, 2025, we had \$39.2 million of cash and cash equivalents and \$(157.5) million of working capital, compared with \$34.7 million of cash and cash equivalents and \$(18.7) million of working capital as of December 31, 2024. Working capital is impacted by the seasonal trends of our business and the timing of new product releases, as well as our current portion of long-term debt and draw downs on our Revolving Credit Facility.

Sources

As noted above, historically, our primary sources of cash flows have been cash flows from operating activities and borrowings under our Credit Facilities. We have also created a plan, described under “Liquidity and Capital Resources—Introduction” above to generate additional liquidity. We expect these sources of liquidity to continue to be our primary sources of liquidity. For a discussion of our Credit Facilities, see “Credit Facilities” above, Note 1, “Organization and Operations” and Note 4, “Debt”.

In addition, as described above, on August 15, 2025, we filed a registration statement on Form S-3 for the sale from time-to-time of up to \$100.0 million of certain of our securities and for certain selling stockholders to offer and sell shares of Class A common stock in one or more offerings. We also entered into the Sales Agreement to offer and sell shares of our Class A common stock having an aggregate gross sales price of up to \$40.0 million, pursuant to the prospectus supplement.

Uses

As noted above, our primary requirements for liquidity and capital are working capital, inventory management, capital expenditures, debt service and general corporate needs. Except as described above, there have been no material changes to our liquidity and capital commitments as described in our Annual Report on Form 10-K for the year ended December 31, 2024 filed with the SEC (the “2024 10-K”).

Additional future liquidity needs may include tax distributions, interest payments, repayment of our debt facilities, the redemption right held by the Continuing Equity Owners that they may exercise from time to time (should we elect to exchange their common units for a cash payment), payments under the Tax Receivable Agreement and general cash requirements for operations and capital expenditures (including a future enterprise resource management system (ERP), additional platforms to support our direct-to-consumer experience, and capital build out of new leased warehouse and office space). The Continuing Equity Owners may exercise their redemption right for as long as their common units remain outstanding. Although the actual timing and amount of any payments that may be made under the Tax Receivable Agreement will vary, we expect that the payments we will be required to make to the TRA Parties will be significant, which will be contingent on future realizability of the Company's deferred tax assets. 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 have been available to us or to FAH, LLC and, to the extent that we are unable to make payments under the Tax Receivable Agreement for any reason, the unpaid amounts generally will be deferred and will accrue interest until paid by us; provided however, that nonpayment for a specified period may constitute a material breach under the Tax Receivable Agreement and therefore may accelerate payments due under the Tax Receivable Agreement.

Seasonality

While our customers in the retail industry typically operate in highly seasonal businesses, we have historically experienced only moderate seasonality in our business. Historically, over 50% of our net sales are made in the third and fourth quarters, primarily in the period from August through November, as our customers build up their inventories in anticipation of the holiday season. Historically, the first quarter of the year has represented the lowest volume of shipment 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 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.

Critical Accounting Policies and Estimates

Discussion and analysis of our financial condition and results of operations are based on our unaudited condensed consolidated financial statements which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities, revenue and expenses at the date of the unaudited condensed consolidated financial statements. We base our estimates on historical experience and on various other assumptions in accordance with U.S. GAAP that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies and estimates are those that we consider the most important to the portrayal of our financial condition and operating results and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our critical accounting policies and estimates include those related to revenue recognition and sales allowances, royalties, inventory, goodwill and intangible assets, and income taxes. Changes to these policies and estimates could have a material adverse effect on our results of operations and financial condition.

Goodwill and Intangible Assets. Goodwill represents the excess of the purchase price over the net amount of identifiable assets acquired and liabilities assumed in a business combination measured at fair value. We evaluate goodwill for impairment annually on October 1 of each year and upon the occurrence of triggering events or substantive changes in circumstances that could indicate a potential impairment by assessing qualitative factors or performing a quantitative analysis in determining whether it is more likely than not that the fair value of the net assets is below their carrying amounts.

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date. Intangible assets acquired include intellectual property (product design), customer relationships, and trade names. These are definite-lived assets and are amortized on a straight-line basis over their estimated useful lives. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable.

There have been no significant changes to our critical accounting policies to our disclosure reported in "Critical Accounting Policies and Estimates" in our 2024 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to market risk from changes in interest rates, foreign currency and inflation. All of these market risks arise in the normal course of business, as we do not engage in speculative trading activities. There have been no material changes in our market risk from the disclosure included under “Quantitative and Qualitative Disclosures of Market Risk” in our 2024 10-K.

Item 4. Controls and Procedures.

Limitations on Effectiveness of Disclosure Controls and Procedures.

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has concluded, based on its evaluation as of September 30, 2025, that our “disclosure controls and procedures” (as such term is defined in Rules 13a–15(e) and 15d–15(e) under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”)), were not effective as of such date because of the material weaknesses in our internal control over financial reporting previously described in Item 9A. “Controls and Procedures” of our 2024 10-K.

Remediation Efforts to Address the Material Weaknesses

During fiscal 2025, with the oversight of the Audit Committee of the Board of Directors, management has been executing and remains committed to implementing measures designed to ensure that the control deficiencies contributing to the ongoing material weaknesses are remediated, such that these controls are designed, implemented and operating effectively. Specifically, during the quarter ended September 30, 2025, we redesigned and implemented control activities to address relevant risks at the appropriate level of precision for the income tax business process as well as controls over preparation and review of journal entries at a foreign subsidiary and are in the process of testing operating effectiveness. The following activities are ongoing to remediate the remaining material weaknesses:

- We have prepared a remediation plan for each of the material weaknesses and begun training process owners, developing new controls, enhancing existing controls, evaluating process adoption and monitoring results;
- We have hired compliance personnel to oversee the remediation of the material weaknesses;
- We are in the process of redesigning, enhancing and implementing control activities to address relevant risks at the appropriate level of precision for the order-to-cash business processes;
- We are in the process of designing and implementing segregation of duties monitoring controls related to all systems relevant to financial reporting;
- We are in the process of designing and implementing controls addressing the reliability of relevant systems and relevant information; and
- We are in the process of training control owners concerning control requirements related to user access and change management over IT systems impacting financial reporting.

Our remediation efforts are expected to continue throughout fiscal 2025 and we cannot provide assurance as to when our remediation activities will be complete. The material weaknesses cannot be considered remediated until the applicable controls have operated for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control over Financial Reporting

Other than changes noted in the remediation efforts above, there have been no changes in internal control over financial reporting that occurred during the quarter ended September 30, 2025, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 6 "Commitments and Contingencies - Legal Contingencies" in the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a discussion of material legal proceedings.

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 Quarterly Report on Form 10-Q 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

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, the retail industry has 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.

Our substantial sales and manufacturing operations outside the United States subject us to risks associated with international operations.

We operate facilities and sell products in numerous countries outside the United States. Sales to our international customers comprised approximately 39% and 33% of our sales for the nine months ended September 30, 2025 and 2024, 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, 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:

- the imposition of and changes in tariffs, quotas, 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;
- 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;
- proper payment of customs duties and/or excise taxes;
- natural disasters, pandemics and other health crises, and 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 and increased tariffs on a broad range of imported goods, including on imports from China, Vietnam and Mexico. U.S. tariff impositions against certain exports have been followed by retaliatory tariffs on U.S. exports to certain countries. Certain of the products we purchase from manufacturers in China, Vietnam and Mexico have been or may in the future be subject to these tariffs, which, to the extent we alter our pricing further 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 U.S. presidential administration is continuing to review its U.S. trade policy and tariffs generally, leading to continued uncertainty and volatility in U.S. and global financial and economic conditions and commodity markets, declining consumer confidence, significant inflation and diminished expectations for the economy, and ultimately reduced demand for our products. U.S. tariff impositions against Vietnam, China or Mexico has had and could continue to 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 effectively bars the importation into the United States of products made in or sourced from the Xinjiang region of China where 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.

Our indebtedness could adversely affect our financial health and competitive position.

FAH, LLC and certain of its material domestic subsidiaries from time to time are parties to a 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 \$135.0 million (the "Revolving Credit Facility" and together with the Term Loan Facility, the "Credit Facilities"). As of September 30, 2025, we had \$234.2 million of indebtedness outstanding under the Credit Facilities, consisting of \$99.2 million outstanding under our Term Loan Facility (net of unamortized discount of \$0.5 million) and \$135.0 million of 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 September 30, 2025, the Company had \$6.7 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 and a minimum Fixed Charge Coverage Ratio (in each case, measured on a trailing four-quarter basis). We entered into the Fourth Amendment that, among other things, amends the Credit Agreement by (i) waiving compliance with (x) the maximum Net Leverage Ratio financial covenant and (y) the minimum Fixed Charge Coverage Ratio financial covenant, in each case, for the fiscal quarters ended June 30, 2025 and September 30, 2025. The maximum Net Leverage Ratio and the minimum Fixed Charge Coverage Ratio will reset for the fiscal quarter ended December 31, 2025 and each fiscal quarter thereafter through the Maturity Date. The Fourth Amendment also contains covenants that the Company shall take certain actions in furtherance of a Refinancing Transaction or a Sale Transaction (each as defined in the Fourth Amendment), certain of which have not been satisfied as of the date of this Quarterly Report (such covenant, the "Outstanding Milestone Covenants"). The administrative agent under the Credit Agreement has the discretion to extend the compliance dates for the Outstanding Milestone Covenants. If the applicable compliance dates are not satisfied by the Company or extended by the administrative agent under the Credit Agreement, the Company would be in default under the Credit Agreement and if such default is not cured within 15 days, it will mature into an event of default under the Credit Agreement. See Part I, Item 1, "Financial Statements - Note 4, "Debt" for additional information. 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 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 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 Facilities, could result in an event of default under our Credit Facilities. This would permit the lending banks under such facilities to take certain actions, including 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 and exercising other remedies as set forth in the Credit Agreement. 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.

There is substantial doubt about our ability to continue as a going concern due to pressure on our financial covenants arising from the current retail environment and potentially insufficient working capital and potential non-compliance with other covenants as defined within the Credit Agreement.

