

# PURPLE INNOVATION, INC.

## **FORM 10-Q** (Quarterly Report)

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 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 MARCH 31, 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: 001-37523



PURPLE INNOVATION, INC.  
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

47-4078206

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

4100 NORTH CHAPEL RIDGE ROAD SUITE 200  
LEHI, UTAH

(Address of principal executive offices)

84043

(Zip Code)

Registrant's telephone number, including area code: (801) 756-2600

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, par value \$0.0001 per share	PRPL	The NASDAQ Stock Market LLC
Preferred Stock Purchase Rights	N/A	The NASDAQ Stock Market LLC

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

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

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

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

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

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

As of May 2, 2025, 108,221,494 shares of the registrant's Class A common stock, \$0.0001 par value per share, and 164,982 shares of the registrant's Class B

common stock, \$0.0001 par value per share, were outstanding.


**PURPLE INNOVATION, INC.**  
**QUARTERLY REPORT ON FORM 10-Q**

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# PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

### PURPLE INNOVATION, INC. Condensed Consolidated Balance Sheets (unaudited – in thousands, except for par value)

	March 31, 2025	December 31, 2024
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 21,627	\$ 29,011
Accounts receivable, net	24,388	33,057
Inventories	60,177	56,863
Prepaid expenses	5,582	6,023
Other current assets	1,627	1,414
Total current assets	113,401	126,368
Property and equipment, net	90,433	93,874
Operating lease right-of-use assets	77,817	75,516
Intangible assets, net	8,215	8,890
Other long-term assets	3,906	3,197
Total assets	\$ 293,772	\$ 307,845
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 32,356	\$ 40,639
Accrued compensation	7,445	9,415
Customer prepayments	3,726	6,411
Accrued rebates and allowances	6,159	10,013
Accrued warranty liabilities – current portion	7,351	6,114
Operating lease obligations – current portion	15,904	15,661
Other current liabilities	10,672	12,750
Total current liabilities	83,613	101,003
Related party debt	72,737	55,394
Accrued warranty liabilities, net of current portion	24,367	26,091
Operating lease obligations, net of current portion	88,281	87,072
Warrant liabilities	21,414	16,067
Other long-term liabilities	2,030	2,009
Total liabilities	292,442	287,636
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Class A common stock; \$0.0001 par value, 210,000 shares authorized; 107,955 issued and outstanding at March 31, 2025 and 107,545 issued and outstanding at December 31, 2024	11	11
Class B common stock; \$0.0001 par value, 90,000 shares authorized; 165 issued and outstanding at March 31, 2025 and at December 31, 2024	—	—
Additional paid-in capital	594,332	594,053
Accumulated deficit	(593,003)	(573,866)
Total stockholders' equity attributable to Purple Innovation, Inc.	1,340	20,198
Noncontrolling interest	(10)	11
Total stockholders' equity	1,330	20,209
Total liabilities and stockholders' equity	\$ 293,772	\$ 307,845

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

**PURPLE INNOVATION, INC.**  
**Condensed Consolidated Statements of Operations**  
(unaudited – in thousands, except per share amounts)

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
Revenues, net	\$ 104,171	\$ 120,033
Cost of revenues:		
Cost of revenues	62,207	78,313
Cost of revenues - restructuring related charges	918	—
Total cost of revenues	<u>63,125</u>	<u>78,313</u>
Gross profit	41,046	41,720
Operating expenses:		
Marketing and sales	36,626	41,462
General and administrative	14,487	19,728
Research and development	2,452	3,666
Restructuring, impairment and other related charges	1,960	—
Total operating expenses	<u>55,525</u>	<u>64,856</u>
Operating loss	<u>(14,479)</u>	<u>(23,136)</u>
Other income (expense):		
Interest expense	(4,764)	(4,474)
Other income, net	69	4,394
Gain (loss) on extinguishment of debt	—	(3,394)
Change in fair value – warrant liabilities	49	(23,599)
Total other income (expense), net	<u>(4,646)</u>	<u>(27,073)</u>
Net loss before income taxes	(19,125)	(50,209)
Income tax expense	(41)	(59)
Net loss	(19,166)	(50,268)
Net loss attributable to noncontrolling interest	(29)	(51)
Net loss attributable to Purple Innovation, Inc.	<u>\$ (19,137)</u>	<u>\$ (50,217)</u>
Net loss per share:		
Basic	<u>\$ (0.18)</u>	<u>\$ (0.47)</u>
Diluted	<u>\$ (0.18)</u>	<u>\$ (0.47)</u>
Weighted average common shares outstanding:		
Basic	<u>107,596</u>	<u>106,022</u>
Diluted	<u>107,596</u>	<u>106,022</u>

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

**PURPLE INNOVATION, INC.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**(unaudited – in thousands)**

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Par Value	Shares	Par Value					
<b>Balance – December 31, 2024</b>	107,545	\$ 11	165	\$ —	\$ 594,053	\$ (573,866)	\$ 20,198	\$ 11	\$ 20,209
Net loss	—	—	—	—	—	(19,137)	(19,137)	(29)	(19,166)
Stock-based compensation	—	—	—	—	368	—	368	—	368
Issuance of stock under equity compensation plans	410	—	—	—	(81)	—	(81)	—	(81)
Impact of transactions affecting NCI	—	—	—	—	(8)	—	(8)	8	—
<b>Balance – March 31, 2025</b>	107,955	\$ 11	165	\$ —	\$ 594,332	\$ (593,003)	\$ 1,340	\$ (10)	\$ 1,330

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Par Value	Shares	Par Value					
<b>Balance – December 31, 2023</b>	105,507	\$ 11	205	\$ —	\$ 591,380	\$ (475,969)	\$ 115,422	\$ 185	\$ 115,607
Net loss	—	—	—	—	—	(50,217)	(50,217)	(51)	(50,268)
Stock-based compensation	—	—	—	—	492	—	492	—	492
Issuance of stock for Intellibed acquisition	1,500	—	—	—	—	—	—	—	—
Issuance of stock under equity compensation plans	473	—	—	—	(115)	—	(115)	—	(115)
Impact of transactions affecting NCI	—	—	—	—	(33)	—	(33)	33	—
<b>Balance – March 31, 2024</b>	107,480	\$ 11	205	\$ —	\$ 591,724	\$ (526,186)	\$ 65,549	\$ 167	\$ 65,716

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

**PURPLE INNOVATION, INC.**  
**Condensed Consolidated Statements of Cash Flows**  
(unaudited – in thousands)

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
Cash flows from operating activities:		
Net loss	\$ (19,166)	\$ (50,268)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,050	6,382
Non-cash interest	2,120	1,563
Paid-in-kind interest	2,789	1,850
Non-cash restructuring, impairment and other related charges	635	—
Loss on extinguishment of debt	—	3,394
Loss on disposal of property and equipment	88	112
Change in fair value – warrant liabilities	(49)	23,599
Stock-based compensation	368	492
Changes in operating assets and liabilities:		
Accounts receivable	8,669	10,060
Inventories	(3,314)	(5,150)
Prepaid expenses and other assets	2,229	66
Operating leases, net	(848)	(209)
Accounts payable	(9,701)	(7,043)
Accrued compensation	(1,970)	4,724
Customer prepayments	(2,685)	(1,724)
Accrued rebates and allowances	(3,854)	(4,717)
Accrued warranty liabilities	(487)	368
Other accrued liabilities	(2,944)	(313)
Net cash used in operating activities	<u>(23,070)</u>	<u>(16,814)</u>
Cash flows from investing activities:		
Sale of property and equipment	258	—
Purchase of property and equipment	(2,241)	(3,038)
Investment in intangible assets	(161)	(62)
Net cash used in investing activities	<u>(2,144)</u>	<u>(3,100)</u>
Cash flows from financing activities:		
Proceeds from related party loan	19,000	61,000
Payments on term loan	—	(25,000)
Payments on revolving line of credit	—	(5,000)
Payments for debt issuance costs	(1,170)	(3,466)
Net cash provided by financing activities	<u>17,830</u>	<u>27,534</u>
Net increase (decrease) in cash and cash equivalents	(7,384)	7,620
Cash and cash equivalents, beginning of the year	29,011	26,857
Cash and cash equivalents, end of the period	<u>\$ 21,627</u>	<u>\$ 34,477</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest, net of amounts capitalized	<u>\$ 39</u>	<u>\$ 410</u>
Cash paid during the period for income taxes	<u>\$ 28</u>	<u>\$ 46</u>
Supplemental schedule of non-cash investing and financing activities:		
Property and equipment included in accounts payable	<u>\$ 459</u>	<u>\$ 392</u>
Warrants issued	<u>\$ 5,396</u>	<u>\$ 19,571</u>
Amendment fee added to principal of loan	<u>\$ 978</u>	<u>\$ —</u>

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



**PURPLE INNOVATION, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**1. Organization**

The mission of Purple Innovation, Inc. (the “Company” or “Purple Inc.”) is to deliver the greatest sleep ever invented.

The Company, collectively with its subsidiary Purple Innovation, LLC (“Purple LLC”) is an omni-channel Company that began as a digitally-native vertical brand founded on comfort product innovation with premium offerings, and have since expanded into brick & mortar stores as a true omni-channel brand. The Company offers a variety of innovative, branded and premium comfort products, including mattresses, pillows, cushions, bases, sheets and other products. The Company markets and sells its products through its direct-to-consumer e-commerce channels, retail brick-and-mortar wholesale partners, Purple showrooms, and third-party online retailers.

The Company was incorporated in Delaware on May 19, 2015, as a special purpose acquisition company under the name of Global Partnership Acquisition Corp (“GPAC”). On February 2, 2018, the Company consummated a transaction structured similar to a reverse recapitalization (the “Business Combination”) pursuant to which the Company acquired a portion of the equity of Purple LLC. At the closing of the Business Combination (the “Closing”), the Company became the sole managing member of Purple LLC, and GPAC was renamed Purple Innovation, Inc.

As the sole managing member of Purple LLC, Purple Inc. through its officers and directors is responsible for all operational and administrative decision making and control of the day-to-day business affairs of Purple LLC without the approval of any other member.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation and Principles of Consolidation***

The unaudited condensed consolidated financial statements include the accounts of Purple Inc., its controlled subsidiary Purple LLC, and Purple LLC’s wholly owned subsidiary Advanced Comfort Technologies, Inc., dba Intellibed (“Intellibed”). All intercompany balances and transactions have been eliminated in consolidation. As of March 31, 2025, Purple Inc. held 99.85% of the common units of Purple LLC and Purple LLC Class B Unit holders held 0.15% of the common units in Purple LLC.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting and reflect the financial position, results of operations and cash flows of the Company. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. As such, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2024. The unaudited condensed consolidated financial statements were prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments (all of which were considered of normal recurring nature) considered necessary to present fairly the Company’s financial results. The results of the three months ended March 31, 2025 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2025 or for any other interim period or other future year.

***Liquidity***

The accompanying financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. In connection with our preparation of our unaudited condensed consolidated financial statements for the three months ended March 31, 2025, the company conducted an evaluation as to whether there were conditions and events, considered in the aggregate, which raised substantial doubt as to its ability to continue as a going concern within one year after the date of the issuance of such financial statements. The Company had cash and cash equivalents of approximately \$21.6 million and an accumulated deficit of \$593.0 million at March 31, 2025, a net loss of \$19.1 million and net cash used in operating and investing activities of \$25.2 million for the three months ended March 31, 2025. The Company entered into the 2025 Amendment and the Second 2025 Amendment, pursuant to which it received an aggregate of \$39.0 million in additional term loan proceeds.

The Company has also taken a number of other actions to increase cash flow. In August 2024, the Company implemented the Restructuring Plan to consolidate manufacturing operations to create efficiencies and cost savings. The Company has realized and plans to continue to realize direct material cost savings through supply chain initiatives and supplier diversification efforts. The Company has taken additional cost-saving initiatives in the first quarter of 2025 to maintain liquidity to support its operations and strategies. Additionally, the Company entered into an agreement with Mattress Firm, Inc. (“Mattress Firm”), a business unit of Somnigroup International, Inc. (“SGI”) to expand its inventory of the Company’s products across SGI’s national store network from approximately 5,000 mattress slots to a minimum of 12,000 mattress slots (see Note 21 — *Subsequent Events*).

Accordingly, the Company concluded that it will have sufficient liquidity to fund its operations for at least one year from the date of this Quarterly Report on Form 10-Q.

Although the Company currently expects its sources of capital to be sufficient to meet its near-term liquidity needs, there can be no assurance that such sources will be sufficient to satisfy its liquidity requirements in the future. If the Company cannot generate or obtain needed funds, it might be forced to make substantial reductions in its operating and capital expenses or pursue restructuring plans, which could adversely affect its business operations and ability to execute its current business strategy.