The challenging retail environment, in particular as a result of the current tariff environment, has significantly adversely impacted and is expected to continue to significantly adversely impact our performance. These factors have placed significant pressure on our ability to comply with (i) the maximum Net Leverage Ratio (as defined in the Credit Agreement), (ii) the minimum Fixed Charge Coverage Ratio (as defined in the Credit Agreement) and (iii) the minimum Qualified Cash (as defined in the Credit Agreement) financial covenants (collectively, the “Financial Covenants”), set forth in our Credit Agreement. Failure to satisfy the Financial Covenants, without a timely cure or waiver would result in an event of default under our Credit Agreement. The Fourth Amendment also contains covenants that we shall take certain actions in furtherance of a Refinancing Transaction or a Sale Transaction, and the Outstanding Milestone Covenants have not been satisfied as of the date of this Quarterly Report. The administrative agent under the Credit Agreement has the discretion to extend the compliance dates for the Outstanding Milestone Covenants. If the applicable compliance dates are not satisfied by us or extended by the administrative agent under the Credit Agreement, we would be in default under the Credit Agreement and if such default is not cured within 15 days, it would mature into an event of default under the Credit Agreement. If an event of default under our Credit Agreement occurs and is not cured or waived, the Required Lenders (as defined in the Credit Agreement) could elect to declare all amounts outstanding under the Credit Agreement immediately due and payable and exercise other remedies as set forth in the Credit Agreement. In addition, the Required Lenders would have the right to enforce their security interests against the collateral pledged to them, which includes substantially all of our assets.

Management evaluated our future liquidity, forecasts of the expected effects of announced tariffs and other facts and conditions, and ability to comply with the Financial Covenants under our Credit Agreement for the twelve months from the date of issuance of these financial statements and determined that, we are forecasting that we will not be in compliance with the maximum Net Leverage Ratio and minimum Fixed Charge Coverage Ratio covenants as of the end of the fiscal quarter ending December 31, 2025 and future fiscal quarters and potentially will not be in compliance with the covenants with respect to a Refinancing Transaction or a Sale Transaction.

In addition, based on our forecast of the expected effects of the announced tariffs and other facts and conditions, we anticipate that our cash flows may be insufficient to support working capital needs within the next twelve months and, relatedly, we may not be in compliance with our minimum Qualified Cash covenant in future periods. These factors raise substantial doubt about the Company’s ability to continue as a going concern for the next twelve months from the date of issuance of the condensed consolidated financial statements included elsewhere in this Quarterly Report.

There is no assurance that we will successfully carry out our plan to generate liquidity as described in Note 1 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report. In addition, our Board of Directors has initiated a formal review process to evaluate strategic alternatives for the Company, including a potential sale of the Company. The Company has not set a deadline or definitive timetable for the completion of the strategic alternatives review process, and there can be no assurance that this process will result in any particular outcome. If our planned operational initiatives are not successful or if we are unable to obtain additional financing or renegotiate the terms of our existing credit facilities or identify and successfully execute on other business opportunities or strategic transactions, we may need to scale back or discontinue certain or all of our operations to reduce costs or seek bankruptcy protection.

We may not be able to secure additional financing or refinancing on favorable terms, or at all, to meet our future capital needs.

In the future, we expect to 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 Covenants 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 Credit Facilities under the Credit Agreement will mature in September 2026. The Credit Agreement includes a covenant requiring us to meet certain milestones between the date hereof and February 2026, which are designed to result in either a refinancing of our credit facilities or a sale of all or substantially all of the Company, in each case, leading to the full repayment of our credit facilities. 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 our current financial condition, market volatility and uncertainty resulting from international conflicts or geopolitical tensions, among other factors. Failure to satisfy the Outstanding Milestone Covenants, without a timely cure or waiver would result in an event of default under our Credit Agreement. The administrative agent under the Credit Agreement has the discretion to extend the compliance dates for the Outstanding Milestone Covenants. If the applicable compliance dates are not satisfied by us or extended by the administrative agent under the Credit Agreement, we would be in default under the Credit Agreement and if such default is not cured within 15 days, it would mature into an event of default under the Credit Agreement. If an event of default under our Credit Agreement occurs and is not cured or waived, the Required Lenders could elect to declare all amounts outstanding under the Credit Agreement immediately due and payable and exercise other remedies as set forth in the Credit Agreement. In addition, the Required Lenders would have the right to enforce their security interests against the collateral pledged to them, which includes substantially all of our assets.

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.

We are reviewing strategic alternatives. There can be no assurance that we will be successful in identifying or completing any strategic alternative, that any such strategic alternative will result in additional value for our stockholders or that the process will not have an adverse impact on our business.

Our Board has initiated a formal review process to evaluate strategic alternatives for the Company, including a potential sale of the Company, aimed at maximizing value for our stockholders and complying with the Outstanding Milestone Covenants in the Credit Agreement. The process of reviewing strategic alternatives may be costly, time consuming and complex and we may incur significant costs related to this review, such as legal, accounting and advisory fees and expenses and other related charges. There can be no assurance that the review of strategic alternatives will result in the identification or consummation of any transaction or action and there is no defined timeline for completion of the review process. There can be no assurance that any potential strategic alternative, if identified, evaluated and consummated, will have a positive impact on our business or provide greater value to our stockholders than that reflected in the current price of our common stock.

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. In recent periods, we have 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. 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 1,085 as of September 30, 2025. We also lease distribution centers in the U.S. and the United Kingdom and utilize third-party distribution centers in Mexico 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. 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 that grant us the right to use certain 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. No assurance can be made that the recent and any future changes in our leadership or changes in our financial condition 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 65% and 66% of our sales for the nine months ended September 30, 2025 and 2024, 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 30% and 33% of our sales for the nine months ended September 30, 2025 and 2024, 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 September 30, 2025, we had a reserve of \$29.6 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.”

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 32% of our sales for both the nine months ended September 30, 2025 and 2024, 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 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 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 other former Funko executives, 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 nine months ended September 30, 2025 and 2024, our gross margins (exclusive of depreciation and amortization), calculated as net sales less cost of sales as a percentage of net sales, were 37.7% and 41.0%, 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.

Certain of these factors have adversely impacted our business and results of operations in the past. If any of these factors, or other factors unknown to us at this time, occur in the future, 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.

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 Collectible. Sales of our Core Collectible branded category products accounted for approximately 79% and 76% of our sales for each of the nine months ended September 30, 2025 and 2024, 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. In recent periods, we have seen a shift away from major movie franchises and consumer tastes 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 September 30, 2025 and December 31, 2024, we recorded reserves of \$14.6 million and \$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.

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.

Our intellectual property is a valuable asset of our business. As of September 30, 2025, we owned approximately 109 registered U.S. trademarks, 340 registered international trademarks, 15 pending U.S. trademark applications and 31 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 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.

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 August 2025, we announced that Josh Simon was appointed Chief Executive Officer, succeeding Michael Lunsford, a member of our Board of Directors who previously served as our Interim Chief Executive Officer. The recent and any future 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 person 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, 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 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 August through November in anticipation of the holiday season. As a consequence, we have experienced moderate seasonality in our business. Approximately 56%, 55%, and 53%, of our net sales for the years ended December 31, 2024, 2023 and 2022, 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 can be shifted to alternative sources of supply, we would require significant planning 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 also seek increased information on climate related risks, which could impose increased oversight obligations on our management and board of directors and cause us to incur significant additional costs to comply. 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 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.

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 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 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”) 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. In addition, in July 2025, Public Law No: 119-21, known as the “One Big Beautiful Bill” (the “Tax Reform Bill”), was signed into law. The Tax Reform Bill made multiple changes to U.S. federal income tax laws, which could have implications for us and also for investors. The Tax Reform Bill modified federal income tax rules relating to the expensing of research and development costs, certain other capital expenditures and certain business interest expense. Moreover, various aspects of the Tax Reform Bill are unclear, and administrative guidance is anticipated regarding the application of numerous provisions in the Tax Reform Bill. There can be no assurance that the Tax Reform Bill and any resulting administrative guidance would not adversely affect us and the tax consequences to an investor. 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.

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 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, 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 August 12, 2022. On December 15, 2022, Plaintiff opposed the Defendants’ motion to dismiss and also moved for attorneys’ fees. On December 18, 2023, the Court denied Defendants’ motion to dismiss and denied Plaintiffs’ application for an interim fee. 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. As a result, the litigation is now captioned *Lynch vs. Mariotti, et al.* The Company filed its Answer to the Verified Class Action Complaint in Intervention on December 10, 2024.

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 two lead plaintiffs, and those plaintiffs filed an amended complaint on October 19, 2023. The amendment adds additional allegations by including accounts from purported former employees and contractors. Plaintiffs seek 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, Inc., et al.* Plaintiffs’ opening brief was filed on October 21, 2024, and briefing was completed on February 10, 2025. Oral argument was held on May 23, 2025. The parties are awaiting a decision on the appeal.

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. On May 20, 2025, the parties participated in mediation and reached an immaterial monetary settlement in exchange for a release of all claims that were or could have been asserted in the complaint for the period from April 12, 2020 through July 19, 2025. Final court approval and payment of the settlement are expected in early 2026.

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 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. 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 any 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. Following this transaction, we have 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 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;”
- 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 or other health crises. 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.

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."

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 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 and excluding for this purpose any shares of Class A common stock issued, from time-to-time, in at-the-market offerings, up to a maximum of \$40.0 million), 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 November 4, 2025, collectively hold approximately 1.2% of the combined voting power of our common stock, and certain transferees of former Continuing Equity Owners that have been joined to our TRA (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 54,740,166 common units of FAH, LLC as of September 30, 2025, representing approximately 98.7% 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. 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. 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 TRA Parties, 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) 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 November 4, 2025, we had an aggregate of 145,257,005 shares of Class A common stock authorized but unissued, as well as approximately 749,177 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 September 30, 2025, 1,449,323 shares of Class A common stock underlying stock options we granted to certain of our directors, executive officers and other employees, 2,374,386 shares of Class A common stock underlying restricted stock units we granted to certain of our executive officers, consultants and other employees and 750,000 shares of Class A common stock underlying performance stock units we granted to certain of our executive officers. 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 September 30, 2025, we had granted 2,476,435 shares of Class A common stock underlying stock options and 4,221,846 shares of Class A common stock underlying restricted stock units and 42,367 shares of Class A common stock underlying performance 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 September 30, 2025, we had granted 1,256,805 shares of Class A common stock underlying restricted stock units to certain executive officers 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.

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. Section 404(b) of the Sarbanes-Oxley Act requires our independent registered public accounting firm to issue an opinion on 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 discussed in Part I, Item 4 of this Quarterly Report on Form 10-Q and our independent registered public accounting firm was not able to render an unqualified opinion on management's assessment and the effectiveness of our internal control over financial reporting in our 2024 10-K. In addition to taking remediation measures in response to the material weaknesses we identified, we expect to 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 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 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 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.