**PURPLE INNOVATION, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

***Variable Interest Entities***

Purple LLC is a variable interest entity. The Company determined that it is the primary beneficiary of Purple LLC as it is the sole managing member and has the power to direct the activities most significant to Purple LLC's economic performance as well as the obligation to absorb losses and receive benefits that are potentially significant. At March 31, 2025, Purple Inc. had a 99.85% economic interest in Purple LLC and consolidated 100% of Purple LLC's assets, liabilities and results of operations in the Company's unaudited condensed consolidated financial statements contained herein. The holders of Class B Units of Purple LLC ("Class B Units") held 0.15% of the economic interest in Purple LLC as of March 31, 2025. For further discussion see Note 15 — *Stockholders' Equity*.

***Use of Estimates***

The preparation of the unaudited condensed consolidated financial statements in conformity with GAAP requires the Company to establish accounting policies and to make estimates and judgments that affect the reported amounts of assets and liabilities and disclose contingent assets and liabilities as of the date of the unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. The Company regularly makes estimates and assumptions including, but not limited to, estimates that affect revenue recognition, accounts receivable and the allowance for credit losses, valuation of inventories, sales returns, warranty returns, impairment reviews of long-lived assets and definite-lived intangible assets, warrant liabilities, stock based compensation, the recognition and measurement of loss contingencies, the recognition and measurement of restructuring and related charges, estimates of current and deferred income taxes, deferred income tax valuation allowances, and amounts associated with the Company's tax receivable agreement with InnoHold, LLC ("InnoHold"). Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results could differ materially from those estimates.

***Segment Information***

The Company operates in one operating segment. This is consistent with the organizational structure and internal reporting evaluated regularly by the Company's Chief Executive Officer who is our chief operating decision maker ("CODM") when making operational decisions and allocating resources. For additional information regarding the Company's segment reporting, refer to Note 20 — *Segment Information and Concentrations*.

***Recent Accounting Pronouncements***

***Improvements to Income Tax Disclosures***

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU amends existing income tax disclosure guidance, primarily requiring more detailed disclosures for income taxes paid and the effective tax rate reconciliation. This ASU is effective for fiscal years beginning after December 15, 2024, may be applied prospectively or retrospectively, and allows for early adoption. The guidance was effective for the Company as of January 1, 2025 and the new disclosure requirements will be effective in the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 2025. Other than the new disclosure requirements, this guidance is not expected to have an impact on the Company's consolidated financial statements.

***Expense Disaggregation Disclosures***

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures* (Subtopic 220-40): *Disaggregation of Income Statement Expenses*, which requires disclosure of certain costs and expenses on an interim and annual basis in the notes to the consolidated financial statements. The prescribed cost and expense categories requiring disaggregated disclosures include purchases of inventory, employee compensation, depreciation and intangible asset amortization, along with certain other expense disclosures already required by GAAP that would need to be integrated within the new tabular disaggregated expense disclosures. Additionally, the amendments also require the disclosure of total selling expenses and an entity's definition of those expenses. The guidance is effective for annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The guidance is to be applied either (1) prospectively to financial statements issued for reporting periods after the effective date or (2) retrospectively to any or all prior periods presented in the financial statements. The Company is currently evaluating the potential impact this update will have on its expense disclosures in the notes to the consolidated financial statements.

**3. Restructuring, Impairment and Other Related Charges**

In August 2024, the Company initiated a restructuring plan to strategically realign the Company's focus on the achievement of operational efficiencies that are expected to improve profitability and provide for reinvesting in technology and marketing initiatives (the "Restructuring Plan"). The Company's Restructuring Plan includes the permanent closure of its Grantsville and Salt Lake City, Utah manufacturing facilities to consolidate mattress production in its Georgia plant, and a headcount reduction at the Company's Utah headquarters to drive additional operating efficiencies. Closure of the two Utah manufacturing facilities will be completed by the end of the second quarter of 2025 while consolidation into the Georgia facility was finalized in December 2024. The reduction in workforce at the Utah headquarters was completed in August 2024.

**PURPLE INNOVATION, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

The following table summarizes the restructuring, impairment and other related charges the Company recognized through the first quarter of 2025 in the unaudited condensed consolidated statement of operations (in thousands):

	<u>Cost of Revenues</u>	<u>Operating Expenses</u>	<u>Restructuring, Impairment and Other Related Charges</u>	<u>Total</u>
Cash charges:				
Employee-related costs	\$ 241	\$ 942	\$ 3,269	\$ 4,452
Other costs	688	—	1,682	2,370
Total cash charges	<u>929</u>	<u>942</u>	<u>4,951</u>	<u>6,822</u>
Non-cash charges:				
Accelerated depreciation	11,406	—	135	11,541
Inventory write-downs	4,026	—	—	4,026
Write-down of long-lived assets	—	—	5,880	5,880
Impairment of assets	—	—	10,967	10,967
Total non-cash charges	<u>15,432</u>	<u>—</u>	<u>16,982</u>	<u>32,414</u>
Total restructuring, impairment and other related charges	<u>\$ 16,361</u>	<u>\$ 942</u>	<u>\$ 21,933</u>	<u>\$ 39,236</u>

Of the \$39.2 million in costs described above, the Company recognized \$2.9 million of restructuring, impairment and other related charges during the three months ended March 31, 2025.

Accelerated depreciation primarily represents \$11.5 million of increased depreciation expense associated with shortening the useful lives of the production equipment at the two Utah manufacturing facilities that are being closed to reflect the remaining period these assets will remain in service.

The \$5.9 million write-down of long-lived assets represents the write-down to salvage value of other property and equipment located at the two Utah manufacturing facilities that are being closed.

Impairment of assets included impairment charges of \$2.5 million associated with entering into a sublease for the Salt Lake City, Utah manufacturing facility that is being closed and related impairment charges associated with certain leasehold improvements of the property. The fair values of the impaired assets were determined by the Company to be Level 3 under the fair value hierarchy (refer to Note 4— *Fair Value Measurements* for the definition of Level 3 inputs) and were estimated based on internal expertise related to current marketplace conditions and estimated future discounted cash flows. These assets were adjusted to their estimated fair values at the time of impairment. If estimated fair values subsequently decline, the carrying values of the assets will be adjusted accordingly.

Impairment of assets also included the write-off of an \$8.5 million indefinite-lived intangible asset. Initiating the Restructuring Plan was determined to be a triggering event for potential impairment of this asset. As a result of the impairment assessment performed, the Company determined this indefinite-lived intangible asset was impaired and recorded an impairment charge to write off the entire \$8.5 million balance.

The lease for the Company's Grantsville, Utah manufacturing facility included a five-year renewal option that was reasonably certain of being exercised and included in the lease term when the Right of Use ("ROU") asset and lease liability were originally measured. Because of the expected closure of this facility as part of the Restructuring Plan, the renewal option was no longer deemed reasonably certain of being exercised and a reassessment of the lease terms was completed. As a result, the original lease term was shortened and the Company recorded a \$10.5 million reduction to the ROU asset and corresponding lease liability in the 2024 consolidated balance sheet, using the applicable discount rate at the effective date of the reassessment.

**PURPLE INNOVATION, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

The following table summarizes activity for the three months ended March 31, 2025 associated with employee-related and other costs recorded pursuant to the Restructuring Plan, as presented in the indicated line item of the consolidated statement of operations, that will be settled in cash and are included in accounts payable or accrued compensation on the unaudited condensed consolidated balance sheets (in thousands):

Liability balance at December 31, 2024	\$ 993
Employee-related costs – restructuring charges	171
Other costs – restructuring charges	1,154
Cash paid	(1,832)
Liability balance at March 31, 2025	<u>\$ 486</u>

The following table summarizes the estimated restructuring and other related charges associated with the Restructuring Plan to be recognized in the future (in thousands):

	<b>Cost of Revenues</b>	<b>Operating Expenses</b>	<b>Restructuring, Impairment and Other Related Charges</b>	<b>Total</b>
Cash charges	\$ —	\$ —	\$ 1,604	\$ 1,604
Non-cash charges	1,401	—	—	1,401
Total estimated charges to be recognized in future <sup>(a)</sup>	<u>\$ 1,401</u>	<u>\$ —</u>	<u>\$ 1,604</u>	<u>\$ 3,005</u>

(a) These charges include certain estimates that are provisional and include management judgments and assumptions that could change materially as the Company completes the execution of the Restructuring Plan. Actual results may differ from these estimates, and the completion of the plan could result in additional restructuring, impairment or other related charges not reflected above.

**PURPLE INNOVATION, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**4. Fair Value Measurements**

The Company uses the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price, based on the highest and best use of the asset or liability. The levels of the fair value hierarchy are:

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

Level 2—Significant other observable inputs (i.e., quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable, such as interest rate and yield curves, and market-corroborated inputs); and

Level 3—Unobservable inputs in which there is little or no market data, which require the reporting unit to develop its own assumptions.

The classification of fair value measurements within the established three-level hierarchy is based upon the lowest level of input that is significant to the measurements. Financial instruments, although not recorded at fair value on a recurring basis include cash and cash equivalents, receivables, accounts payable and the Company's debt obligations. The carrying amounts of cash and cash equivalents, receivables, accounts payable and accrued expenses approximate fair value because of the short-term nature of these accounts.

The estimated fair value of the Company's debt arrangements is based on Level 2 and Level 3 inputs. Level 2 inputs include observable inputs such as market-based expectations for interest rates, credit risk, volatility, and the contractual terms of debt instruments. The unobservable Level 3 inputs are associated with the required rate of return for the security implied by the March 2025 issuance of debt bundled with warrants, which were valued using a Monte Carlo model. As of March 31, 2025, the estimated fair value of the Company's debt arrangements was \$72.6 million.

The unobservable significant inputs to the valuation model were as follows:

	<b>March 31, 2025</b>
Debt term in years	1.75
Risk free interest rate	3.93%
SOFR interest rate	4.37%
Discount rate	32.50%

The warrant liabilities (see Note 11 — *Warrant Liabilities* for more information) are Level 3 instruments and use internal models to estimate fair value using certain significant unobservable inputs which require determination of relevant inputs and assumptions. Accordingly, changes in these unobservable inputs may have a significant impact on fair value. Such inputs include risk free interest rate, expected average life, expected dividend yield, and expected volatility. These Level 3 liabilities generally decrease (increase) in value based upon an increase (decrease) in risk free interest rate and expected dividend yield. Conversely, the fair value of these Level 3 liabilities generally increase (decrease) in value if the expected average life or expected volatility were to increase (decrease).

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The following table summarizes the Company's total Level 3 liability activity for the three months ended March 31, 2025 (in thousands):

Fair value as of December 31, 2024	\$ 16,067
Initial measurement at time of issuance <sup>(1)</sup>	5,396
Change in valuation inputs <sup>(2)</sup>	(49)
Fair value as of March 31, 2025	<u>\$ 21,414</u>

(1) The Company issued 6.2 million warrants on March 12, 2025. See Note 11 – Warrant Liabilities.

(2) Changes in valuation inputs are recognized as the change in fair value – warrant liabilities in the unaudited condensed consolidated statement of operations.

## 5. Revenue from Contracts with Customers

The Company markets and sells its products through direct-to-consumer e-commerce channels, Purple showrooms, retail brick-and-mortar wholesale partners, and third-party online retailers. Revenue is recognized when the Company satisfies its performance obligations under the contract which involves transferring the promised products to the customer, subject to shipping terms.

### *Disaggregated Revenue*

The Company classifies revenue as either direct-to-consumer (“DTC”) or wholesale revenue. DTC revenues include the e-commerce channel which sells directly to consumers who purchase online, through the contact center, and through online marketplaces and the showrooms channel that sells directly to consumers who purchase at a Purple showroom location. The wholesale channel includes all product sales to the Company's retail brick and mortar and online wholesale partners where consumers make purchases at their retail locations or through their online channels.

The following tables present the Company's revenue disaggregated by sales channel (in thousands):

Sales Category	Three Months Ended March 31,	
	2025	2024
e-commerce	\$ 45,397	\$ 49,474
Showrooms	17,986	16,741
Wholesale	40,788	53,818
Revenues, net	<u>\$ 104,171</u>	<u>\$ 120,033</u>

### *Contract Balances*

Payments for the sale of products through the direct-to-consumer e-commerce channel, Purple showrooms and our contact center are collected at point of sale in advance of shipping the products. The amounts received for unshipped products are recorded as customer prepayments. Customer prepayments totaled \$3.7 million and \$6.4 million at March 31, 2025 and December 31, 2024, respectively. During the three months ended March 31, 2025, the Company recognized all of the revenue that was deferred in customer prepayments at December 31, 2024.

## 6. Inventories

Inventories consisted of the following (in thousands):

	March 31, 2025	December 31, 2024
Raw materials	\$ 16,769	\$ 20,193
Work-in-process	5,624	6,602
Finished goods	37,784	30,068
Inventories	<u>\$ 60,177</u>	<u>\$ 56,863</u>

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**7. Property and Equipment, Net**

Property and equipment, net consisted of the following (in thousands):

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Equipment	\$ 73,418	\$ 70,900
Equipment in progress	11,042	13,130
Leasehold improvements	57,910	57,936
Furniture and fixtures	31,579	32,699
Office equipment	1,638	1,611
Total property and equipment	175,587	176,276
Accumulated depreciation	(85,154)	(82,402)
Property and equipment, net	<u>\$ 90,433</u>	<u>\$ 93,874</u>

Equipment in progress reflects equipment, primarily related to mattress manufacturing, which is being constructed and was not in service at March 31, 2025 or December 31, 2024. Interest capitalized on borrowings during the active construction period of major capital projects totaled \$0.2 million and \$0.4 million during the three months ended March 31, 2025 and 2024, respectively. Depreciation expense was \$4.2 million and \$5.2 million during the three months ended March 31, 2025 and 2024, respectively. Included in depreciation expense for the three months ended March 31, 2025 was \$0.2 million related to accelerated depreciation associated with the Restructuring Plan. See Note 3— *Restructuring and Impairment Charges* for further discussion.