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, including proprietary and confidential business information as well as personal information (collectively "Confidential Information"). This 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 face numerous and evolving cybersecurity risks that threaten the confidentiality, integrity, availability, and privacy of our IT Systems and Confidential Information. In addition, we may provide Confidential Information to our third-party business partners in certain cases. While we seek to obtain assurances from those parties that they have systems and processes in place designed to protect such Confidential Information, and where applicable, that they will take steps to assure the protections of such Confidential Information by third parties, nonetheless those partners may also be subject to cybersecurity risks or otherwise compromise the protection of such 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 hackers, 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 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 Information (including that of our customers, consumers, suppliers, partners, employees or ourselves) or our IT Systems, or failure to prevent or mitigate the loss of or damage to this Confidential Information or our 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, and result in additional costs for remediation and compliance, as well as to liabilities and loss of business that could be material. Additionally, 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.

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 2, "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; and
- changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from increased tariffs, 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.

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, 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 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, 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 Information is collected and processed; demonstrating an appropriate legal basis; granting new rights for data subjects in regard to their Personal Information; and imposing limitations on retention of Personal 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 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 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 Information transfers to/in the U.S.

In the U.S., the CCPA, imposes similar requirements on companies handling the Personal Information of California residents and creates a potentially severe statutory damages framework for violations of the CCPA. The CCPA, imposes data protection obligations on companies doing business in California, including consumer rights processes, limitations on Personal Information uses, and opt outs for certain disclosures of Personal Information and uses of sensitive Personal Information. The enactment of the CCPA prompted a wave of similar laws in other states in the United States, which 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 ("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.

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

None.

Item 5. Other Information

a) Disclosure in Lieu of reporting on a Current Report on Form 8-K.

None.

b) None.

c) Securities Trading Arrangements of Directors and Section 16 Officers.

During the three months ended September 30, 2025, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				
		Form	File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
3.1	Amended and Restated Certificate of Incorporation of Funko, Inc.	S-8	333-221390	4.1	11/7/2017	
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Funko, Inc.	10-Q	001-38274	3.2	8/3/2023	
3.3	Amended and Restated Bylaws of Funko, Inc.	8-K	001-38274	3.1	12/26/2023	
10.1	Amendment No. 4, dated as of July 16, 2025, by and among Funko Acquisition Holdings, L.L.C., the subsidiary borrowers party thereto, the consenting lenders party thereto and JPMorgan Chase Bank, N.A. as administrative agent.	8-K	001-38274	10.1	7/17/2025	
10.2	Letter Agreement, by and between the Company and Michael Lunsford, dated July 31, 2025.	8-K	001-38274	10.1	8/4/2025	
10.3	Form of Retention Bonus Letter Agreement.	8-K	001-38274	10.1	8/5/2025	
10.4	Amendment to Stockholder's Agreement, between the Company and TCG Fuji 3.0, LP, dated August 14, 2025.	8-K	001-38274	10.1	8/15/2025	
10.5	Employment Agreement between the Company and Josh Simon, effective August 11, 2025.	8-K	001-38274	10.1	8/12/2025	
10.6	Employment Agreement between the Company and Husnal Shah, effective July 30, 2025.					*
10.7	Form of Performance Stock Unit Award Agreement under the Funko, Inc. 2017 Incentive Award Plan.					*
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended.					*

31.2	<u>Certification of Chief Financial Officer pursuant to Rules 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended.</u>	*
32.1	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>	**
32.2	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>	**
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	*
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document.	*
101.LAB	Inline XBRL Taxonomy Label Linkbase Document.	*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	*
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).	

* Filed herewith

** Furnished herewith

SIGNATURES

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

FUNKO, INC.
(Registrant)

Date: November 6, 2025

By: /s/ Yves Le Pendeven

Yves Le Pendeven

Chief Financial Officer (Principal Financial Officer)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into effective as of July 30, 2025 (the “Effective Date”), by and between Husnal Shah, a California resident (“Employee”), and Funko, Inc., a Delaware corporation (any of its affiliates as may employ the Employee from time to time, and any successor(s) thereto, the “Company”).

RECITALS

WHEREAS, the Employee is currently employed by the Company pursuant to the terms of that certain Employment Agreement by and between the Employee and Funko, Inc., dated as of June 16, 2025 (the “Prior Agreement”);

WHEREAS, the Company and Employee desire to amend and restate the Prior Agreement, effective as of the Effective Date.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Employment**. The Company agrees to employ Employee on the terms and conditions set forth in this Agreement, and Employee accepts such employment and agrees to perform the services and duties for the Company as herein provided for the period and upon the other terms and conditions set forth in this Agreement.

2. **Term**. Unless earlier terminated pursuant to the terms of Section 7 hereof, Employee shall be employed by the Company for the period commencing as of the Effective Date and ending on the third (3rd) anniversary of the Effective Date (the “Initial Term”), subject to automatic renewal periods for up to two additional one (1)-year periods, unless either party provides the other party with ninety (90) days’ advance written notice prior to the end of the Initial Term or any such renewal period, as applicable, of such party’s intent not to renew (the Initial Term and any such renewal period, the “Term”).

3. **Position and Duties**.

3.01 **Title**. During the Term, Employee agrees to serve as the Company’s Chief Product Officer.

3.02 **Duties**. During the Term, Employee’s primary workplace shall be the Company’s offices in Burbank, California, except for usual and customary travel on the Company’s business. During the Term, Employee agrees to serve the Company, and Employee will faithfully and to the best of Employee’s ability discharge the duties associated with Employee’s position and will devote Employee’s full time during business hours for the Company and to the business and affairs of the Company, its direct and indirect subsidiaries and its affiliates. Employee hereby confirms that during the Term, Employee will not render or perform services for any other corporation, firm, entity or person. Employee recognizes that Employee will be required to travel to perform certain of Employee’s duties. Employee shall report to, and be subject to the

direction of, the Company's Chief Executive Officer. Notwithstanding the foregoing, Employee shall be permitted to participate in, and be involved with, such community, educational, charitable, professional, and religious organizations so long as such participation does not, in the judgment of the Company's Board of Directors (the "Board") interfere with the performance of or create a potential conflict with Employee's duties hereunder.

4. Compensation.

4.01 Base Salary. During the Term, the Company shall pay to Employee a base salary at the rate of Five Hundred Thousand Dollars (\$500,000.00) per year ("Base Salary"), commencing as of the Effective Date, which salary shall be paid in accordance with the Company's normal payroll procedures and policies.

4.02 Annual Bonus. During the Term, Employee shall be eligible to receive a bonus pursuant to an annual performance based incentive compensation program to be established by the Board, with Employee's annual target to be no less than 75% of Employee's then Base Salary; provided, however, that the Company reserves the right to establish a lesser target if done in good faith in connection with a general reduction applicable to similarly-situated executives and as a result of Company's legitimate business needs. Notwithstanding the preceding sentence, Employee's bonus, if any, may be below (including zero), at, or above, the annual target based upon the achievement of the performance objectives, as determined by the Company in its sole discretion, and payment of any bonus described in this Section 4.02 shall be according to the established plan and subject to Employee's continued employment by the Company through the date the bonus is paid pursuant to the annual performance based incentive compensation program. With respect to any bonus year during the Term, the Board or a committee thereof may in its discretion establish a maximum payout level, in excess of the annual target, to be payable to Employee to the extent that actual performance exceeds the performance objectives. Solely with respect to the 2025 bonus performance year, Employee's salary grade will not be treated as increased for purposes of the performance objectives applicable to the bonus which may be earned by Employee with respect to the 2025 bonus performance year, unless otherwise mutually agreed to by Employee and the Company.

4.03 Sign-On Retention Bonus. The Company shall pay to Employee a one-time cash bonus in an amount equal to \$50,000 (the "Signing Bonus"), in a single lump sum cash payment on the first regular payroll date following June 16, 2025, subject to and conditioned upon Employee's continued employment with the Company through such date. In the event that Employee resigns without Good Reason (as defined below) or is terminated by the Company for Cause (as defined below) on or prior to June 16, 2026, then Employee hereby agrees to repay the full amount of the Signing Bonus no later than thirty (30) days after the date of such termination of Employee's employment with the Company.

4.04 Benefits. During the Term, Employee may participate in all employee benefit plans or programs of the Company consistent with such plans and programs of the Company. The Company does not guarantee the adoption or continuance of any particular employee benefit plan or program during the Term, and Employee's participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto.

4.05 Expenses; Contributions. During the Term, the Company agrees to reimburse all reasonable business expenses incurred by Employee consistent with the Company's policies regarding reimbursement in the performance of Employee's duties under this Agreement.

4.06 Paid Time Off. During the Term, Employee shall be entitled to vacation, sick leave and holidays in accordance with the policy of the Company for its senior executives.

4.07 Indemnification and Additional Insurance. The Company shall indemnify Employee with respect to matters relating to Employee's services as an officer of the Company or any of its affiliates, occurring during the course and scope of Employee's employment with the Company to the extent required by, and pursuant to the provisions in of, Delaware law. The Company may also cover Employee under a policy of officers' and directors' liability insurance providing coverage that is comparable to that provided now or hereafter to other senior executives of the Company.

4.08 Equity Awards. During the Term, commencing with the 2026 fiscal year, the Employee shall be eligible to participate in the Company's equity incentive plan then in effect and receive equity awards thereunder with an aggregate grant value targeted at \$750,000, as determined by the Board or a committee thereof in its sole discretion and subject to the terms of the Company's equity incentive plan then in effect and an applicable award agreement.

5. Confidential Information and Proprietary Information.

5.01 Confidential Information. During the Term and at all times thereafter, Employee shall not divulge, furnish or make accessible to anyone or use in any way (other than in the ordinary course of the business of the Company or any of its affiliates) any confidential or secret knowledge or information of the Company or any of its affiliates which Employee has acquired or become acquainted with prior to the termination of the period of Employee's employment by the Company (including employment by the Company or any affiliated companies prior to the date of this Agreement), whether developed by himself or by others, including, without limitation, any trade secrets, confidential or secret designs, processes, formulae, plans, devices or material (whether or not patented or patentable) directly or indirectly useful in any aspect of the business of the Company or any of its affiliates, any customer or supplier lists of the Company or any of its affiliates, any confidential or secret development or research work of the Company or any of its affiliates, or any other confidential information or secret aspect of the business of the Company or any of its affiliates (collectively, "Confidential Information"). Employee acknowledges that (a) the Company and its affiliates have expended and shall continue to expend substantial amounts of time, money and effort to develop business strategies, employee and customer relationships and goodwill and build an effective organization, (b) Employee is and shall become familiar with the Company's and its affiliates' Confidential Information, including trade secrets, and that Employee's services are of special, unique and extraordinary value to the Company and its affiliates, (c) the above-described knowledge or information constitutes a unique and valuable asset of the Company and its affiliates and the Company and its affiliates have a legitimate business interest and right in protecting its Confidential Information, business strategies, employee and customer relationships and goodwill and (d) any disclosure or other use of such knowledge or information other than for the sole benefit of the Company and any of its affiliates would be wrongful and would cause irreparable harm to the Company and any of its affiliates.

However, the foregoing shall not apply to any knowledge or information which is now published or which subsequently becomes generally publicly known in the form in which it was obtained from the Company or any of its affiliates, other than as a direct or indirect result of the breach of this Agreement by Employee.

5.02 Proprietary Information.

(a) Employee agrees that the results and proceeds of Employee's services for the Company or its affiliates (including, but not limited to, any trade secrets, products, services, processes, know-how, designs, developments, innovations, analyses, drawings, reports, techniques, formulas, methods, developmental or experimental work, improvements, discoveries, inventions, ideas, source and object codes, programs, matters of a literary, musical, dramatic or otherwise creative nature, writings and other works of authorship) resulting from services performed while an employee of the Company and any works in progress, whether or not patentable or registrable under copyright or similar statutes, that were made, developed, conceived or reduced to practice or learned by Employee, either alone or jointly with others (collectively, "Inventions"), shall be works-made-for-hire and the Company (or, if applicable or as directed by the Company or any of its affiliates) shall be deemed the sole owner throughout the universe of any and all trade secret, patent, copyright and other intellectual property rights (collectively, "Proprietary Rights") of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized or developed, with the right to use the same in perpetuity in any manner the Company determines in its sole discretion, without any further payment to Employee whatsoever. If, for any reason, any of such results and proceeds shall not legally be a work-made-for-hire and/or there are any Proprietary Rights which do not accrue to the Company (or, as the case may be, any of its affiliates) under the immediately preceding sentence, then Employee hereby irrevocably assigns and agrees to assign any and all of Employee's right, title and interest thereto, including any and all Proprietary Rights of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized or developed, to the Company (or, if applicable or as directed by the Company or any of its affiliates), and the Company or its affiliates shall have the right to use the same in perpetuity throughout the universe in any manner determined by the Company or such affiliates without any further payment to Employee whatsoever. As to any Invention that Employee is required to assign, Employee shall promptly and fully disclose to the Company all information known to Employee concerning such Invention.

(b) The Employee hereby acknowledges and agrees that the Company has notified the Employee that, if the Employee resides in the state of California, assignments provided for in Section 5.02(a) do not apply to any Inventions which qualifies fully for exemption from assignment under the provisions of Section 2870 of the California Labor Code ("Section 2870"), a copy of which is attached as Exhibit A. If applicable, at the time of disclosure of any Invention that the Employee believes qualifies under Section 2870, the Employee shall provide to the Company, in writing, evidence to substantiate the belief that such Invention(s) qualifies under Section 2870. The Employee further understands that, to the extent this Agreement shall be construed in accordance with the laws of any state which precludes a requirement in an employee agreement to assign certain classes of inventions made by an employee, Section 5.02(a) shall be interpreted not to apply to any Invention which a court rules and/or the Company agrees falls within such classes.

(c) Employee agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, Employee shall do any and all things that the Company may reasonably deem useful or desirable to establish or document the Company's exclusive ownership throughout the United States of America or any other country of any and all Proprietary Rights in any such Inventions, including the execution of appropriate copyright and/or patent applications or assignments. To the extent Employee has any Proprietary Rights in the Inventions that cannot be assigned in the manner described above, Employee unconditionally and irrevocably waives the enforcement of such Proprietary Rights. This Section 5.02 is subject to and shall not be deemed to limit, restrict or constitute any waiver by the Company of any Proprietary Rights of ownership to which the Company may be entitled by operation of law by virtue of the Company's being Employee's employer. Employee further agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, Employee shall assist the Company in every proper and lawful way to obtain and from time to time enforce Proprietary Rights relating to Inventions in any and all countries. To this end, Employee shall execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such Proprietary Rights and the assignment thereof. In addition, Employee shall execute, verify, and deliver assignments of such Proprietary Rights to the Company or its designees. Employee's obligation to assist the Company with respect to Proprietary Rights relating to such Inventions in any and all countries shall continue beyond the termination of Employee's employment with the Company.

(d) Employee hereby waives and quitclaims to the Company any and all claims, of any nature whatsoever, that Employee now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

(e) Notwithstanding the foregoing, this Section 5.02 does not apply to an invention for which no equipment, supplies, facility, or trade secret information of the Company was used and which was developed entirely on Employee's own time, unless (a) the invention relates (i) directly to the business of the Company, or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by Employee for the Company.

5.03 Protected Conduct. Employee may respond to a lawful and valid subpoena or other legal process but shall (a) give the Company the earliest possible notice of such subpoena or other legal process, (b) as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought and (c) assist such counsel in resisting or otherwise responding to such subpoena or process. Further, nothing herein shall prevent Employee from (x) communicating directly with, cooperating with, or providing information to, or receiving financial awards from, any federal, state or local government agency, including without limitation the U.S. Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission, the U.S. Department of Justice, the U.S. Equal Employment Opportunity Commission, or the U.S. National Labor Relations Board, without notifying or seeking permission from the Company, (y) exercising any rights Employee may have under Section 7 of the U.S. National Labor Relations Act, such as the right to engage in concerted activity, including collective action or discussion concerning wages or working conditions, or (z) discussing or disclosing information about unlawful acts in the workplace, such as harassment or

discrimination based on a protected characteristic or any other conduct that Employee has reason to believe is unlawful. In addition, Employee acknowledges that, pursuant to 18 U.S.C. § 1833(b), an individual may not be held liable under any criminal or civil federal or state trade secret law for disclosure of a trade secret that is made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law or is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, an individual suing an employer for retaliation based on the reporting of a suspected violation of law may disclose a trade secret to his or her attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

6. Non-competition and Non-solicitation Covenants and Adversarial Restrictions.

6.01 Non-competition. Employee agrees that, during the Term, Employee shall not, directly or indirectly, (a) engage in activities or businesses (including without limitation by owning any interest in, managing, controlling, participating in, consulting with, advising, rendering services for, or in any manner engaging in the business of owning, operating or managing any business) in the Restricted Territory, that compete directly or indirectly with the Company or any of its subsidiaries or affiliates (“Competitive Activities”), it being understood that Competitive Activities as of the date hereof include, without limitation, the manufacture, marketing, license, distribution and sale of licensed pop culture products; or (b) assist any person in any way to do, or attempt to do, anything prohibited by Section 6.01(a) above. Employee acknowledges (i) that the business of the Company and its affiliates is global in scope and (ii) notwithstanding the jurisdiction of formation or principal office of the Company and its affiliates, or the location of any of their respective executives or employees (including, without limitation, Employee), it is expected that the Company and its affiliates will have business activities and have valuable business relationships within their respective industries throughout the United States and abroad. “Restricted Territory” means the State of California and those states or geographic locations in which the Employee had material responsibility or knowledge for a Competitive Activity during the last two (2) years of Employee’s employment with the Company.

6.02 Indirect Competition. Employee further agrees that, during the Term in the Restricted Territory, Employee will not, directly or indirectly, assist or encourage any other person in carrying out, direct or indirectly, any activity that would be prohibited by the above provisions of this Section 6 if such activity were carried out by Employee, either directly or indirectly; and in particular, Employee agrees that Employee will not, directly or indirectly, induce any employee of the Company to carry out, directly or indirectly, any such activity.

6.03 Non-solicitation.

(a) Employee further agrees that, during the Term in the Restricted Territory, Employee will not, directly or indirectly, assist or encourage any other person in seeking to employ or hire any consultant, advisor or agent of the Company or any of its affiliates or encourage any such consultant, advisor or agent to discontinue employment with the Company or any of its affiliates.

(b) Employee further agrees that, during the Term and for a period of one year after the termination of Employee's employment, Employee will not, directly or indirectly, employ or hire, or assist or encourage any other person in seeking to employ or hire any employee of the Company or any of its affiliates with whom Employee had contact during the last six months of Employee's employment with the Company or encourage any such employee to discontinue employment with the Company or any of its affiliates.

6.04 Non-Disparagement. Subject to Section 5.03, Employee agrees not to disparage the Company, any of its products or practices, or any of its directors, officers, agents, representatives, partners, members, equityholders or affiliates, either orally or in writing, at any time, and the Company shall direct its directors and officers not to disparage Employee, either orally or in writing, at any time; provided that Employee, the Company and the Company's directors and officers may confer in confidence with their respective legal representatives and make truthful statements as required by law, or by governmental, regulatory or self-regulatory investigations or as truthful testimony in connection with any litigation involving Employee and the Company or its affiliates. For the avoidance of doubt, this Section 6.04 does not restrict or impede the Employee from exercising any rights to communicate with securities regulators or any other administrative or regulatory agency to report suspected unlawful conduct, or rights to discuss or disclose information regarding a sexual assault or sexual harassment dispute arising after the date of this Agreement.

6.05 Enforceability. If a final and non-appealable judicial determination is made that any of the provisions of this Section 6 constitutes an unreasonable or otherwise unenforceable restriction against Employee, the provisions of this Section 6 will not be rendered void but will be deemed to be modified to the minimum extent necessary to remain in force and effect for the longest period and largest geographic area that would not constitute such an unreasonable or unenforceable restriction. Moreover, and without limiting the generality of Section 6, notwithstanding the fact that any provision of this Section 6 is determined to not be enforceable through specific performance, the Company will nevertheless be entitled to recover monetary damages as a result of Employee's breach of such provision.

6.06 Acknowledgement. Employee acknowledges that Employee has carefully read this Agreement and has given careful consideration to the restraints imposed upon Employee by this Agreement, and is in full accord as to the necessity of such restraints for the reasonable and proper protection of the Confidential Information, business strategies, employee and customer relationships and goodwill of the Company and its subsidiaries and affiliates now existing or to be developed in the future. Employee expressly acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area. Employee agrees that the covenants contained in this Section 6 are reasonable and necessary to protect the legitimate business interests of the Company and its affiliates, including their trade secrets, other Confidential Information and goodwill.

7. Termination.

7.01 Grounds for Termination. Employee's employment with the Company shall terminate (a) by Employee for Good Reason, (b) by the Company for Cause, (c) by the Employee without Good Reason, (d) by the Company without Cause, (e) on account of

Employee's death or Disability, or (f) by expiration or non-renewal of the Term. Notwithstanding any termination of this Agreement and Employee's employment by the Company, Employee, in consideration of Employee's employment hereunder to the date of such termination, shall remain bound by the provisions of this Agreement which specifically relate to periods, activities or obligations upon or subsequent to the termination of Employee's employment including without limitation the provisions of Sections 5, 6 and 8 hereof.