**8. Leases**

The Company leases its manufacturing and distribution facilities, corporate offices, Purple showrooms and certain equipment under non-cancelable operating leases with various expiration dates through 2036. The Company's office and manufacturing leases provide for initial lease terms up to 16 years, while Purple showrooms have initial lease terms of up to 10 years. Certain leases may contain options to extend the term of the original lease. The exercise of lease renewal options is at the Company's discretion. Any lease renewal options are included in the lease term if exercise is reasonably certain at lease commencement. The Company also leases vehicles and other equipment under both operating and finance leases with initial lease terms of three to five years. The ROU asset for finance leases totaled \$0.9 million and \$1.0 million at March 31, 2025 and December 31, 2024, respectively.

The following table presents the Company's lease costs (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
Operating lease costs	\$ 4,780	\$ 4,786
Variable lease costs	1,042	869
Short-term lease costs	42	—
Total lease costs	<u>\$ 5,864</u>	<u>\$ 5,655</u>

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The table below reconciles the undiscounted cash flows for each of the first five years and total remaining years to the operating lease liabilities recorded on the unaudited condensed consolidated balance sheet at March 31, 2025 (in thousands):

2025 (excluding the three months ended March 31, 2025) <sup>(a)</sup>	\$ 15,546
2026	21,982
2027	19,526
2028	19,345
2029	16,635
Thereafter	34,038
Total operating lease payments	127,072
Less – lease payments representing interest	(22,887)
Present value of operating lease payments	<u>\$ 104,185</u>

(a) Amount consists of \$16.4 million of undiscounted cash flows offset by \$0.9 million of tenant improvement allowances which are expected to be fully utilized in fiscal 2025.

As of March 31, 2025 and December 31, 2024, the weighted-average remaining term of operating leases was 6.6 years and 6.8 years, respectively, and the weighted-average discount rate of operating leases was 6.24% and 6.09%, respectively.

The following table provides supplemental information related to the Company's unaudited condensed consolidated statement of cash flows for the three months ended March 31, 2025 and 2024 (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
Cash paid for amounts included in present value of operating lease liabilities <sup>(b)</sup>	\$ 4,099	\$ 3,689
Right-of-use assets obtained in exchange for operating lease liabilities	7,192	—

(b) Operating cash flows paid for operating leases are included within the change in operating leases, net within the unaudited condensed consolidated statement of cash flows offset by non-cash ROU asset amortization and lease liability accretion.

**9. Other Current Liabilities**

Other current liabilities consisted of the following (in thousands):

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Accrued sales returns	\$ 4,563	\$ 6,515
Accrued sales tax and use tax	1,821	2,994
Insurance financing	2,119	1,328
Asset retirement obligation	1,298	1,440
Other	871	473
Total other current liabilities	<u>\$ 10,672</u>	<u>\$ 12,750</u>



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**10. Debt**

Debt consisted of the following (in thousands):

	March 31, 2025	December 31, 2024
Related party loan	\$ 93,446	\$ 70,679
Less: unamortized debt issuance costs	(20,709)	(15,285)
Total debt	72,737	55,394
Current portion of debt and unamortized issuance costs	—	—
Debt, net of current portion	\$ 72,737	\$ 55,394

**2024 Credit Agreement**

On January 23, 2024, Purple LLC, Purple Inc. and Intellibed (collectively, the “Loan Parties”) entered into an amended and restated credit agreement (the “Amended and Restated Credit Agreement”), which amended and restated the then existing term loan agreement (“Term Loan Agreement”), with Coliseum Capital Partners (“CCP”) and other lenders (collectively, the “Lenders”) and Delaware Trust Company, as administrative agent. The Lenders agreed to assume the Loan Parties’ obligations under the Term Loan Agreement and refinance their existing obligations. A term loan in the amount of \$61.0 million (the “Related Party Loan”) was funded by the Lenders that repaid in full the \$25.0 million of term loans outstanding, repaid in full the \$5.0 million of asset based lending loans outstanding, paid fees, premiums and expenses incurred in connection with this transaction, and provided net proceeds to the Company (after payments of outstanding debt, unpaid accrued interest and expenses) equal to approximately \$27.0 million. Interest on the Related Party Loan is payable each month and the principal outstanding matures and is due on December 31, 2026. The Company has elected for interest to be capitalized and added to the principal amount of the loan. The Related Party Loan bears interest at a rate equal to (i) the secured overnight financing rate as administered by the Federal Reserve Bank of New York plus 0.10%, with a floor of 3.5% per annum, plus (ii) 8.25% per annum (or, if Purple LLC elects to pay interest in kind to reduce it cash obligations, 10.25% per annum). Any prepayments of principal on or after August 7, 2024 but before August 7, 2025 are subject to a prepayment penalty of 1.25%, and any prepayments of principal on or after August 7, 2025 are subject to a prepayment penalty of 2.50%. The Loan Parties may request an additional term loan from the Lenders in an aggregate amount not to exceed \$19.0 million on terms requested by them to the extent agreed to by the Lenders at their discretion. The Amended and Restated Credit Agreement also removed restrictions and requirements typically associated with an asset-based loan.

In connection with the Amended and Restated Credit Agreement, the Company issued 20.0 million warrants (the “2024 Warrants”) to the Lenders (see Note 11 – *Warrant Liabilities*) and incurred additional fees and expenses of \$3.5 million that were recorded as debt issuance costs in the first quarter of 2024 and are being amortized over the life of the loan.

The Amended and Restated Credit Agreement granted a security interest to the Lenders in substantially all of the assets (subject to certain limited exceptions) of the Loan Parties to secure the Loan Parties’ loans and other obligations under the Amended and Restated Credit Agreement, including a security interest in the intellectual property owned by the Loan Parties.

The Loan Parties (other than Purple LLC) provided an unconditional guaranty of the payment of all obligations and liabilities of Purple LLC under the Amended and Restated Credit Agreement.

The Amended and Restated Credit Agreement also provides for standard indemnification of the Lenders and contains representations, warranties and certain covenants of the Loan Parties. While any amounts are outstanding under the Amended and Restated Credit Agreement, the Loan Parties are subject to a number of affirmative and negative covenants, including covenants regarding dispositions of property, investments, forming or acquiring subsidiaries, business combinations or acquisitions, incurrence of additional indebtedness and transactions with affiliates, among other customary covenants. The Loan Parties are also restricted from paying dividends or making other distributions or payments on their capital stock, subject to limited exceptions. As of March 31, 2025, the Company was in compliance with all covenants under the Amended and Restated Credit Agreement.

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***2025 Amendment***

On March 12, 2025, the Loan Parties, entered into the First Amendment to the Amended and Restated Credit Agreement (the “2025 Amendment” and the Amended and Restated Credit Agreement as so amended, the “Amended A&R Credit Agreement”) with CCP and Blackwell Partners LLC – Series A (“Blackwell”) (collectively the “2025 Lenders”), which amends the Amended and Restated Credit Agreement. The 2025 Amendment, among other things, provides for an increase in the initial principal amount of the Related Party Loan by \$19.0 million (the “First Incremental Loan”) from an initial Related Party Loan principal amount of \$61.0 million to an initial aggregate principal amount of \$80.0 million, pursuant to Section 2.18 of the Amended and Restated Credit Agreement, and allows the Loan Parties to request one or more additional term loans from the 2025 Lenders in an initial aggregate principal amount not to exceed \$20.0 million on terms to be agreed to by the parties and subject to the approval of the Required Lenders (as defined in the Amended and Restated Credit Agreement). The First Incremental Loan will bear interest at the same rate as the Initial Loan (as defined in the Amended and Restated Credit Agreement), which may be paid in cash or in kind at the Company’s option.

The 2025 Amendment also provides that (i) the First Incremental Loan shall be senior in right of repayment to the Related Party Loan and (ii) in any voluntary or mandatory prepayment in part or in full of the First Incremental Loan for any reason, the Company will be required to pay an amount equal to the greater of (i) the Make-Whole Premium (as defined below) and (ii) 2.50% of the aggregate principal amount of the First Incremental Loan so prepaid, replaced or assigned. The “Make-Whole Premium” is determined as follows: on the date of prepayment, the excess of (A) (x) 100% of the principal amount of such First Incremental Loan, plus (y) the present value at such date of all remaining scheduled interest payments due on such First Incremental Loan from the prepayment date through the maturity date, assuming that all such interest accrues at the Make-Whole Premium Rate (as defined in the 2025 Amendment), computed using a discount rate equal to the Treasury Rate as of such prepayment date plus 50 basis points, over (B) the principal amount of such First Incremental Loan on such prepayment date.

The 2025 Amendment requires prepayment from certain amounts of proceeds received by the Company related to asset dispositions, equity issuances, incurrence of indebtedness, and extraordinary receipts. Additionally, upon an event of default, the 2025 Lenders may declare all or any portion of the term loan then outstanding to be accelerated and due and payable, immediately, including the prepayment premium. The Company determined that these features qualify as a derivative and must be bifurcated from the debt, but such value is de minimis. The Company will reassess whether the derivative has more than a de minimis value at each reporting period.

The 2025 Amendment also includes contingent interest upon an event of default at a rate of 2%. Certain non-credit related factors qualify as a derivative and must be bifurcated from the debt, but such value is de minimis.

In addition, the Company also paid (i) an amendment fee equal to 2% of the outstanding principal and accrued and unpaid interest under the Related Party Loan held by the 2025 Lenders, paid in kind and (ii) a 2% work fee of the initial aggregate principal amount of the First Incremental Loan paid to the 2025 Lenders, deducted from the proceeds at closing. Total fees and expenses of \$2.1 million were recorded as a debt discount upon issuance of the Incremental Loan and are being amortized over the life of the loan.

In connection with the 2025 Amendment, the Company issued to the 2025 Lenders, warrants (the “2025 Warrants”) to purchase 6.2 million shares of the Company’s Class A common stock at a price of \$1.50 per share, subject to certain adjustments (see Note 11 – *Warrant Liabilities*). These 2025 Warrants include full-ratchet anti-dilution protections, subject to a floor of \$0.6979 with respect to adjustments to the exercise price and expire on March 12, 2035. The 2025 Warrants had a fair value of \$5.4 million upon issuance and were recorded as a debt discount upon issuance of the Incremental Loan and is being amortized over the life of the loan.

The 2025 Amendment was evaluated and determined to be a modification of debt as the effective borrowing rate was not reduced, therefore the 2025 Lenders did not grant a concession, and the 2025 Amendment terms were not substantially different from the Amended and Restated Credit Agreement.

The Company has elected to have interest paid-in-kind and added to the principal amount of the loans. Interest expense under the Related Party Loan and First Incremental Loan for the three months ended March 31, 2025 and 2024 consisted of paid-in-kind interest of \$2.8 million and \$1.9 million, respectively and debt issuance cost amortization of \$2.1 million and \$1.5 million, respectively. The effective interest rate was 14.68% and 15.68% for the three months ended March 31, 2025 and 2024, respectively.

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**11. Warrant Liabilities**

On January 23, 2024, in connection with the Amended and Restated Credit Agreement, the Company issued 20.0 million 2024 Warrants to the Lenders and on March 12, 2025, in connection with the 2025 Amendment, the Company issued 6.2 million 2025 Warrants to the 2025 Lenders (collectively, the “Warrants”). Each Warrant entitles the registered holder to purchase one share of the Company’s Class A common stock at a price of \$1.50 per share, subject to adjustment. While the Warrants are exercisable, the Company may call the Warrants for redemption in whole and not in part at any time at a price of \$0.01 per share of Class A common stock issuable upon exercise of the Warrants upon not less than 45 days’ prior written notice of redemption to each holder, provided that this redemption right is only available if the reported last sale price of the Class A common stock equals or exceeds \$24.00 per share on each of 20 trading days within a 30-trading day period ending three business days before the Company sends the notice of redemption to the holders. The Warrants will expire on the 10-year anniversary of issuance, or earlier upon redemption. The holders do not have the rights or privileges of holders of Class A common stock or any voting rights until they exercise their Warrants. After the issuance of shares of Class A common stock upon exercise of the Warrants, each holder will be entitled to one vote for each share of Class A common stock held on all matters to be voted on by stockholders generally. A holder of the Warrants will not have the right to exercise its Warrants, to the extent that after giving effect to such exercise, the holder (together with its affiliates) would beneficially own in excess of 49.9% of the shares of Class A common stock outstanding immediately after giving effect to such exercise. The Warrants contain a repurchase provision which, upon an occurrence of a fundamental transaction as defined in the warrant agreement, could give rise to an obligation of the Company to pay cash to the warrant holders. In addition, other provisions may lead to a reduction in the exercise price of the Warrants. The Company determined the fundamental transaction provisions require the Warrants to be accounted for as a liability at fair value on the date of the transaction, with changes in fair value recognized in earnings in the period of change. As a result, the liability for these Warrants was recorded at fair value on the date of issuance with the offset included in debt issuance costs. This liability is subsequently re-measured to fair value at each reporting date or exercise date with changes in the fair value included in earnings.