7.02 Cause Defined. Termination of Employee's employment by the Company for any of the following reasons shall be deemed termination for "Cause": (a) gross neglect or willful misconduct by Employee of Employee's duties or Employee's willful failure to carry out, or comply with, in any material respect any lawful and reasonable directive of the Board not inconsistent with the terms of this Agreement; (b) conviction of Employee of, or Employee's plea of no contest, plea of nolo contendere or imposition of adjudicated probation with respect to, any felony or crime involving moral turpitude or Employee's indictment for any felony or crime involving moral turpitude; provided if Employee is terminated following such indictment but is found not guilty or the indictment is dismissed, the termination shall be deemed to be a termination without Cause; (c) Employee's habitual unlawful use (including being under the influence) or possession of illegal drugs on the Company's premises or while performing Employee's duties and responsibilities under this Agreement; (d) Employee's commission at any time of any act of fraud, embezzlement, misappropriation, material misconduct, or breach of fiduciary duty against the Company (or any predecessor thereto or successor thereof); or (e) Employee's material breach of the restrictive covenants in Sections 5 and 6 hereof or any other confidentiality, non-compete or non-solicitation covenant; provided that the Company shall provide Employee with fifteen (15) days prior written notice before any such termination by reason of (a) or (e) (other than to the extent that (a) relates to any fraud or intentional misconduct) with an opportunity to meet with the Board and discuss or cure any such alleged violation.

7.03 Good Reason Defined. Termination of Employee's employment by Employee for any of the following reasons shall be deemed for "Good Reason": (a) a material adverse change in Employee's title or reporting line or material duties, authorities or responsibilities, as determined by the Board (provided, that Employee's title, reporting line or material duties, authorities or responsibilities shall not be deemed to be materially adversely changed solely because the Company (or its successor) is no longer an independently operated public entity or becomes a subsidiary of another entity); (b) a material breach by the Company of any material provision of this Agreement; (c) a material reduction of Employee's Base Salary or benefits or target bonus opportunity (other than such a reduction that is generally consistent with a general reduction affecting the Company's other similarly situated executives); (d) failure by the Company to pay any portion of Employee's earned Base Salary or bonus; or (e) the Company's requiring Employee to be headquartered at any office or location more than 50 miles from Burbank, California, provided that in the case of all the above events, Employee may not resign from his or her employment for Good Reason unless Employee provides the Company written notice within 90 days after the initial occurrence of the event and at least 60 days prior to the date of termination, and the Company has not corrected the event prior to the date of termination.

7.04 Surrender of Records and Property. Upon termination of Employee's employment with the Company for any reason, Employee shall deliver promptly to the Company all records, manuals, books, blank forms, documents, letters, memoranda, notes, notebooks,

reports, data, tables, calculations or copies thereof, which are the property of the Company or any of its affiliates or which relate in any way to the business, products, practices or techniques of the Company or any of its affiliates, and all other property, trade secrets and Confidential Information of the Company or any of its affiliates, including, but not limited to, all documents which in whole or in part contain any trade secrets or Confidential Information of the Company or any of its affiliates, which in any of these cases are in Employee's possession or under Employee's control.

7.05 Payments Upon Termination.

(a) If this Agreement is terminated for any reason set forth in Section 7, then Employee shall be entitled to receive (i) Employee's earned but unpaid Base Salary through the date of the termination, (ii) any accrued and unused vacation or paid time off through the date of termination, (iii) reimbursement of any business expenses incurred in the ordinary course of business through the date of termination that have not yet been reimbursed pursuant to Section 4.05, and (iv) any earned but unpaid bonus pursuant to Section 4.02 for the calendar year prior to termination to the extent not yet paid when due (together, the "Accrued Compensation").

(b) If Employee's employment is terminated pursuant to Section 7.01(a) or (d) (including, without limitation, in connection with a Change in Control) and provided that Employee shall have executed and delivered to the Company a release of claims substantially in the form attached hereto as Exhibit B (the "Release") and any period for rescission of such Release shall have expired without Employee having rescinding such Release, in addition to the Accrued Compensation, Employee shall be entitled to receive the following: (i) an amount equal to continuation of the Base Salary for up to twelve (12) months from the date of termination, payable in equal installments in accordance with the Company's regular payroll practices, (ii) reimbursement, up to a maximum of twelve (12) months, of the Company-paid portion of premium payments, as if Employee had remained an active employee, for any COBRA coverage Employee elects, if any, and (iii) any unvested equity award, whether made before, on, or after the date of this Agreement, (1) that is subject solely to a time-based vesting condition will accelerate and vest as to the portion of such award that would have vested within twelve (12) months of the date of termination as of such date of termination; and (2) that is subject to subsequent performance-based vesting conditions shall be eligible to vest and be settled in accordance with the terms of the applicable award agreement(s) (the "Equity Acceleration").

7.06 Change in Control Definition. For purposes of this Agreement, "Change in Control" shall mean, following the Effective Date, (a) a change in ownership or control of the Company effected through a transaction or series of transactions (other than an offering of common stock or units to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d) (2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (other than the Company or any of its subsidiaries, any employee benefit plan maintained by the Company or any of its subsidiaries, or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company), directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of the Company's securities outstanding immediately after such acquisition; (b) the majority of the members of the Board are replaced during any twelve (12)

month period by directors whose appointment or election is not endorsed by a majority of the Board, as applicable, prior to the date of such appointment or election; or (c) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions.

7.07 Termination on Account of Employee's Death or Disability. Notwithstanding the foregoing, if Employee's employment is terminated pursuant to Section 7.01(e), and provided that Employee or Employee's estate or legal representative shall have executed and delivered to the Company the Release and any period for rescission of such Release shall have expired without Employee having rescinded such Release, in addition to the Accrued Compensation, Employee shall be entitled to receive the Equity Acceleration. For purposes of this Agreement, "Disability" shall mean Employee shall be unable to perform substantially Employee's work duties by reason of a physical or mental disability or infirmity for a period of three (3) consecutive months or a period of six (6) months during any twelve (12) month period, or at such earlier time as Employee submits satisfactory medical evidence that Employee has a physical or mental disability or infirmity which will prevent him from returning to the performance of Employee's work duties for six (6) months or longer; the Company may terminate Employee's employment hereunder by sending written notice of such termination to Employee (at any time after the expiration date of such three (3) or six (6) month period or the submission of such satisfactory medical evidence).

7.08 Mitigation. The amounts set forth in Section 7.05(b) shall be reduced by any amount Employee receives as compensation from a subsequent employer during the severance period (i.e., twelve (12) months from the date of termination) to the extent permitted by applicable law.

7.09 Termination of Offices Held. Upon termination of Employee's employment with the Company for any reason, Employee agrees that Employee shall immediately resign from any offices Employee holds with the Company or any of its affiliates, including any boards of directors or boards of managers, and, at the Company's request, Employee shall execute such documents as are necessary or desirable to effectuate such resignations.

8. Miscellaneous.

8.01 Governing Law: Venue. This Agreement is made under and shall be governed by and construed in accordance with the laws of the State of California, regardless of the laws that might otherwise govern under applicable principles of conflict of law. Any action, suit or other legal proceeding arising under or relating to any provision of this Agreement shall be commenced only in a court of the State of California (or, if appropriate, a federal court located within California), and the Company and the Employee each consents to the jurisdiction of such a court.

8.02 Prior Agreements. This Agreement contains the entire agreement of the parties relating to the subject matter hereof and supersedes all prior agreements, offer letters, understandings, discussions, negotiations and undertakings, whether written or oral, between the parties with respect to such subject matter (including, without limitation, the Prior Agreement),

and the parties hereto have made no agreement, representations or warranties relating to the subject matter of this Agreement which are not set forth herein.

8.03 Withholding Taxes. The Company may withhold from any payments or benefits payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

8.04 Amendments. No amendments or modifications of this Agreement shall be deemed effective unless made in writing and signed by the parties hereto.

8.05 No Waiver. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be an estoppel to enforce any provisions of this Agreement, except by a statement in writing signed by the party against whom enforcement of the waiver or estoppel is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

8.06 Section 409A.

(a) For purposes of this Agreement, “Section 409A” means Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and the Treasury Regulations promulgated thereunder (and such other Treasury or Internal Revenue Service guidance) as in effect from time to time. The parties intend that any amounts payable hereunder that could constitute “deferred compensation” within the meaning of Section 409A will be compliant with Section 409A or exempt from Section 409A. Notwithstanding the foregoing, Employee shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or for the account of Employee in connection with this Agreement (including any taxes and penalties under Section 409A), and neither the Company nor any of its affiliates shall have any obligation to indemnify or otherwise hold Employee (or any beneficiary) harmless from any or all of such taxes or penalties. No provision of this Agreement shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from the Employee or any other individual to the Company or any of its affiliates, employees or agents.

(b) Notwithstanding anything in this Agreement to the contrary, the following special rule shall apply, if and to the extent required by Section 409A, in the event that (i) Employee is deemed to be a “specified employee” within the meaning of Section 409A(a)(2)(B)(i) of the Code, (ii) amounts or benefits under this Agreement or any other program, plan or arrangement of the Company or a controlled group affiliate thereof are due or payable on account of “separation from service” within the meaning of Treasury Regulations Section 1.409A-1(h) and (iii) Employee is employed by a public company or a controlled group affiliate thereof: no payments hereunder that are “deferred compensation” subject to Section 409A shall be made to Employee prior to the date that is six (6) months after the date of Employee’s separation from service or, if earlier, Employee’s date of death; following any applicable six (6) month delay, all such delayed payments will be paid in a single lump sum on the earliest permissible payment date, without interest.

(c) Each payment made under this Agreement (including each separate installment payment in the case of a series of installment payments) shall be deemed to be a separate payment for purposes of Section 409A. Amounts payable under this Agreement shall be deemed not to be a “deferral of compensation” subject to Section 409A to the extent provided in the exceptions in Treasury Regulation Sections 1.409A-1(b)(4) (“short-term deferrals”) and (b)(9) (“separation pay plans,” including the exception under subparagraph (iii)) and other applicable provisions of Section 409A. For purposes of this Agreement, with respect to payments of any amounts that are considered to be “deferred compensation” subject to Section 409A, references to “termination of employment,” “termination,” or words and phrases of similar import, shall be deemed to refer to Employee’s “separation from service” as defined in Section 409A and shall be interpreted and applied in a manner that is consistent with the requirements of Section 409A.

(d) Notwithstanding anything to the contrary in this Agreement, any payment or benefit under this Agreement or otherwise that is exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9)(v)(A) or (C) (relating to certain reimbursements and in-kind benefits) shall be paid or provided to Employee only to the extent that the expenses are not incurred, or the benefits are not provided, beyond the last day of the second calendar year following the calendar year in which Employee’s “separation from service” occurs; and provided further that such expenses are reimbursed no later than the last day of the third calendar year following the calendar year in which Employee’s “separation from service” occurs. To the extent any indemnification payment, expense reimbursement, or the provision of any in-kind benefit is determined to be subject to Section 409A (and not exempt pursuant to the prior sentence or otherwise), the amount of any such indemnification payment or expenses eligible for reimbursement, or the provision of any in-kind benefit, in one calendar year shall not affect the indemnification payment or provision of in-kind benefits or expenses eligible for reimbursement in any other calendar year (except for any lifetime or other aggregate limitation applicable to medical expenses), and in no event shall any indemnification payment or expenses be reimbursed after the last day of the calendar year following the calendar year in which Employee incurred such indemnification payment or expenses, and in no event shall any right to indemnification payment or reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit.

(e) Notwithstanding anything to the contrary in this Agreement, to the extent that any payments due under this Agreement as a result of the Employee’s termination of employment with the Company are subject to the Employee’s execution and delivery and non-revocation of the Release, (i) no such payments shall be made on or prior to the sixtieth (60th) day immediately following Employee’s date of termination (the “Release Period”), (ii) the Company shall deliver the Release to Employee no later than seven (7) days immediately following Employee’s date of termination, (iii) if, as of the Release Expiration Date, Employee has failed to execute the Release or has timely revoked Employee’s acceptance of the Release thereafter, Employee shall not be entitled to any payments or benefits otherwise conditioned on the Release, and (iv) if, as of the Release Expiration Date, Employee has executed the Release and has not revoked Employee’s acceptance of the Release thereafter, any such payments that are delayed pursuant to this Section 8.06(e) shall be paid in a lump sum on the first regularly scheduled payroll date following the expiration of the Release Period, without interest. For purposes of this Section 8.06(e), “Release Expiration Date” shall mean the date that is twenty-

one (21) days following the date upon which the Company timely delivers the Release to Employee, or, in the event that Employee's termination of employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is forty-five (45) days following such delivery date.

8.07 Compensation Recovery Policy. Employee acknowledges and agrees that, to the extent the Company adopts any clawback or similar policy pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise, and any rules and regulations promulgated thereunder, Employee shall take all action necessary or appropriate to comply with such policy (including, without limitation, entering into any further agreements, amendments or policies necessary or appropriate to implement and/or enforce such policy with respect to past, present and future compensation, as appropriate).

8.08 Severability. To the extent any provision of this Agreement shall be invalid or unenforceable, it shall be considered deleted herefrom, and the remainder of such provision and of this Agreement shall be unaffected and shall continue in full force and effect. In furtherance and not in limitation of the foregoing, should the duration or geographical extent of, or business activities covered by, any provision of this Agreement be in excess of that which is valid and enforceable under applicable law, then such provision shall be construed to cover only that duration, extent or activities which may validly and enforceably be covered. Employee acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement be given the construction which renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

8.09 Assignment. The Company may transfer and assign this Agreement and the Company's rights and obligations hereunder to another entity that is substantially comparable to the Company in its financial strength and ability to perform the Company's obligations under this Agreement. After any such assignment by the Company, the Company shall be discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the Company for the purposes of all provisions of this Agreement including this Section 8. Neither this Agreement nor the rights or obligations hereunder of the parties hereto shall be transferable or assignable by Employee, except in accordance with the laws of descent and distribution.

8.10 Injunctive Relief. Employee agrees that it would be difficult to compensate the Company fully for damages for any violation of the provisions of this Agreement, including without limitation the provisions of Sections 5 and 6. Accordingly, Employee specifically agrees that the Company shall be entitled to temporary and permanent injunctive relief to enforce the provisions of this Agreement and that such relief may be granted without the necessity of proving actual damages. This provision with respect to injunctive relief shall not, however, diminish the right of the Company to claim and recover damages in addition to injunctive relief.

8.11 Notices. Any notice, payment, demand or communication required or permitted to be given by the provisions of this Agreement shall be deemed to have been effectively given and received on the date personally delivered to the respective party to whom it

is directed, or five (5) days after the date when deposited by registered or certified mail, with postage and charges prepaid and addressed to such party at its address below its signature. Any party may change its address by delivering a written change of address to all of the other parties in the manner set forth in this Section 8.11.

8.12 Section 280G. Notwithstanding any other provision of this Agreement or any other plan, arrangement, or agreement to the contrary, if any of the payments or benefits provided or to be provided by the Company or its affiliates to Employee or for Employee's benefit pursuant to the terms of this Agreement or otherwise ("Covered Payments") constitute parachute payments within the meaning of Section 280G of the Code (such payments, the "Parachute Payments") and would, but for this Section 8.12, be subject to the excise tax imposed under Section 4999 of the Code (or any successor provision thereto) or any similar tax imposed by state or local law or any interest or penalties with respect to such taxes (collectively, the "Excise Tax"), or not be deductible under Section 280G of the Code, then such Covered Payments shall be reduced to the minimum extent necessary to ensure that no portion of the Covered Payments is subject to the Excise Tax, but only if (i) the net amount of such Covered Payments, as so reduced (and after subtracting the net amount of federal, state and local income and employment taxes on such reduced Covered Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Covered Payments), is greater than or equal to (ii) the net amount of such Covered Payments without such reduction (but after subtracting the net amount of federal, state and local income and employment taxes on such Covered Payments and the amount of the Excise Tax to which Employee would be subject in respect of such unreduced Covered Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Covered Payments). The Covered Payments shall be reduced in a manner that maximizes Employee's economic position. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A, to the extent applicable, and where two or more economically equivalent amounts are subject to reduction but payable at different times, such amounts payable at the later time shall be reduced first but not below zero.

8.13 Counterparts. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

8.14 Employee Acknowledgement. Employee acknowledges that (a) Employee has consulted with or has had the opportunity to consult with independent counsel of Employee's own choice concerning this Agreement, and has been advised to do so by the Company, and (b) that Employee has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on Employee's own judgment.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth in the first paragraph.

FUNKO, INC.

By: /s/ Mike Lunsford

Name: Mike Lunsford

Title: CEO

/s/ Husnal Shah

Husnal Shah

[Signature Page to the Employment Agreement]

Exhibit A

CALIFORNIA LABOR CODE

California Labor Code § 2870. Application of provision providing that employee shall assign or offer to assign rights in invention to employer.

- (a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:
 - (1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
 - (2) Result from any work performed by the employee for the employer.
 - (b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.
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Exhibit B

WAIVER AND RELEASE OF CLAIMS AGREEMENT¹

In exchange for the severance payments and benefits provided to me pursuant to Section []² (collectively, the “Severance Benefits”) of that certain Amended and Restated Employment Agreement, dated as of July 30, 2025, by and among Funko, Inc. (“Company”) and Husnal Shah (the “Employee”) (the “Employment Agreement”), the Employee freely and voluntarily agrees to enter into and be bound by this Waiver and Release of Claims Agreement (this “Release”).

1. **General Release.** The Employee, on Employee’s own behalf and on behalf of Employee’s spouse, child or children (if any), heirs, personal representative, executors, administrators, successors, assigns and anyone else claiming through him (the “Releasers”), hereby releases and discharges forever the Company, and its affiliates, and each of their respective past, present or future parent, affiliated, related, and subsidiary entities and each of their respective past, present or future directors, officers, employees, trustees, agents, attorneys, administrators, plans, plan administrators, insurers, equityholders, members, representatives, predecessors, successors and assigns, and all persons acting by, through, under or in concert with them (hereinafter collectively referred to as the “Released Parties”), from and against all liabilities, claims, demands, liens, causes of action, charges, suits, complaints, grievances, contracts, agreements, promises, obligations, costs, losses, damages, injuries, attorneys’ fees and other legal responsibilities (collectively referred to as “Claims”), of any form whatsoever (whether or not relating to Employee’s employment with the Company), including, but not limited to, any claims in law, equity, contract or tort, claims under any policy, agreement, understanding or promise, written or oral, formal or informal, between the Employee and the Company or any of the other Released Parties, and any claims under the Civil Rights Act of 1866, the Civil Rights Act of 1871, the Civil Rights Act of 1964, the Americans With Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967 (“ADEA”), the Sarbanes-Oxley Act of 2002, the Securities Act of 1933, the Securities Exchange Act of 1934 (the “Exchange Act”), the Employee Retirement Income Security Act of 1974, the Rehabilitation Act of 1973, the Family and Medical Leave Act of 1993, the Genetic Information Nondiscrimination Act of 2008, the Worker Adjustment and Retraining Notification Act of 1988, the Delaware Discrimination in Employment Act, the Delaware Persons with Disabilities Employment Protection Act, the Delaware Whistleblowers’ Protection Act, the Delaware Wage Payment and Collection Act, the Delaware Fair Employment Practices Act, Delaware’s social media law, the Washington Industrial Welfare Act, the Washington Minimum Wage Act, the Washington Wage Payment Act, the Washington Wage Rebate Act, the Washington Law Against Discrimination and the Washington Leave Law, any California state or local laws respecting labor or employment, including but not limited to, the California Fair Employment and Housing Act, Cal. Lab. Code § 12940 et. seq., the California Equal Pay Law, Cal. Lab. Code §§ 1197.5(a), 1199.5, the Moore- Brown-Roberti Family Rights Act of 1991, Cal. Gov’t Code §§ 12945.2, 19702.3, the California WARN Act, § 1400 et. seq., the California False Claims Act, Cal. Gov’t Code § 12650 et. seq.,

¹ Subject to revision for applicable law at time of termination.

² Section reference to be included at time of termination based on specific section being relied upon for termination.

and/or the California Labor Code, as each may have been amended from time to time, or any other federal, state or local statute, regulation, law, rule, ordinance or constitution, or common law, whether known or unknown, unforeseen, unanticipated, unsuspected or latent, that the Employee or any of the Releasers now possess or have a right to, or have at any time heretofore owned or held, or may at any time own or hold by reason of any matter or thing arising from any cause whatsoever prior to the date of execution of this Release, and without limiting the generality of the foregoing, from all claims, demands and causes of action based upon, relating to, or arising out of: (a) the Employment Agreement; (b) the Employee's employment or other relationship with any of the Released Parties or the termination thereof; and (c) the Employee's status as a holder of securities of any of the Released Parties. This Release includes, but is not limited to, all wrongful termination and "constructive discharge" claims, all discrimination claims, all claims relating to any contracts of employment, whether express or implied, any covenant of good faith and fair dealing, whether express or implied, and any tort of any nature. This Release is for any relief, no matter how denominated, including but not limited to wages, back pay, front pay, benefits, compensatory, liquidated or punitive damages and attorneys' fees. The Employee acknowledges and reaffirms Employee's obligations under the Employment Agreement, a signed copy of which is attached hereto as Exhibit A.