The Company used a Monte Carlo Simulation model to determine the fair value of the liability associated with the Warrants. The model used key assumptions and inputs, such as exercise price, fair market value of common stock, risk free interest rate, warrant life, expected volatility and the probability of a warrant re-price event. The following are the assumptions used in calculating fair value of the Warrants:

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Trading price of common stock on measurement date	\$ 0.76	\$ 0.78
Exercise price	\$ 1.50	\$ 1.50
Risk free interest rate	4.09 – 4.14%	4.45%
Warrant life in years	8.82 – 9.95	9.06
Expected volatility	88.0%	88.0%
Expected dividend yield	—	—
Probability of an event causing a warrant re-price	25.0%	25.0%

The Warrants had a fair value of \$21.4 million as of March 31, 2025. The Company recognized a de minimis gain in its unaudited condensed consolidated statement of operations for the three months ended March 31, 2025 related to a net decrease in the fair value of the Warrants outstanding at the end of the period compared to the fair value of the Warrants at issuance date and warrants outstanding at the end of 2024. The Company recorded a loss of \$23.6 million for the three months ended March 31, 2024 related to the increase in fair value of the 2024 Warrants outstanding at the end of the period compared to the fair value of the warrants at issuance date.

**12. Other Long-Term Liabilities**

Other long-term liabilities consist of the following (in thousands):

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Asset retirement obligations	\$ 1,113	\$ 1,098
Other	917	911
<b>Total other long-term liabilities</b>	<b>\$ 2,030</b>	<b>\$ 2,009</b>

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**13. Commitments and Contingencies**

***Warranty Liabilities***

The Company provides a limited warranty on most of the products it sells. The estimated warranty costs associated with products sold through DTC channels are expensed at the time of sale and included in cost of revenues. The estimated warranty return costs associated with products sold through the wholesale channel are recorded at the time of sale and included as an offset to net revenues. Estimates for warranty costs are based on the results of product testing, industry and historical trends and warranty claim rates incurred, and are adjusted for any current or expected trends as appropriate. Actual warranty claim costs could differ from these estimates. The Company regularly assesses and adjusts the estimate of accrued warranty claims by updating claims rates for actual trends and projected claim costs. The Company classifies estimated warranty costs expected to be paid beyond a year as a long-term liability. The Company has accrued \$31.7 million and \$32.2 million in estimated future warranty costs as of March 31, 2025 and December 31, 2024, respectively.

***Chief Executive Officer Cash Bonus Award***

On January 26, 2024, the Company's board of directors (the "Board") approved an amendment to the Chief Executive Officer's employment agreement. Under the amendment, the Company agreed that, among other things, the Chief Executive Officer will be eligible to earn a cash payment of up to \$5.0 million, less tax and other required withholdings, based on the volume weighted average price per share of the Company's Class A common stock on NASDAQ during the period from March 16, 2026 through June 30, 2026 subject to his continued employment with the Company. The amount earned will be payable in quarterly installments commencing with the first payroll period following June 30, 2026. The Company determined the provisions surrounding the future bonus payment require it to be accounted for as a liability at fair value on the date of the transaction, with changes in fair value recognized in earnings in the period of change. The Company recorded a de minimis compensation expense reduction in its unaudited condensed consolidated statement of operations for the three months ended March 31, 2025 and \$0.4 million in compensation expense for three months ended March 31, 2024, related to this future bonus payment.

***Senior Leadership Team Special Recognition Bonus***

On January 26, 2024, the Board unanimously approved a special recognition bonus payment to certain members of the Company's senior leadership team. The bonus was awarded to incentivize retention and continued engagement with the Company during these challenging times in the bedding industry. Each participant is eligible to earn a special recognition bonus payment equal to 15 months of their regular salary. The special recognition bonus payment is paid as follows, subject to the employee's continued employment with the Company: 10% was paid in August 2024, 20% was paid in February 2025, and the remaining 70% is to be paid in August 2025. Related to this bonus payment, the Company recorded a de minimis compensation expense for the three months ended March 31, 2025 and \$0.6 million compensation expense for the three months ended March 31, 2024 in its unaudited condensed consolidated statement of operations.

***Performance Cash Long-Term Incentive Award***

On June 20, 2024, the Board unanimously approved a performance cash long-term incentive award to those employees eligible to participate in the Company's Long-Term Incentive Plan. The incentive award payment is based on a performance goal of the volume weighted average price per share of the Company's Class A common stock on NASDAQ on March 31, 2027. The Company determined the provisions surrounding the performance cash long-term incentive award require it to be accounted for as a liability at fair value at each reporting period, with changes in fair value recognized in earnings in the period of change. The Company recorded a de minimis amount of compensation expense in the unaudited consolidated statement of operations for the three months ended March 31, 2025 related to this future award payment.

***Settlement of Insurance Claim***

In January 2024, the Company received a \$4.3 million payment for partial settlement of a previously filed business interruption claim which was recorded during the first quarter of 2024 as other income, net in the unaudited condensed consolidated statement of operations.

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***Rights of Securities Holders***

On January 23, 2024, in connection with the issuance of the 2024 Warrants, the Company entered into an amended and restated registration rights agreement (the “Registration Rights Agreement”) with holders of the 2024 Warrants (the “2024 Holders”), providing for the registration under the Securities Act of 1933, as amended (the “Securities Act”), of the 2024 Warrants, the shares issuable upon the exercise of the 2024 Warrants and Class A common stock held by the 2024 Holders as of such date (the “Registrable Securities”), subject to customary terms and conditions. The Registration Rights Agreement entitles the 2024 Holders to demand registration of the Registrable Securities and to piggyback on the registration of securities by the Company and other Company security holders. The Company will be responsible for the payment of the 2024 Holders’ expenses in connection with any offering or sale of Registrable Securities by the 2024 Holders, including underwriting discounts or selling commissions, placement agent or broker fees or similar discounts, commissions or fees relating to the sale of certain Registrable Securities. The Registration Rights Agreement provided further that the Company was required to prepare and file with the SEC a registration statement to register the resale of the Registrable Securities. The registration statement filed by the Company on March 21, 2024 registering the Registrable Securities became effective on June 4, 2024.

In connection with the issuance of the 2025 Warrants, on March 12, 2025, the Company entered into a Second Amended and Restated Registration Rights Agreement (the “2025 Registration Rights Agreement”) with CCP, Blackwell, and Coliseum Capital Co-Invest III, L.P., (the “2025 Holders”), providing for the registration under the Securities Act of the 2025 Warrants, the shares issuable upon the exercise of the 2025 Warrants, other warrants held by the 2025 Holders (and shares issuable upon exercise thereof) and the Class A common stock held by the 2025 Holders as of such date (the “2025 Registrable Securities”), subject to customary terms and conditions. The 2025 Registration Rights Agreement entitles the 2025 Holders to demand registration of the 2025 Registrable Securities and also to piggyback on the registration of Company securities by the Company and other Company securityholders. The Company will be responsible for the payment of the 2025 Holders’ expenses in connection with any offering or sale of the 2025 Registrable Securities by the 2025 Holders, including underwriting discounts or selling commissions, placement agent or broker fees or similar discounts, commissions or fees relating to the sale of certain 2025 Registrable Securities.

The 2025 Registration Rights Agreement provides that on or prior to May 30, 2025 if Form S-3 is not then available to the Company, the Company will be required to prepare and file with the SEC pursuant to Rule 415 of the Securities Act a registration statement to register the resale of the Registrable Securities.

***NOL Rights Plan***

On June 27, 2024, the Board approved the adoption of a limited-duration stockholder rights agreement (the “NOL Rights Plan”) with a stated expiration date of June 30, 2025. The Board approved the NOL Rights Plan to protect stockholder value by attempting to safeguard the Company’s ability to use its June 30, 2024 estimated \$238 million of net operating losses (the “Current NOLs”) to reduce potential future federal income tax obligations from becoming substantially limited by future ownership changes in the Company’s common stock under Code Section 382. On October 15, 2024, at a special meeting of stockholders (the “Special Meeting”), the Company’s stockholders ratified the NOL Rights Plan. See Note 15 – *Stockholders’ Equity – NOL Rights Plan* for further discussion of the NOL Rights Plan. On May 6, 2025, the Board approved the early terminated the NOL Rights Plan, effective May 7, 2025.

***NOL Protective Charter Amendment***

To further safeguard the Company’s ability to use its Current NOLs, on July 27, 2024, the Board adopted, and recommended that the Company’s stockholders approve, an amendment to the Company’s Certificate of Incorporation (the “NOL Protective Charter Amendment”) that adds an additional layer of protection of the Current NOLs until June 30, 2025 by voiding certain transfers of common stock that could result in an ownership change under Code Section 382. At the Special Meeting, the Company’s stockholders approved the NOL Protective Charter Amendment. See Note 15 – *Stockholders’ Equity – NOL Protective Charter Amendment* for further discussion of the NOL Protective Charter Amendment.

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***Non-Income Related Taxes***

The U.S. Supreme Court ruling in *South Dakota v. Wayfair, Inc.*, No.17-494, reversed a longstanding precedent that remote sellers are not required to collect state and local sales taxes. The Company cannot predict the effect of these and other attempts to impose sales, income or other taxes on e-commerce. The Company currently collects and reports on sales tax in all states in which it does business. However, the application of existing, new or revised taxes on the Company's business, in particular, sales taxes, value-added tax and similar taxes would likely increase the cost of doing business online and decrease the attractiveness of selling products over the internet. The application of these taxes on the Company's business could also create significant increases in internal costs necessary to capture data and collect and remit taxes. There have been, and will continue to be, substantial ongoing costs associated with complying with the various indirect tax requirements in the numerous markets in which the Company conducts or will conduct business.

***Legal Proceedings***

On December 16, 2022, Purple's founders filed a complaint against Purple Inc. in the Fourth Judicial District Court in the State of Utah. In that suit, the plaintiffs alleged that they each entered into employment agreements with Purple LLC in February 2018. The plaintiffs contended that certain corporate transactions reduced their "ownership interest and voting power in Purple" and that, as a result, they should have continued to be paid a salary when they retired from Purple LLC. The plaintiffs calculated that they were each owed "no less than \$500,000" in unpaid salary. In October 2023, the Court granted Purple Inc.'s motion and ordered that the claims brought by the plaintiffs be dismissed in full, with prejudice. The Court entered a final judgment dismissing the case in January 2024. The plaintiffs have an appeal to the Utah Court of Appeals. After oral arguments, on April 3, 2025 Court of Appeals ordered that the case return to District Court for further fact finding. Purple Inc. has petitioned the Utah Supreme Court to hear the case and affirm dismissal in full. If a hearing is granted by the Utah Supreme Court, the parties would argue before the Utah Supreme Court in the second half of 2025. The Company maintains insurance to cover the costs of defending against claims of this nature and intends to continue to vigorously defend against these claims in the course of the plaintiffs' appeal.

On April 3, 2023, Purple's founders filed a complaint against Purple LLC in the Delaware Court of Chancery. The complaint alleges that Purple LLC breached the limited liability company agreement of Purple LLC by failing to pay the full amount of tax distributions owed under the agreement. The plaintiffs seek damages of approximately \$3.0 million in allegedly unpaid tax distributions as well as legal fees and expenses incurred in connection with the litigation. On June 13, 2023, Purple LLC filed an answer to the complaint denying the plaintiffs' allegations, setting forth its affirmative defenses, and requesting dismissal of all claims and entry of judgment in Purple LLC's favor. The outcome of the litigation cannot be predicted at this early stage in the proceedings. Purple LLC denies all allegations and intends to vigorously defend against these claims.

On April 16, 2024, Purple's founders, in their capacity as a former landlord of Purple LLC, brought a lawsuit against Purple LLC, as lessee, for amounts allegedly owed under a real estate lease which the parties terminated effective September 30, 2023. In the suit, the plaintiffs allege approximately \$2.5 million in damages, based primarily on a dispute regarding whether Purple LLC left the premises in the condition required by the lease. The plaintiffs further claim approximately \$0.8 million in holdover rent, as well as unspecified amounts in interest, late fees, liquidated damages, attorney fees and costs. Purple LLC denies all allegations and intends to vigorously defend against these claims.

On July 24, 2024, a former part-time employee filed a class action lawsuit against Purple LLC in California Superior Court in the County of Alameda alleging failure to pay all wages, failure to pay overtime pay rate, failure to provide all meal periods, and other employment-related causes of action. The suit seeks damages, interest, attorneys' fees, costs and other relief on behalf of all non-exempt California employees of Purple LLC during the applicable statutory periods. On September 30, 2024, the plaintiffs filed an amended complaint adding a claim for penalties under California's Private Attorneys General Act. Subsequent to this, Purple LLC and the plaintiffs agreed to mediate the claims and to stay formal discovery pending mediation, which is currently scheduled to take place on May 8, 2025. Purple LLC denies all allegations and intends to vigorously defend against these claims.