The Employee acknowledges that the Employee has been advised of and is familiar with the provisions of California Civil Code § 1542, which states: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, WHICH IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY." The Employee expressly waives and releases any and all rights that the Employee may have under California Civil Code § 1542 as well as under any other statutes or common law principles of similar effect, to the fullest extent the Employee may do so lawfully.

2. Covenant Not To Sue. The Employee represents and covenants that Employee has not filed, initiated or caused to be filed or initiated any Claim, charge, suit, complaint, grievance, action, cause of action or proceeding against the Company or any of other the Released Parties. Except to the extent that such waiver is precluded by law, the Employee further promises and agrees that Employee will not file, initiate or cause to be filed or initiated any Claim, charge, suit, complaint, grievance, action, cause of action or proceeding based upon, arising out of or relating to any Claim released hereunder, nor shall the Employee participate, assist or cooperate in any Claim, charge, suit, complaint, grievance, action, cause of action or proceeding regarding any of the Released Parties relating to any Claims released hereunder, whether before a court or administrative agency or otherwise, unless required to do so by law.

3. Exclusions. Notwithstanding the foregoing, the Employee does not release or waive (i) Employee's rights to receive the Severance Benefits, (ii) any right or claim that may not be released by private agreement or as a matter of law, (iii) the Employee's right to apply for unemployment compensation or workers compensation, or (iv) claims for indemnification under California Labor Code § 2802. In addition, this Release will not prevent the Employee from (i) filing a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission

("Government Agencies") or (ii) reporting possible violations of federal law or regulation to, otherwise communicating with or participating in any investigation or proceeding that may be conducted by, or providing documents and other information, without notice to the Company, to, any Governmental Agency or entity, including in accordance with the provisions of and rules promulgated under Section 21F of the Exchange Act or Section 806 of the Sarbanes-Oxley Act of 2002, as each may have been amended from time to time, or any other whistleblower protection provisions of state or federal law or regulation. This Agreement does not limit Employee's right to receive an award for information provided to any Government Agencies; provided, however, that the Employee acknowledges and agrees that any Claim by him, or brought on Employee's behalf, for damages in connection with such a charge or investigation filed with the Equal Employment Opportunity Commission would be and hereby is barred. In addition, this Release will not prevent the Employee from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that Employee has reason to believe is unlawful.

4. No Assignment. The Employee represents and warrants that Employee has made no assignment or other transfer, and covenants that Employee will make no assignment or other transfer, of any interest in any Claim that Employee may have against any of the Released Parties.

5. Indemnification of Released Parties. The Employee agrees to indemnify and hold harmless the Released Parties, and each of them, against any loss, claim, demand, damage, expenses or any other liability whatsoever, including reasonable attorneys' fees and costs, resulting from: (i) any breach of this Release by Employee or Employee's successors in interest; (ii) any assignment or transfer, or attempted assignment or transfer, of any Claims released hereunder; or (iii) any action or proceeding brought by Employee or Employee's successors in interest, if such action or proceeding arises out of, is based upon, or is related to any Claims released hereunder. This indemnity does not require payment as a condition precedent to recovery by any of the Released Parties.

6. Acknowledgments. The Company is herein advising Employee to consult with an attorney before executing this Release. The Employee agrees that Employee has had the opportunity to consult with counsel, if Employee chose to do so, and that the Employee has had a sufficient and reasonable amount of time to read and consider this Release before executing it. The Employee acknowledges that Employee is responsible for any costs and fees resulting from Employee's attorney reviewing this Release. The Employee agrees that Employee has carefully read this Release and knows its contents, and that Employee signs this Release voluntarily, with a full understanding of its significance, and intending to be bound by its terms. The Employee acknowledges that the provision of the Severance Benefits is in exchange in material part for the promises in the Release, and that, but for Employee's execution of this Release, Employee would not be entitled to receive the Severance Benefits. The Employee further acknowledges that the provision of the Severance Benefits does not constitute an admission by the Released Parties of liability or of violation of any applicable law or regulation.

7. ADEA Provisions. The Employee understands that this Release includes a release of claims arising under the ADEA. The Employee acknowledges and agrees that Employee has had at least 21 days after the date of Employee's receipt of this Release (such period, the

“Consideration Period”) to review this Release and consider its terms before signing this Release and that the Consideration Period will not be affected or extended by any changes, whether material or immaterial, that might be made to this Release. The Employee further acknowledges and agrees that Employee understands that Employee may use as much or all of such 21-day period as Employee wishes before signing, and warrants that Employee has done so. The Employee may revoke and cancel this Release in writing at any time within seven days after Employee’s execution of this Release (such seven-day period, the “Revocation Period”). In order to revoke this Release, Employee must provide written notice of revocation to the Company (i) in person, by hand to Sarah Martinez at 2802 Wetmore Avenue, Everett, WA 98201, by no later than the 7th day after the date on which Employee signs this Release, (ii) by email to Sarah Martinez at sarah.martinez@funko.com by no later than the 7th day after the date on which Employee signs this Release, or (iii) by mail, postmarked within the 7-day period after the date on which Employee signs the Release, properly addressed to Sarah Martinez at 2802 Wetmore Avenue, Everett, WA 98201; *provided, however*, Employee will not receive any Severance Benefits if Employee exercises Employee’s right to revoke Release. This Release shall not become effective and enforceable until after the expiration of the Revocation Period; after such time, if there has been no revocation, this Release shall immediately be fully effective and enforceable.

8. Consequences of Breach or Revocation. The Employee agrees that, notwithstanding anything to the contrary in this Release, in the event that Employee breaches any of the terms of the Release, or revokes the Release pursuant to Section 7, Employee shall forfeit the Severance Benefits and reimburse the Company for any portion of the Severance Benefits that have already been paid, and, in the event of such a breach, Employee shall reimburse the Company for any expenses or damages incurred as a result of such breach.

9. Severability. If any provision of the Release is declared invalid or unenforceable, the remaining portions of the Release shall not be affected thereby and shall be enforced.

10. Governing Law: Venue. This Agreement is made under and shall be governed by and construed in accordance with the laws of the State of California. Any action, suit or other legal proceeding arising under or relating to any provision of this Release shall be commenced only in a court of the State of California (or, if appropriate, a federal court located within California), and the Company and the Employee each consents to the jurisdiction of such a court.

IN WITNESS WHEREOF, the undersigned has signed and executed this Release on the date set forth below as an expression of Employee's intent to be bound by the foregoing terms of this Release.

Date: _____

FUNKO, INC.
2017 INCENTIVE AWARD PLAN

PERFORMANCE STOCK UNIT AWARD GRANT NOTICE

Funko, Inc., a Delaware corporation (the “Company”), pursuant to its 2017 Incentive Award Plan, as amended from time to time (the “Plan”), hereby grants to the holder listed below (the “Participant”), an award of performance-based restricted stock units (“Performance Stock Units” or “PSUs”). Each vested Performance Stock Unit represents the right to receive, in accordance with the Performance Stock Unit Award Agreement attached hereto as Exhibit A (the “Agreement”), a number of shares of Common Stock (each, a “Share”) based on the Company’s achievement of certain performance goals over the applicable performance period. This award of Performance Stock Units is subject to all of the terms and conditions set forth herein and in the Agreement and the Plan, each of which are incorporated herein by reference. Unless otherwise defined in this Performance Stock Unit Award Grant Notice (the “Grant Notice”), including Exhibit B attached hereto, and the Agreement, capitalized terms shall have the defined meanings set forth in the Plan.

Participant: #####PARTICIPANT NAME###

Grant Date: #####GRANT DATE###

Number of PSUs: #####GRANTED###

Vesting Schedule: Subject to Section 2.5 of the Agreement, the PSUs shall vest as provided in Exhibit B.

By Participant’s acceptance hereof (whether written, electronic or otherwise), Participant agrees, to the fullest extent permitted by law, that in lieu of receiving documents in paper format, Participant accepts the electronic delivery of any documents the Company, or any third party involved in administering the Plan which the Company may designate, may deliver in connection with this grant (including the Plan, this Grant Notice, the Agreement, account statements, or other communications or information) whether via the Company’s intranet or the Internet site of such third party or via email or such other means of electronic delivery specified by the Company.

By Participant’s acceptance hereof (whether written, electronic or otherwise), Participant and the Company agree that the PSUs are granted under and governed by the terms and conditions of the Plan, this Grant Notice and the Agreement.

FUNKO, INC.:

PARTICIPANT:

By: /s/ Tracy Daw

By: #####SIGNATURE###

Print Name: Tracy Daw

Print Name: #####FULLNAME###

Title: Chief Legal Officer

Address: C/O Funko, Inc,
2802 Wetmore Ave, Everett, WA,
98201

Address: #####HOMEADDRESS###

EXHIBIT A
TO PERFORMANCE STOCK UNIT AWARD GRANT NOTICE

PERFORMANCE STOCK UNIT AWARD AGREEMENT

Pursuant to the Performance Stock Unit Award Grant Notice (the “Grant Notice”) to which this Performance Stock Unit Award Agreement (this “Agreement”) is attached, Funko, Inc., a Delaware corporation (the “Company”), has granted to the Participant the number of performance stock units (“Performance Stock Units” or “PSUs”) set forth in the Grant Notice under the Company’s 2017 Incentive Award Plan, as amended from time to time (the “Plan”). Each Performance Stock Unit represents the right to receive a number of shares of Common Stock (each, a “Share”) based on the Company’s achievement of certain performance goals. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and Grant Notice.

ARTICLE I.

GENERAL

1.1 Incorporation of Terms of Plan. The PSUs are subject to the terms and conditions of the Plan and Grant Notice, each of which are incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement or the Grant Notice, the terms of the Plan shall control.

ARTICLE II.

GRANT OF PERFORMANCE STOCK UNITS

2.1 Grant of PSUs. Pursuant to the Grant Notice and upon the terms and conditions set forth in the Plan and this Agreement, effective as of the Grant Date set forth in the Grant Notice, the Company hereby grants to the Participant an award of PSUs under the Plan in consideration of the Participant’s past and/or continued employment with or service to the Company or any Subsidiaries and for other good and valuable consideration.