On February 10, 2025, a shareholder of the Company filed a class action lawsuit in the Court of Chancery of the State of Delaware against Purple Inc. and the individual members of the Board alleging that Section 29 of the NOL Rights Plan violates Delaware General Corporate Law Sections 102(b)(7) and 141(a). The suit seeks declaratory relief, attorneys' fees, costs, and other relief on behalf of the class. The Company denies all allegations and intends to vigorously defend against these claims.

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On February 26, 2025, a consumer filed a class action lawsuit in the U.S. District Court, Eastern District of New York, against Purple LLC alleging website accessibility violations under the ADA and state law. The lawsuit seeks declaratory relief, class certification, attorneys' fees, costs, and other relief on behalf of the class. Purple LLC denies all allegations and intends to vigorously defend against these claims.

On April 15, 2025, a consumer filed a class action lawsuit in the U.S. District Court, District of Minnesota, against Purple LLC alleging website accessibility violations under the ADA and state law. The lawsuit seeks declaratory relief, class certification, attorneys' fees, costs, and other relief on behalf of the class. Purple LLC denies all allegations and intends to vigorously defend against these claims.

The Company and Purple LLC are from time to time involved in various other claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any such pending or threatened proceedings, or any amount that the Company might be required to pay by reason thereof, would have a material adverse effect on the financial condition or future results of the Company.

#### **14. Related Party Transactions**

The Company has engaged in various transactions with entities or individuals which are considered related parties.

##### ***Coliseum Capital Management, LLC***

Immediately following the Business Combination, Adam Gray was appointed to the Board. Mr. Gray is a manager of Coliseum Capital, LLC, which is the general partner of CCP and Coliseum Co-Invest Debt Fund, L.P. ("CDF"), and he is also a managing partner of CCM, which is the investment manager of Blackwell and also manages investment funds and accounts. Mr. Gray has voting and dispositive control over securities held by CCP, CDF and Blackwell. Lenders under the Amended and Restated Credit Agreement and 2025 Lenders under the 2025 Amendment included CCP and Blackwell. See Note 10—*Debt*—2024 Credit Agreement for further discussion. In April 2023, Adam Gray was appointed Chairman of the Board of the Company as part of an agreement to resolve litigation that had been brought by Coliseum against the Company.

#### **15. Stockholders' Equity**

##### ***Class A Common Stock***

The Company has 210.0 million shares of Class A common stock authorized. Holders of the Company's Class A common stock are entitled to one vote for each share held on all matters to be voted on by the stockholders. Holders of Class A common stock and holders of Class B common stock voting together as a single class have the exclusive right to vote for the election of directors and on all other matters properly submitted to a vote of the stockholders. At March 31, 2025, 108.0 million shares of Class A common stock were outstanding.

##### ***Class B Common Stock***

The Company has 90.0 million shares of Class B common stock authorized. Holders of the Company's Class B common stock will vote together as a single class with holders of the Company's Class A common stock on all matters properly submitted to a vote of the stockholders. Shares of Class B common stock may be issued only to InnoHold, their respective successors and assigns, as well as any permitted transferees of InnoHold. A holder may transfer their shares of Class B common stock to any transferee (other than the Company) only if such holder also simultaneously transfers an equal number of such holder's Class B Units to such transferee. The Class B common stock is not entitled to receive dividends, if declared by the Board, or to receive any portion of any such assets in respect of their shares upon liquidation, dissolution, distribution of assets or winding-up of the Company in excess of the par value of such stock. At March 31, 2025, 0.2 million shares of Class B common stock were outstanding.

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***Preferred Stock***

The Company has 5.0 million shares of preferred stock authorized. The preferred stock may be issued from time to time in one or more series. The Board is expressly authorized to provide for the issuance of shares of the preferred stock in one or more series and to establish from time to time the number of shares to be included in each such series and to fix the voting rights, designations and other special rights or restrictions. On June 27, 2024, 0.3 million shares of the Company's authorized shares of preferred stock were designated as Series C Junior Participating Preferred Stock, par value \$0.0001 per share ("Series C Preferred Shares"). At March 31, 2025, there were no shares of preferred stock outstanding.

***NOL Rights Plan***

On June 27, 2024, the Board adopted, and the Company entered into the NOL Rights Plan, which is designed to preserve approximately \$238 million of the Company's Current NOLs under Section 382 of the Internal Revenue Code of 1986, as amended ("Code Section 382"). At the Special Meeting, the Company's stockholders ratified the NOL Rights Plan. The Company's ability to use the Current NOLs to offset future taxable income may be significantly limited if the Company experiences an "ownership change" under Code Section 382, which occurs if one or more stockholders or groups of stockholders that is deemed to own at least 5% of the Company's common stock increases their aggregate ownership by more than 50 percentage points over its lowest ownership percentage within a rolling three-year period. The NOL Rights Plan is intended to prevent an ownership change by acting as a deterrent to any Person (as such term is defined in the NOL Rights Plan) acquiring 4.9% or more of the outstanding common stock of the Company (or, in the case of a Grandfathered Person (as such term is defined in the NOL Rights Plan), an additional one-half of one percentage point of the outstanding common stock of the Company above their current ownership percentage). Any Person that acquires shares of the Company's common stock in violation of the limitations of the NOL Rights Plan is known as an "Acquiring Person." For purposes of the NOL Rights Plan, "common stock" includes (i) the Class A common stock; (ii) the Class B common stock; and (iii) any interest that would be treated as "stock" of the Company pursuant to Treasury Regulation § 1.382-2T(f)(18). Notwithstanding the foregoing, the NOL Rights Plan allows for the exercise of currently outstanding conversion rights, exchange rights, warrants or options, or otherwise, without triggering the NOL Rights Plan. See Note 11 – *Warrant Liabilities* for further discussion of the Company's outstanding warrants.

The NOL Rights Plan provided for the issuance of a dividend of one preferred share purchase right (a "Right") for each share of common stock outstanding on July 26, 2024. Each Right entitles the holder to purchase from the Company one one-thousandth of a share of Series C Preferred Share for a purchase price of \$2.75, subject to adjustment as provided in the NOL Rights Plan. Each Series C Preferred Share is designed to be the economic equivalent of one share of common stock.

Unless the Board determines to effect an exchange (as discussed below), each Right will become exercisable on the "Distribution Time," which is the earlier to occur of (i) the tenth day following a public announcement, or the public disclosure of facts indicating, that a Person has become an Acquiring Person or (ii) the tenth business day (or such later date as may be determined by action of the Board prior to such time as any Person becomes an Acquiring Person) following the commencement of a tender offer or exchange offer the consummation of which would result in a Person becoming an Acquiring Person. After the Distribution Time, any Rights held by an Acquiring Person will be void and will not be exercisable. As a result, any Acquiring Person will be subject to significant dilution upon the occurrence of the Distribution Time. At any time after a Person becomes an Acquiring Person, but before such Acquiring Person holds more than 50% of the common stock, the Board, in its sole discretion, may instead extinguish the Rights by exchanging one share of Class A common stock for each Right, other than Rights held by the Acquiring Person.

The Rights will expire on the earliest to occur of (i) the close of business on June 30, 2025; (ii) the time at which the Rights are redeemed (as discussed below) or exchanged by the Company; (iii) the repeal of Code Section 382, if the Board determines that the NOL Rights Plan is no longer necessary for the preservation of the Current NOLs; or (v) the beginning of a taxable year of the Company to which the Board determines that no Current NOLs may be carried forward. At any time prior to the expiration of the NOL Rights Plan, the Company may redeem the Rights in whole, but not in part, at a price of \$0.0001 per Right (subject to adjustment and payable in cash, Class A common stock or other consideration deemed appropriate by the Board). Immediately upon the action of the Board authorizing any redemption or at a later time as the Board may establish for the effectiveness of the redemption, the Rights will terminate and the only right of the holders of Rights will be to receive the redemption price.

The initial issuance of the Rights as a dividend had no tax, financial accounting or reporting impact. The fair value of the Rights is nominal, since the Rights were not exercisable when issued and no value is attributable to them. Additionally, the Rights do not meet the definition of a liability under GAAP and therefore are not being accounted for as a long-term obligation. Accordingly, unless the Rights become exercisable upon the occurrence of the Distribution Time as discussed above, the NOL Rights Plan and the Rights issued thereunder have no impact on the Company's unaudited consolidated financial statements.



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***NOL Protective Charter Amendment***

Concurrently with the adoption of NOL Rights Plan, on June 27, 2024, the Board adopted, and recommended that the Company's stockholders approve at the Special Meeting, the NOL Protective Charter Amendment that adds an additional layer of protection of the Current NOLs until June 30, 2025 by voiding any transfer of common stock that results in any Person holding 4.9% or more of the outstanding common stock of the Company (or, in the case of a Person already holding more than 4.9% of the outstanding common stock of the Company as of the date of the NOL Protective Charter Amendment, one-half of one percentage point of the outstanding common stock of the Company above their current ownership percentage). At the Special Meeting, the Company's stockholders approved the NOL Protective Charter Amendment.

Any acquisition of common stock in violation of the NOL Protective Charter Amendment will be void as of the date it is attempted. Upon the Company's written demand, the purported acquiring stockholder must transfer the excess acquired common stock to the Company's transfer agent (along with any dividends or other distributions paid with respect to such excess acquired common stock). The Company's transfer agent is then required to sell such excess acquired common stock in an arm's-length transaction (or series of transactions) that would not constitute a violation under the NOL Protective Charter Amendment. The net proceeds of the sale together with any other distributions with respect to such excess acquired common stock received by the Company's transfer agent, after deduction of all costs incurred by the transfer agent, will be transferred first to the purported transferee in an amount, if any, up to the cost (or in the case of gift, inheritance or similar transfer, the fair market value of the excess securities on the date of the prohibited transfer) incurred by the purported transferee to acquire such excess securities, and the balance of the proceeds, if any, will be transferred to a charitable beneficiary. Further, the Company may hold any stockholder liable, to the fullest extent of the law, for any intentional violation of the NOL Protective Charter Amendment.

***Warrants***

In connection with the Amended and Restated Credit Agreement, the Company issued 20.0 million Warrants to the Lenders and on March 12, 2025 in connection with the 2025 Amendment, the Company issued 6.2 million 2025 Warrants to the 2025 Lenders. Each Warrant entitles the registered holder to purchase one share of the Company's Class A common stock at a price of \$1.50 per share, subject to adjustment. While the Warrants are exercisable, the Company may call the Warrants for redemption in whole and not in part at any time at a price of \$0.01 per share of Class A common stock issuable upon exercise of the Warrants upon not less than 45 days' prior written notice of redemption to each holder, provided that this redemption right is only available if the reported last sale price of the Class A common stock equals or exceeds \$24.00 per share on each of 20 trading days within a 30-trading day period ending three business days before the Company sends the notice of redemption to the holders. A holder of the Warrants will not have the right to exercise its Warrants, to the extent that after giving effect to such exercise, the holder (together with its affiliates) would beneficially own in excess of 49.9% of the shares of Class A common stock outstanding immediately after giving effect to such exercise.

***Noncontrolling Interest***

Noncontrolling interest ("NCI") is the membership interest in Purple LLC held by holders other than the Company. At March 31, 2025 and December 31, 2024, the combined NCI percentage in Purple LLC was 0.15% and 0.15%, respectively. The Company has consolidated the financial position and results of operations of Purple LLC and reflected the proportionate interest held by all such Purple LLC Class B Unit holders as NCI.

**16. Income Taxes**

The Company's sole material asset is Purple LLC, which is treated as a partnership for U.S. federal income tax purposes and for purposes of certain state and local income taxes. Purple LLC's net taxable income and any related tax credits are passed through to its members and are included in the members' tax returns, even though such net taxable income or tax credits may not have actually been distributed. While the Company consolidates Purple LLC for financial reporting purposes, the Company will be taxed on its share of earnings of Purple LLC not attributed to the noncontrolling interest holders, which will continue to bear their share of income tax on its allocable earnings of Purple LLC. The income tax burden on the earnings taxed to the noncontrolling interest holders is not reported by the Company in its consolidated financial statements under GAAP.

The Company reported de minimis income tax expense on a pretax loss of \$19.1 million for the three months ended March 31, 2025 as compared to various state taxes of \$0.1 million on a pretax loss of \$50.2 million for the three months ended March 31, 2024. This resulted in an effective tax rate of (0.21%) for the three months ended March 31, 2025 as compared to (0.12%) for the three months ended March 31, 2024. The Company's effective tax rate for the three months ended March 31, 2025 differs from the statutory federal rate of 21% primarily due to the impact of the full valuation allowance recorded against the Company's deferred tax assets at March 31, 2025.

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In connection with the Business Combination, the Company entered into a tax receivable agreement with InnoHold, which provides for the payment by the Company to InnoHold of 80% of the net cash savings, if any, in U.S. federal, state and local income tax that the Company actually realizes (or is deemed to realize in certain circumstances) in periods after the Closing as a result of (i) any tax basis increases in the assets of Purple LLC resulting from the distribution to InnoHold of the cash consideration, (ii) the tax basis increases in the assets of Purple LLC resulting from the redemption by Purple LLC or the exchange by the Company, as applicable, of Class B Paired Securities or cash, as applicable, and (iii) imputed interest deemed to be paid by the Company as a result of, and additional tax basis arising from, payments it makes under the agreement.

As noncontrolling interest holders exercise their right to exchange or cause Purple LLC to redeem all or a portion of their Class B Units, a tax receivable agreement liability may be recorded based on 80% of the estimated future cash tax savings that the Company may realize as a result of increases in the basis of the assets of Purple LLC attributed to the Company as a result of such exchange or redemption. The amount of the increase in asset basis, the related estimated cash tax savings and the attendant liability to be recorded will depend on the price of the Company's Class A common stock at the time of the relevant redemption or exchange.

The effects of uncertain tax positions are recognized in the consolidated financial statements if these positions meet a "more-likely-than-not" threshold. For those uncertain tax positions that are recognized in the consolidated financial statements, liabilities are established to reflect the portion of those positions it cannot conclude "more-likely-than-not" to be realized upon ultimate settlement. The Company's policy is to recognize interest and penalties related to unrecognized tax benefits on the income tax expense line in the accompanying consolidated statement of operations. Accrued interest and penalties would be included on the related tax liability line in the consolidated balance sheet. As of March 31, 2025, the Company had unrecognized tax benefits of \$1.1 million.

**17. Net Loss Per Common Share**

Basic net income (loss) per common share is calculated by dividing net income (loss) attributable to common stockholders by the weighted average number of shares of Class A common stock outstanding during each period. Diluted net income (loss) per share reflects the weighted-average number of common shares outstanding during the period used in the basic net income (loss) computation plus the effect of common stock equivalents that are dilutive.

The following table sets forth the calculation of basic and diluted weighted average shares outstanding and net loss per share for the periods presented (in thousands, except per share amounts):

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
Numerator:		
Net loss attributable to Purple Innovation, Inc. – basic	\$ (19,137)	\$ (50,217)
Less – net loss attributed to noncontrolling interest	—	—
Net loss attributable to Purple Innovation, Inc. – diluted	<u>\$ (19,137)</u>	<u>\$ (50,217)</u>
Denominator:		
Weighted average shares—basic	107,596	106,022
Add – dilutive effect of Class B shares	—	—
Weighted average shares—diluted	<u>107,596</u>	<u>106,022</u>
Net loss per common share:		
Basic	\$ (0.18)	\$ (0.47)
Diluted	\$ (0.18)	\$ (0.47)

The Company excludes from the diluted net loss per common share computation potentially dilutive securities related to warrants, equity awards and convertible shares of Class B common stock when their exercise or performance vesting price is greater than the average market price of the Company's common stock or they are otherwise anti-dilutive. Potentially dilutive securities that have been excluded from the calculation of diluted net loss per common share are as follows (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
Warrants	26,230	20,000
Restricted stock units	3,397	3,693
Stock Options	529	863
Class B Shares	165	205

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**18. Equity Compensation Plans**

***2017 Equity Incentive Plan***

The Purple Innovation, Inc. 2017 Equity Incentive Plan (the “2017 Plan”) provides for grants of stock options, stock appreciation rights, restricted stock units and other stock-based awards. Directors, officers and other employees, as well as others performing consulting or advisory services for the Company and its subsidiaries, are eligible for grants under the 2017 Plan. As of March 31, 2025, an aggregate of 1.6 million shares remain available for issuance or use under the 2017 Plan.

***Employee Stock Options***

The following table summarizes the Company’s total stock option activity for the three months ended March 31, 2025:

	<b>Options (in thousands)</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term in Years</b>	<b>Intrinsic Value (in thousands)</b>
Options outstanding as of January 1, 2025	529	\$ 7.17	2.2	\$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Options outstanding as of March 31, 2025	<u>529</u>	<u>\$ 7.17</u>	<u>1.9</u>	<u>\$ —</u>

Outstanding and exercisable stock options as of March 31, 2025 are as follows:

	<b>Options Outstanding</b>		<b>Options Exercisable</b>		
	<b>Number of Options Outstanding (in thousands)</b>	<b>Weighted Average Remaining Life (Years)</b>	<b>Number of Options Exercisable (in thousands)</b>	<b>Weighted Average Remaining Life (Years)</b>	<b>Intrinsic Value (in thousands)</b>
<b>Exercise Prices</b>					
\$ 6.82	500	2.0	333	2.0	\$ —
13.12	29	0.1	29	0.1	—

The following table summarizes the Company’s unvested stock option activity for the three months ended March 31, 2025:

	<b>Options (in thousands)</b>	<b>Weighted Average Grant Date Fair Value</b>
Nonvested options as of January 1, 2025	167	\$ 0.22
Granted	—	—
Vested	—	—
Forfeited	—	—
Nonvested options as of March 31, 2025	<u>167</u>	<u>\$ 0.22</u>

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The estimated fair value of Company stock options is amortized over the options vesting period on a straight-line basis. Stock option expense was de minimis for the three months ended March 31, 2025 and 2024.

As of March 31, 2025, outstanding stock options had a de minimis amount of unrecognized stock compensation cost with a remaining recognition period of 0.1 years. There were no stock options that vested during the three months ended March 31, 2025.

***Employee Restricted Stock Units***

During the three months ended March 31, 2025, the Company granted 1.2 million restricted stock units under the 2017 Plan to certain members of the Company's management team. The restricted stock awards had a weighted average grant date fair value of \$0.66 per share. The estimated fair value of these awards is recognized on a straight-line basis over the vesting period.

The following table summarizes the Company's restricted stock unit activity for the three months ended March 31, 2025:

	<b>Number Outstanding (in thousands)</b>	<b>Weighted Average Grant Date Fair Value</b>
Nonvested restricted stock units as of January 1, 2025	3,808	\$ 1.91
Granted	1,150	0.66
Vested	(897)	2.16
Forfeited	(664)	2.26
Nonvested restricted stock units as of March 31, 2025	<u>3,397</u>	<u>\$ 1.35</u>

The Company recorded restricted stock unit expense of \$0.4 million and \$0.5 million during the three months ended March 31, 2025 and 2024, respectively.

For restricted stock units outstanding as of March 31, 2025, there were \$2.8 million of total unrecognized stock compensation costs with a remaining recognition period of 1.8 years.

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***Aggregate Non-Cash Stock-Based Compensation***

The Company has accounted for all stock-based compensation under the provisions of ASC 718 *Compensation—Stock Compensation*. This standard requires the Company to record a non-cash expense associated with the fair value of stock-based compensation over the requisite service period.

The following table summarizes the aggregate non-cash stock-based compensation recognized in the statement of operations for stock awards, employee stock options and employee restricted stock units (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
Cost of revenues	\$ 103	\$ 87
Marketing and sales	(176)	96
General and administrative	363	241
Research and development	78	68
Total non-cash stock-based compensation	<u>\$ 368</u>	<u>\$ 492</u>

**19. Employee Retirement Plan**

In July 2018, the Company established a 401(k) plan that qualifies as a deferred compensation arrangement under Section 401 of the IRS Code. All eligible employees over the age of 18 and with 4 months' service are eligible to participate in the plan. The plan provides for the Company to match employee contributions up to 5% of eligible earnings. Company contributions immediately vest. The Company's matching contribution expense was \$1.1 million and \$1.1 million for the three months ended March 31, 2025 and 2024, respectively.

**20. Segment Information and Concentrations**

The Company designs and manufactures a variety of innovative, branded and premium comfort products, including mattresses, pillows, cushions, bases, sheets, and other products. The Company has one reportable segment that operates an omni-channel distribution strategy which allows the Company to offer a seamless shopping experience to its customers across multiple sales channels. The Company's one segment markets and sells products through its direct-to-consumer e-commerce channels, retail brick-and-mortar wholesale partners, Purple showrooms, and third-party online retailers.

The accounting policies for the Company's one segment are the same as those described in Note 2 – *Summary of Significant Accounting Policies*. The CODM assesses performance for the segment and decides how to allocate resources based on consolidated net income or loss as reported in the consolidated statement of operations. The measure of segment assets is reported on the consolidated balance sheets as total consolidated assets. The Company does not have intra-entity sales or transfers.

The CODM uses consolidated net income (loss) to evaluate earnings generated from segment assets (return on assets) in deciding whether to reinvest profits into its single reportable segment or into other parts of the entity, such as for acquisitions. Consolidated net income (loss) is also used to monitor budget versus actual results. The monitoring of budgeted versus actual results are used in assessing the segment's performance and in establishing management's compensation.

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The following table summarizes segment revenue, significant segment expenses, other segment items and segment profit or loss (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
Revenues, net	\$ 104,171	120,033
Reductions (additions):		
Cost of revenues	62,207	78,313
Cost of revenues – restructuring related charges	918	—
Advertising expense	14,602	14,499
Marketing sales expense	7,187	8,399
Wholesale marketing and sales expense	4,323	6,164
Showrooms marketing and sales expense	10,514	12,400
General and administrative expense	14,487	19,728
Research and development expense	2,452	3,666
Restructuring, impairment and other related charges	1,960	—
Other segment items, net <sup>(d)</sup>	4,646	27,073
Income tax expense	41	59
Net loss attributable to noncontrolling interest	(29)	(51)
Net reductions	<u>123,308</u>	<u>170,250</u>
Segment net loss	<u>\$ (19,137)</u>	<u>\$ (50,217)</u>

(d) Other segment items, net include interest expense, other (income) expense, net, loss on extinguishment of debt, and change in fair value of warrant liabilities.

The Company classifies products into two major categories: sleep products and other. Sleep products include mattresses, platforms, adjustable bases, mattress protectors, pillows and sheets. Other products include cushions and various other products. In the three months ended March 31, 2025 and 2024 sales of other products accounted for less than 3.0% of net revenues.

The Company defines international revenues as sales to customers located outside of the United States. In the three months ended March 31, 2025 and 2024 international customers accounted for less than 1.0% of net revenues.

The Company had one individual customer that accounted for approximately 36.0% and 21.1% of accounts receivable at March 31, 2025 and 2024, respectively, and approximately 11.9% and 13.6% of net revenue during the three months ended March 31, 2025 and 2024, respectively.

The Company currently obtains materials and components used in production from outside sources. As a result, the Company is dependent upon suppliers that in some instances, are the sole source of supply. The Company is continuing efforts to dual-source key components. The failure of one or more of the Company's suppliers to provide materials or components on a timely basis could significantly impact the results of operations. The Company believes that it can obtain these raw materials and components from other sources of supply in the ordinary course of business, although an unexpected loss of supply over a short period of time may not allow for the replacement of these sources in the ordinary course of business.

The Company maintains its cash balances in financial institutions based in the United States that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for each financial institution per entity. At times, the Company's cash balance deposited at financial institutions exceed the federally insured deposit limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to these deposits.

## 21. Subsequent Events

### *Second 2025 Amendment*

On May 2, 2025, the Loan Parties entered into a Second Amendment to the Amended and Restated Credit Agreement (the “Second 2025 Amendment”) with the 2025 Lenders, which amends the Amended A&R Credit Agreement. The Second 2025 Amendment, among other things, provides for a commitment increase pursuant to Section 2.18 of the Amended A&R Credit Agreement in the initial principal amount of the senior secured term loan facility by \$20.0 million (the “Second Incremental Loan”) from an aggregate principal amount of up to \$80.0 million (the “Existing Loan”) to an initial aggregate principal amount of up to \$100.0 million (the “Loan”) and allows the Loan Parties to request one or more additional term loans from the Lenders in an initial aggregate principal amount not to exceed \$20.0 million on terms to be agreed to by the parties and subject to the approval of the Required Lenders (as defined in the Amended A&R Credit Agreement). The Second Incremental Loan will bear interest at the same rate as the Existing Loan, which may be paid in cash or in kind at the Company’s option.

The Second 2025 Amendment also provides that (i) the Second Incremental Loan shall be senior in right of repayment to the initial \$61.0 million loan under the Amended and Restated Credit Agreement and pari passu with the First Incremental Loan and (ii) in any voluntary or mandatory prepayment in part or in full of the Second Incremental Loan for any reason, the Company will be required to pay an amount equal to the greater of (a) the Make-Whole Premium (as defined below) and (b) 2.5% of the aggregate principal amount of the Second Incremental Loan so prepaid, replaced or assigned. The “Make-Whole Premium” is determined as follows: on the date of prepayment, the excess of (A) (x) 100% of the principal amount of such Second Incremental Loan, plus (y) the present value at such date of all remaining scheduled interest payments due on such Second Incremental Loan from the prepayment date through the maturity date, assuming that all such interest accrues at the Make-Whole Premium Rate (as defined in the Second 2025 Amendment), computed using a discount rate equal to the Treasury Rate as of such prepayment date plus 50 basis points, over (B) the principal amount of such Second Incremental Loan on such prepayment date.