2.2 Unsecured Obligation to PSUs. Each PSU constitutes the right to receive a number of Shares upon vesting, as determined in accordance with Section 2.3 and 2.6 below. Unless and until the PSUs have vested in the manner set forth in Article 2 hereof, the Participant will have no right to receive Common Stock under any such PSUs. Prior to actual payment of any vested PSUs, such PSUs will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

2.3 Vesting Schedule. Subject to Section 2.5 hereof, the PSUs shall vest and become non-forfeitable with respect to the applicable portion thereof in accordance with Exhibit B attached to the Grant Notice.

2.4 Consideration to the Company. In consideration of the grant of the award of PSUs pursuant hereto, the Participant agrees to render faithful and efficient services to the Company or any Subsidiary.

2.5 Forfeiture, Termination and Cancellation.

(a) Except as may be otherwise provided by the Administrator or as set forth in that certain Employment Agreement effective September 1, 2025, between the Participant and the Company (the “Employment Agreement”), upon Participant’s Termination of Service for any or no reason, all Performance Stock Units which have not vested prior to or in connection with such Termination of Service shall thereupon automatically be forfeited, terminated and cancelled as of the applicable date of the Termination of Service without payment of any consideration by the Company, and the Participant, or the Participant’s beneficiary or personal representative, as the case may be, shall have no further rights hereunder.

2.6 Settlement upon Vesting.

(a) As soon as administratively practicable following the vesting of any Performance Stock Units pursuant to Section 2.3 and Section 2.5 hereof, but in no event later than 60 days following the applicable Vesting Date, the Company shall deliver to the Participant (or any transferee permitted under Section 3.2 hereof) a number of Shares equal to the number of vested PSUs as determined in accordance with Exhibit B. Notwithstanding the foregoing, in the event Shares cannot be issued pursuant to Section 11.4 of the Plan, the Shares shall be issued pursuant to the preceding sentence as soon as administratively practicable after the Administrator determines that Shares can again be issued in accordance with such Section 11.4.

(b) As set forth in Section 11.2 of the Plan, the Company shall have the authority and the right to deduct or withhold, or to require the Participant to remit to the Company, an amount sufficient to satisfy all applicable federal, state, local and foreign income and payroll taxes required by law to be withheld with respect to any taxable event arising in connection with the Performance Stock Units based on the maximum statutory withholding rates applicable to supplemental taxable income. The Company shall not be obligated to deliver any Shares to the Participant or the Participant’s legal representative unless and until the Participant or the Participant’s legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes applicable to the taxable income of the Participant resulting from the grant or vesting of the Performance Stock Units or the issuance of Shares.

2.7 Conditions to Delivery of Shares. The Shares deliverable hereunder may be either previously authorized but unissued Shares, treasury Shares or issued Shares which have then been reacquired by the Company. Such Shares shall be fully paid and nonassessable. The Company shall not be required to issue Shares deliverable hereunder prior to fulfillment of the conditions set forth in Section 11.4 of the Plan.

2.8 Rights as Stockholder. The holder of the PSUs shall not be, nor have any of the rights or privileges of, a stockholder of the Company, including, without limitation, voting rights and rights to dividends, in respect of the PSUs and any Shares underlying the PSUs and deliverable hereunder unless and until such Shares shall have been issued by the Company and held of record by such holder (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 13.2 of the Plan.

ARTICLE III. OTHER PROVISIONS

3.1 Administration. The Administrator shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon the Participant, the Company and all other interested persons. No member of the Administrator or the Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, this Agreement or the PSUs.

3.2 PSUs Not Transferable. The PSUs shall be subject to the restrictions on transferability set forth in Section 11.3 of the Plan.

3.3 Tax Consultation. The Participant represents that the Company has not provided the Participant with any tax advice in connection with the PSUs and that the Participant is not relying on the Company for any tax advice in connection with the PSUs.

3.4 Binding Agreement. Subject to the limitation on the transferability of the PSUs contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

3.5 Adjustments Upon Specified Events. The Participant acknowledges that the PSUs are subject to adjustment, modification and termination in certain events as provided in this Agreement and Section 13.2 of the Plan.

3.6 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to the Participant shall be addressed to the Participant at the Participant's last address reflected on the Company's records. By a notice given pursuant to this Section 3.6, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

3.7 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

3.8 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

3.9 Conformity to Securities Laws. The Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any other Applicable Law. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the PSUs are granted, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such Applicable Law.

3.10 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board; *provided, however*, that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the PSUs in any material way without the prior written consent of the Participant.

3.11 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth in Section 3.2 hereof, this Agreement shall be binding upon the Participant and his or her heirs, executors, administrators, successors and assigns.

3.12 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if the Participant is subject to Section 16 of the Exchange Act, then the Plan, the PSUs and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

3.13 Not a Contract of Service Relationship. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of the Company or any of its Subsidiaries or interfere with or restrict in any way with the right of the Company or any of its Subsidiaries, which rights are hereby expressly reserved, to discharge or to terminate for any reason whatsoever, with or without cause, the services of the Participant's at any time.

3.14 Section 409A. This Award is not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, "Section 409A"). However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

3.15 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. The Participant shall have only the rights of a general unsecured creditor of the Company and its Subsidiaries with respect to amounts credited and benefits payable, if any, with respect to the PSUs, and rights no greater than the right to receive the Common Stock as a general unsecured creditor with respect to PSUs, as and when payable hereunder.

Exhibit B
VESTING SCHEDULE

1. **Definitions.**

(a) “Change in Control” shall have the meaning given to such term in the Company’s 2024 Inducement Award Plan, as amended from time to time.

(b) “Performance Period” means the period beginning on September 1, 2025 and ending on September 1, 2032.

(c) “Stock Price” shall mean the average of the closing market prices of a Share on the Nasdaq Stock Market for any forty-five (45) consecutive trading day-period commencing during the Performance Period and ending on or prior to the final day of the Performance Period. For purposes of the foregoing, if there is no trading in Shares on a trading day during any forty-five (45) consecutive trading day-period, the per-Share closing price on such date shall be deemed to be the per-Share closing price on the most recent date prior to such trading date on which trading in the Shares occurred.

2. **Vesting.** Subject to Section 3, the PSUs will be earned and vest during the Performance Period based on the satisfaction of a time-based vesting schedule and/or the Company’s achievement of the applicable Stock Price Hurdle(s) as set forth below (each, a “Tranche”)(any PSUs which are so earned and vested, the “Vested PSUs”), subject to Participant’s continued employment or service through the applicable Vesting Date (as defined below). The Tranches represent the incremental number of PSUs that will become Vested PSUs upon the achievement of the applicable service-based requirement(s) and/or Stock Price Hurdle(s).

TRANCHE	PSUS THAT ARE ELIGIBLE TO VEST
Tranche 1 PSUs	250,000
Tranche 2 PSUs	250,000
Tranche 3 PSUs	250,000

(a) **Tranche 1 PSUs.** The Tranche 1 PSUs will vest as to 1/3 of the Tranche 1 PSUs in three equal annual installments on each of the first three anniversaries of September 1, 2025, subject to Participant’s continued employment or service through the applicable vesting date (each such vesting date, a “Time-Vesting Date”).

(b) Tranche 2 PSUs and Tranche 3 PSUs. Subject to Section 3, the Tranche 2 PSUs and Tranche 3 PSUs shall become Vested PSUs and vest on the date the Stock Price first equals or exceeds the corresponding Stock Price Hurdle set forth opposite such Tranche in the table below during the Performance Period (each such date, the “Stock Price Vesting Date” and together with each Time-Vesting Date, the “Vesting Dates”). With respect to each of the Tranche 2 PSUs and the Tranche 3 PSUs, the Administrator shall determine in its sole discretion whether the applicable Stock Price Hurdle has been achieved or exceeded. For the avoidance of doubt, with respect to each of the Tranche 2 PSUs and the Tranche 3 PSUs, the applicable Stock Price Hurdle must be achieved during the Performance Period in order for such Tranche to be eligible to vest (and no linear interpolation will be applied if the Stock Price falls between the two Stock Price Hurdles).

TRANCHE	STOCK PRICE HURDLE
Tranche 2	\$8.00 per share
Tranche 3	\$20.00 per share

In the event of any transaction or event described in Section 13.2(a) of the Plan or an Equity Restructuring, the Stock Price Hurdles set forth above shall be equitably adjusted as determined by the Administrator. For the avoidance of doubt, (i) each Stock Price Hurdle may be achieved only once during the Performance Period and (ii) more than one Stock Price Hurdle may be achieved on a particular date. Any Tranches for which the Stock Price Hurdle has not been met prior to the expiration of the Performance Period shall thereupon be automatically forfeited.

Any Shares issuable with respect to the Vested PSUs will be distributed to the Participant in accordance with Section 2.6 of the Agreement.

3.Change in Control. Notwithstanding the foregoing, in the event a Change in Control occurs during the Performance Period and the Stock Price Hurdle has not been achieved with respect to either the Tranche 2 PSUs or the Tranche 3 PSUs prior to the date of such Change in Control, the Stock Price shall be deemed to be the price received by holders of Common Stock in connection with such Change in Control for each share of Common Stock held on the date of such Change in Control, as determined by the Administrator (the “Change in Control Price”). If the Change in Control Price equals or exceeds the applicable Stock Price Hurdle, the Stock Price Hurdle shall be deemed achieved as of the date of the Change in Control and the corresponding Tranche of PSUs shall become Vested PSUs, subject to Participant’s continued employment or service through the Change in Control date. Any Tranche(s) for which the Stock Price Hurdle has not been met or that does not otherwise vest pursuant to this paragraph shall thereupon be automatically forfeited; provided that if any portion of the Tranche 1 PSUs remain unvested as of such Change in Control, such Tranche 1 PSUs shall be treated in accordance with the Employment Agreement or as determined by the Board pursuant to the definitive documentation in connection with such Change in Control, as applicable.

CERTIFICATION

I, Josh Simon, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 6, 2025

/s/ Josh Simon

Josh Simon

Chief Executive Officer

CERTIFICATION

I, Yves Le Pendeven, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 6, 2025

/s/ Yves Le Pendeven

Yves Le Pendeven
Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this Quarterly Report on Form 10-Q of Funko, Inc. (the "Company") for the period ended September 30, 2025 (the "Report"), I, Josh Simon, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Date: November 6, 2025

/s/ Josh Simon

Josh Simon

Chief Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with this Quarterly Report on Form 10-Q of Funko, Inc. (the "Company") for the period ended September 30, 2025 (the "Report"), I, Yves Le Pendeven, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Date: November 6, 2025

/s/ Yves Le Pendeven

Yves Le Pendeven
Chief Financial Officer