In addition, the Company also paid (i) an amendment fee equal to 0.25% of the outstanding principal and accrued and unpaid interest under the Existing Loan held by the Lenders, paid in kind to the 2025 Lenders, (ii) a work fee equal to 0.1% of the outstanding principal and accrued and unpaid interest under the Existing Loan, paid in cash to the Required Lenders, (iii) a waiver fee, to induce the Required Lenders to waive certain preemptive and right of first refusal rights, equal to 0.15% of the outstanding principal and accrued and unpaid interest under the Existing Loan, paid in cash to the Required Lenders, and (iv) a commitment fee equal to \$150,000, paid in cash to the Required Lenders.

In connection with the Second 2025 Amendment, the Company issued to the 2025 Lenders, warrants (the “2025 Additional Warrants”) to purchase 6.6 million shares of the Company’s Class A common stock at a price of \$1.50 per share, subject to certain adjustments. These 2025 Additional Warrants include full-ratchet anti-dilution protections, subject to a floor of \$0.6979 with respect to adjustments to the exercise price and expire on March 12, 2035.

### *SGI Commercial Arrangements*

On May 2, 2025, the Company entered into a Second Amendment to Master Retailer Agreement (the “MRA Amendment”) with Mattress Firm, a business unit of SGI, which provides that SGI, through its Mattress Firm stores, will expand its inventory of the Company’s products across its national store network from approximately 5,000 mattress slots to a minimum of 12,000 mattress slots. Also on May 2, 2025, the Company entered into an Amended and Restated Master Vendor Supply and Services Agreement (the “Sherwood Agreement” and together with the MRA Amendment the “SGI Agreements”) with Tempur Sherwood, LLC, a subsidiary of Tempur Sealy. The Sherwood Agreement provides that Tempur Sherwood, LLC will have the exclusive right to assemble certain product lines that the Company sells to Mattress Firm.

In connection with the SGI Agreements, the Company issued to SGI warrants to purchase 8.0 million shares of the Company’s Class A Stock at a strike price of \$1.50 per share (the “SGI Warrants”). The SGI Warrants include full-ratchet anti-dilution protections, subject to a floor of \$0.6979 with respect to adjustments to the exercise price and expire on March 12, 2035.

### *Early Termination of the NOL Rights Plan and NOL Protective Charter Amendment*

On May 6, 2025, the Board accelerated the expiration date of the NOL Rights Plan and the NOL Protective Charter Amendment to May 7, 2025. In conjunction with the termination of the NOL Rights Plan, the Company filed a Certificate of Elimination eliminating the Series C Junior Participating Preferred Stock, effective May 7, 2025.

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

The following discussion is intended to provide a review of the operating results and financial condition of Purple Innovation, Inc. The discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in "Part I. Item 1. Financial Statements." Capitalized terms used in this "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and not otherwise defined shall have the meanings set forth in "Part I. Item. 1 Financial Statements."

### **FORWARD-LOOKING STATEMENTS**

This quarterly report on Form 10-Q (this "Quarterly Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended ("the "Exchange Act"), that represent our current expectations and beliefs. All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws. In some cases, you can identify these statements by forward-looking words such as "believe," "expect," "project," "anticipate," "estimate," "intend," "plan," "targets," "likely," "will," "would," "could," "may," "might," the negative of these words and other similar words.

All forward-looking statements included in this Quarterly Report are made only as of the date hereof. It is routine for our internal projections and expectations to change throughout the year, and any forward-looking statements based upon these projections or expectations may change prior to the end of the next quarter or year. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses (including the discussion under the heading "Outlook for Growth"), and other characterizations of future events or circumstances are forward-looking statements.

We caution and advise readers that these statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict, including those included in the "Risk Factors" section of this Quarterly Report and in our Annual Report on Form 10-K filed with the SEC on March 14, 2025. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements and investors are cautioned not to place undue reliance on any such statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

### **Overview of Our Business**

Our mission is to deliver the greatest sleep ever invented.

We began as a digitally-native vertical brand founded on comfort product innovation with premium offerings, and have since expanded into brick & mortar stores as a true omni-channel brand. We offer a variety of innovative, branded and premium comfort products, including mattresses, pillows, cushions, bases, sheets and more. Our products are the result of decades of innovation and investment in proprietary and patented comfort technologies and the development of our own manufacturing processes. Our proprietary Hyper-Elastic Polymer gel technology underpins many of our comfort products and provides a range of benefits that differentiate our products from our competitors. Specially engineered to relieve pressure, maintain an ideal body temperature, and provide instantly adaptive support, Purple's patented technology has been tested rigorously within medical and consumer applications for over 30 years. Originally designed for use in hospital beds and wheelchairs, we adapted this unique pressure-relieving material for our mattresses, pillows and other cushion products.

We market and sell our products via our direct-to-consumer channel, which includes Purple.com (our direct-to-consumer e-commerce), Purple showrooms, our customer contact center and online marketplaces (collectively "DTC"), and our wholesale channel through retail brick-and-mortar and online wholesale partners.



## Organization

Our business consists of Purple Inc. and its consolidated subsidiary, Purple LLC. As the sole managing member of Purple LLC, Purple Inc., through its officers and directors, is responsible for all operational and administrative decision making and control of the day-to-day business affairs of Purple LLC without the approval of any other member. At March 31, 2025, Purple Inc. had a 99.85% economic ownership interest in Purple LLC while Class B unit holders had the remaining 0.15%.

## Recent Developments in Our Business

### *Operational Developments*

Our first quarter 2025 revenue was down from last year as softness in our e-commerce and wholesale channels continue. Revenue from our showrooms channel increased for the second consecutive quarter of year-over-year growth. Gross margins continue to improve as we realize the benefits from ongoing sourcing initiatives, production efficiencies and the full integration of our consolidated manufacturing operations. Operating expenses continue to decline as we have implemented numerous cost reduction efforts and closely manage our costs with disciplined cost controls.

Earlier this year, we announced the re-launching of our Rejuvenate line in the second quarter 2025 through our DTC channels, followed by a full wholesale channel roll-out expected to be complete by the third quarter 2025. The new Rejuvenate 2.0 will have a newly innovated grid technology that when stacked with our original GelFlex grid, creates a unique combination that we believe will continue to differentiate us in the market while driving superior comfort and support for an even more premium sleep experience.

On May 2, 2025, we entered into a Second Amendment to Master Retailer Agreement (the “MRA Amendment”) with Mattress Firm, Inc. (“Mattress Firm”), a business unit of Somnigroup International, Inc. (“SGI”), which provides that SGI, through its Mattress Firm stores, will expand its inventory of our products across its national store network from approximately 5,000 mattress slots to a minimum of 12,000 mattress slots. We expect that this increased retail presence in Mattress Firm stores will generate approximately \$70 million in incremental net revenue beginning in 2026. Also on May 2, 2025, we entered into an Amended and Restated Master Vendor Supply and Services Agreement (the “Sherwood Agreement” and together with the MRA Amendment the “SGI Agreements”) with Tempur Sherwood, LLC, a subsidiary of Tempur Sealy. The Sherwood Agreement provides that Tempur Sherwood, LLC will have the exclusive right to assemble certain product lines that the Company sells to Mattress Firm.

### *Restructuring Activities*

In August 2024, we initiated the Restructuring Plan to strategically realign our operational focus to achieve efficiencies in our operations that are expected to improve profitability and provide for reinvesting in technology and marketing initiatives. The Restructuring Plan includes the permanent closure of both Utah manufacturing facilities to consolidate mattress production in our Georgia plant, and a headcount reduction at our Utah headquarters to drive additional operating efficiencies. Closure of the two Utah manufacturing facilities is projected to be completed in the second quarter of 2025 while consolidation into the Georgia facility was finalized in December 2024. The reduction in workforce at our Utah headquarters was completed in August 2024. During the three months ended March 31, 2025, we recognized \$2.9 million in costs relating to the Restructuring Plan, which included \$1.9 million of moving and transition related costs, \$0.6 million related to disposal of long-lived assets or equipment in progress that will not be put in service, \$0.2 million in employee related costs, and \$0.2 million in accelerated depreciation. We expect to record additional restructuring and other related charges in the amount of \$3.0 million in the second quarter of 2025. These charges include certain estimates that are provisional and include management judgments and assumptions that could change materially as we complete the execution of our plans. Actual results may differ from these estimates, and the completion of our plan could result in additional restructuring, impairment or other related charges not reflected.

In addition, we continue to implement additional cost savings measures in 2025 beyond those implemented pursuant to our 2024 Restructuring Plan.

### *Debt Financings*

On March 12, 2025, Purple LLC, Purple Inc. and Intellibed (collectively, the “Loan Parties”), entered into an Amendment to the Amended and Restated Credit Agreement (the “2025 Amendment”) with Coliseum Capital Partners (“CCP”) and Blackwell Partners LLC – Series A (“Blackwell”) (collectively the “2025 Lenders”), which amends the Amended and Restated Credit Agreement. The Amendment, among other things, provides for an increase in the initial principal amount of the Related Party Loan by \$19.0 million (the “First Incremental Loan”) from an initial Related Party Loan principal amount of \$61.0 million to an initial aggregate principal amount of \$80.0 million, and allows the Loan Parties to request one or more additional term loans from CCP, Blackwell and other lenders (collectively, the “Lenders”) in an initial aggregate principal amount not to exceed \$20.0 million on terms to be agreed to by the parties and subject to the approval of the Required Lenders (as defined in the Amended and Restated Credit Agreement). The First Incremental Loan will bear interest at the same rate as the Initial Loan, which may be paid in cash or in kind at our option.

The 2025 Amendment also provides that (i) the First Incremental Loan shall be senior in right of repayment to the Related Party Loan and (ii) in any voluntary or mandatory prepayment in part or in full of the First Incremental Loan for any reason, the Company will be required to pay an amount equal to the greater of (i) the Make-Whole Premium (as defined below) and (ii) 2.50% of the aggregate principal amount of the First Incremental Loan so prepaid, replaced or assigned. The “Make-Whole Premium” is determined as follows: on the date of prepayment, the excess of (A) (x) 100% of the principal amount of such First Incremental Loan, plus (y) the present value at such date of all remaining scheduled interest payments due on such First Incremental Loan from the prepayment date through the maturity date, assuming that all such interest accrues at the Make-Whole Premium Rate (as defined in the 2025 Amendment), computed using a discount rate equal to the Treasury Rate as of such prepayment date plus 50 basis points, over (B) the principal amount of such First Incremental Loan on such prepayment date.

In addition, we also paid (i) an amendment fee equal to 2% of the outstanding principal and accrued and unpaid interest under the Related Party Loan held by the 2025 Lenders, paid in kind and (ii) a 2% work fee of the initial aggregate principal amount of the First Incremental Loan paid to the 2025 Lenders, deducted from the proceeds at closing. Total fees and expenses of \$2.1 million were recorded as debt issuance costs in March 2025.

In connection with the 2025 Amendment, we issued to the 2025 Lenders, warrants (the “2025 Warrants”) to purchase 6.2 million shares of our Class A common stock at a price of \$1.50 per share, subject to certain adjustments (see Note 11 – *Warrant Liabilities*). These warrants include full-ratchet anti-dilution protections, subject to a floor of \$0.6979 with respect to adjustments to the exercise price and expire on March 12, 2035.

On May 2, 2025, the Loan Parties entered into a Second Amendment to the Amended and Restated Credit Agreement (the “Second 2025 Amendment”) with the 2025 Lenders (as defined in the Second 2025 Amendment), which amends the Amended A&R Credit Agreement. The Second 2025 Amendment, among other things, provides for a commitment increase pursuant to Section 2.18 of the Amended A&R Credit Agreement in the initial principal amount of the senior secured term loan facility by \$20.0 million (the “Second Incremental Loan”) from an aggregate principal amount of up to \$80.0 million (the “Existing Loan”) to an initial aggregate principal amount of up to \$100.0 million (the “Loan”) and allows the Loan Parties to request one or more additional term loans from the Lenders in an initial aggregate principal amount not to exceed \$20.0 million on terms to be agreed to by the parties and subject to the approval of the Required Lenders (as defined in the Amended A&R Credit Agreement). The Second Incremental Loan will bear interest at the same rate as the Existing Loan, which may be paid in cash or in kind at our option.

The Second 2025 Amendment also provides that (i) the Second Incremental Loan shall be senior in right of repayment to the initial \$61.0 million loan under the Amended and Restated Credit Agreement and *pari passu* with the First Incremental Loan and (ii) in any voluntary or mandatory prepayment in part or in full of the Second Incremental Loan for any reason, the Company will be required to pay an amount equal to the greater of (a) the Make-Whole Premium (as defined below) and (b) 2.5% of the aggregate principal amount of the Second Incremental Loan so prepaid, replaced or assigned. The “Make-Whole Premium” is determined as follows: on the date of prepayment, the excess of (A) (x) 100% of the principal amount of such Second Incremental Loan, plus (y) the present value at such date of all remaining scheduled interest payments due on such Second Incremental Loan from the prepayment date through the maturity date, assuming that all such interest accrues at the Make-Whole Premium Rate (as defined in the Second 2025 Amendment), computed using a discount rate equal to the Treasury Rate as of such prepayment date plus 50 basis points, over (B) the principal amount of such Second Incremental Loan on such prepayment date.

In addition, we also paid (i) an amendment fee equal to 0.25% of the outstanding principal and accrued and unpaid interest under the Existing Loan, paid in kind to the 2025 Lenders, (ii) a work fee equal to 0.1% of the outstanding principal and accrued and unpaid interest under the Existing Loan, paid in cash to the Required Lenders, (iii) a waiver fee, to induce the Required Lenders to waive certain preemptive and right of first refusal rights, equal to 0.15% of the outstanding principal and accrued and unpaid interest under the Existing Loan, paid in cash to the Required Lenders, and (iv) a commitment fee equal to \$150,000, paid in cash to the Required Lenders.

In connection with the Second 2025 Amendment, we issued to the 2025 Lenders, warrants (the “2025 Additional Warrants”) to purchase 6.6 million shares of our Class A common stock at a price of \$1.50 per share, subject to certain adjustments. These 2025 Additional Warrants include full-ratchet anti-dilution protections, subject to a floor of \$0.6979 with respect to adjustments to the exercise price and expire on March 12, 2035.

#### *Warrants*

In connection with the 2025 Amendment, we issued to the 2025 Lenders the 2025 Warrants to purchase 6.2 million shares of our Class A common stock. Each 2025 Warrant entitles the registered holder to purchase one share of our Class A common stock at a price of \$1.50 per share, subject to adjustment with a floor of \$0.6979 and expire on March 12, 2025. The 2025 Warrants contain certain provisions that do not meet the criteria for equity classification and therefore were recorded as liabilities. The liability for the 2025 Warrants was recorded at a fair value of \$5.4 million on the date of issuance with the offset included in debt issuance costs. This liability is subsequently re-measured to fair value at each reporting date or exercise date with changes in the fair value included in earnings. During the three months ended March 31, 2025, we incurred a loss of \$0.2 million due to the increase in the fair value of the 2025 Warrants outstanding at March 31, 2025.

In connection with the Second 2025 Amendment, we issued to the 2025 Lenders the 2025 Additional Warrants to purchase 6.6 million shares of our Class A common stock. Each 2025 Additional Warrant entitles the registered holder to purchase one share of our Class A common stock at a price of \$1.50 per share, subject to adjustment with a floor of \$0.6979 and expire on March 12, 2035.

In connection with the SGI Agreement, we issued to SGI, warrants to purchase 8.0 million shares of our Class A common stock at a strike price of \$1.50 per share (the “SGI Warrants”). The SGI Warrants include full-ratchet anti-dilution protections, subject to a floor of \$0.6979 with respect to adjustments to the exercise price and expire on March 12, 2035.

A holder of the warrants will not have the right to exercise them, to the extent that after giving effect to such exercise, the holder (together with its affiliates) would beneficially own in excess of 49.9% of the shares of Class A common stock outstanding immediately after giving effect to such exercise.

#### *Registration Rights Agreements*

In connection with the issuance of the 2025 Warrants, on March 12, 2025, we entered into a Second Amended and Restated Registration Rights Agreement (the “2025 Registration Rights Agreement”) with CCP, Blackwell, and Coliseum Capital Co-Invest III, L.P., (the “2025 Holders”), providing for the registration under the Securities Act of the 2025 Warrants, the shares issuable upon the exercise of the 2025 Warrants, other warrants held by the 2025 Holders (and shares issuable upon exercise thereof) and the Class A common stock held by the 2025 Holders as of such date (the “2025 Registrable Securities”), subject to customary terms and conditions.

In connection with the issuance of the 2025 Additional Warrants, on May 2, 2025, we entered into a Third Amended and Restated Registration Rights Agreement (the “2025 Amended Registration Rights Agreement”) with the 2025 Holders, providing for the registration under the Securities Act of the 2025 Additional Warrants, the shares issuable upon the exercise of the 2025 Additional Warrants, other warrants held by the 2025 Holders (and shares issuable upon exercise thereof) and the Class A common stock held by the 2025 Holders as of such date (the “2025 Additional Registrable Securities”), subject to customary terms and conditions.

In connection with the issuance of the SGI Warrants, on May 2, 2025, we entered into a Registration Rights Agreement (the “SGI Registration Rights Agreement” and collectively with the 2025 Registration Rights Agreement and 2025 Amended Registration Rights Agreement, the “Registration Rights Agreements”) with SGI, providing for the registration under the Securities Act of the SGI Warrants, the shares issuable upon the exercise of the SGI Warrants, and the Class A common stock held by SGI as of such date (the “SGI Registrable Securities” and collectively with the 2025 Registrable Securities and 2025 Additional Registrable Securities, the “Registrable Securities”), subject to customary terms and conditions.

The Registration Rights Agreements entitle the investors party thereto to demand registration of the Registrable Securities and also to piggyback on the registration of Company securities by us and other Company securityholders. We will be responsible for the payment of the investors’ expenses in connection with any offering or sale of Registrable Securities, including underwriting discounts or selling commissions, placement agent or broker fees or similar discounts, commissions or fees relating to the sale of certain Registrable Securities.

The Registration Rights Agreements provide that on or prior to May 30, 2025, or July 16, 2025, if Form S-3 is not then available, we will be required to prepare and file with the SEC pursuant to Rule 415 of the Securities Act a registration statement to register the resale of the Registrable Securities.

#### *NOL Rights Plan*

On June 27, 2024, our Board of Directors (“Board”) adopted, and we entered into, a limited-duration stockholder rights agreement (the “NOL Rights Plan”) with a stated expiration date of June 30, 2025. Our Board approved the NOL Rights Plan to protect stockholder value by attempting to safeguard our ability to use our June 30, 2024 estimated \$238 million of net operating losses (the “Current NOLs”) to reduce potential future federal income tax obligations from becoming substantially limited by future ownership of our common stock. Upon adopting the NOL Rights Plan, 0.3 million shares of our authorized shares of preferred stock were designated as Series C Preferred Shares. Pursuant to the NOL Rights Plan, our Board authorized and declared a dividend of one right for each outstanding share of common stock to stockholders of record at the close of business on July 26, 2024. Upon a stockholder acquiring greater than a 4.9% ownership percentage threshold (or, if a stockholder has beneficial ownership of in excess of 4.9%, then the ownership percentage that is one-half of one percentage point greater than their current beneficial ownership percentage), the rights will become exercisable to significantly dilute any stockholder who violates the ownership limitations of the NOL Rights Plan. The NOL Rights Plan was ratified at a special meeting of our stockholders on October 15, 2024 (the “Special Meeting”). On May 6, 2025, the Board accelerated the termination of the NOL Rights Plan and the NOL Protective Charter Amendment, to May 7, 2025.

#### *NOL Protective Charter Amendment*

In connection with the NOL Rights Plan, our Board adopted a NOL Protective Charter Amendment that adds an additional layer of protection to our Current NOLs until June 30, 2025 by voiding any transfer of common stock that results in a stockholder acquiring beyond a 4.9% ownership percentage threshold (or, if a stockholder has current beneficial ownership of in excess of 4.9%, then the ownership percentage that is one-half of one percentage point greater than their current beneficial ownership percentage). The NOL Protective Charter Amendment was approved by our stockholders at the Special Meeting. On May 6, 2025, the Board accelerated the termination of the NOL Rights Plan and the NOL Protective Charter Amendment to May 7, 2025.

## *Review of Strategic Alternatives*

We regularly engage in dialogue with market participants regarding potential business combinations, partnerships and other strategic alternatives. Based on certain recent preliminary inquiries, the Board has formed a special committee of independent directors and we have engaged a financial advisor to support them in evaluating any indications of interest and exploring other potential strategic alternatives. If we are unsuccessful in engaging in a favorable strategic alternative, then our ability to grow our business and compete with larger, including combined, competitors may be adversely affected.

## *Impact of United States Tariff Policy*

We continue to closely monitor the potential impact of recent United States tariff policies. Importantly, all of our mattresses are manufactured in the United States, and about 15% of our cost of goods is tied to products sourced from overseas. This limited exposure is primarily concentrated in the textile side of the business, which includes sheets and mattress covers, but also includes the import of bases and foundations. Based on current tariff rates, we estimate the potential annual cost impact to be approximately \$10 million. The tariff landscape remains fluid, and we are actively evaluating sourcing alternatives and pricing strategies on a case-by-case basis, which we believe will mitigate at least a portion of expected costs increases. We believe that our vertically integrated model and strong vendor relationships give us the flexibility to remain agile and responsive to changes in tariff policies, and we believe that we will be able to mitigate these impacts through a combination of supply chain repositioning, vendor collaborations, and selective pricing actions.

## **Executive Summary – Results of Operations**

Net revenues decreased \$15.9 million, or 13.2%, to \$104.2 million for the three months ended March 31, 2025 compared to \$120.0 million for the three months ended March 31, 2024. The drop in revenue was primarily driven by industry-wide demand softness for home-related products. From a sales channel perspective, e-commerce net revenues decreased \$4.1 million, or 8.2%, and wholesale net revenues decreased \$13.0 million, or 24.2%, respectively. This decrease was partially offset by our showrooms channel net revenue increase of \$1.2 million or 7.4%. The increase in our showrooms channel represents an 11.0% year-over-year increase for all stores that have been open for 13 or more months. This is the second consecutive quarter of year-over-year growth in the showrooms channel, driven by increased order values through effective upselling and product bundling.

Gross profit decreased \$0.7 million, or 1.6%, to \$41.0 million for the three months ended March 31, 2025 compared to \$41.7 million for the three months ended March 31, 2024. Our gross profit percentage increased to 39.4% of net revenues in the first quarter of 2025 from 34.8% in the first quarter of 2024, from improved production effectiveness due primarily to supply chain initiatives and manufacturing efficiencies as well as a shift in revenue to our DTC channels, which carry a higher average selling price than sales from our wholesale channels. During the three months ended March 31, 2025, we incurred \$0.9 million in costs associated with the Restructuring Plan. We expect to record additional cost of revenue restructuring related charges in the amount of \$1.4 million through the second quarter of 2025. These charges include certain estimates that are provisional and include management judgments and assumptions that could change materially as we complete the execution of our plans. Actual results may differ from these estimates, and the completion of our plan could result in additional restructuring related charges not reflected.

Operating expenses decreased \$9.3 million, or 14.4% to \$55.5 million for the three months ended March 31, 2025 compared to \$64.9 million for the three months ended March 31, 2024. This decrease was driven by \$4.8 million decrease in employee related expenses, \$3.8 million decrease in legal and consulting fees and \$0.8 million decrease in all other operating expenses. These decreases are the result of our restructuring efforts, the in-sourcing of certain functions in marketing and finance and other cost reduction efforts.

Other expense, net decreased \$22.4 million, or 82.8% to \$4.6 million for the three months ended March 31, 2025 compared to \$27.1 million for the three months ended March 31, 2024. The other expense, net in the first quarter of 2025 consists of interest expense of \$4.8 million, partially offset by \$0.1 in other income and gain on change in fair value of warrants. The other expense, net in the first quarter of 2024 consists of \$23.6 million loss on change in fair value of warrants, \$4.5 million in interest expense, \$3.4 million loss on extinguishment of debt, partially offset by \$4.4 million in other income. Net loss attributable to Purple Inc. was \$19.1 million for the three months ended March 31, 2025 compared to a net loss of \$50.2 million for the three months ended March 31, 2024. The \$31.1 million decrease in net loss was primarily due to increased gross margin and reduced operating expenses as we are realizing the benefits from our Restructuring Plan, supply chain initiatives, operational efficiency improvements and other cost reduction efforts throughout the Company and the decrease in loss from change in fair value of the warrants.

## Outlook for Growth

We believe, given the Restructuring Plan and our new grid innovation, that we are well positioned to grow our business in this challenging market. We are focused on the following three key initiatives to drive sustainable and profitable market share:

- ***Pioneer new technologies to maintain our competitive advantage.*** Our strategy focuses on offering a differentiated product that provides unique benefits and higher customer satisfaction, all fueled by our proprietary flexible gel technology. Advancements and innovation in our grid technology has led to a new grid technology marking a significant advancement in our product lineup. Our new DreamLayer grid, stacked with our original grid, creates a unique combination that continues to differentiate us in the market while driving superior comfort and support for an even more premium sleep experience. This upgrade will result in a refresh of our current Rejuvenate line. The new Rejuvenate 2.0 collection launches in the second quarter 2025 through our direct-to-consumer channels, followed by a full wholesale roll-out expected to be complete by the third quarter 2025. In addition, we are significantly expanding our distribution of pillows by launching our renowned DreamLayer and Freeform pillows into our wholesale channel.
- ***Promote our product differentiation to drive sales.*** We started as a brand built on differentiation. In recent years, the category has relied extensively on discount messaging to attract customers, with less focus on product benefits. Our goal is to refocus our messaging to lead with our product differentiation. We intend to effectively articulate the unique qualities of sleeping on our gel grid layer to be more effective and reach more consumers. In our selling channels, we expect refocusing our messaging on promoting our differentiation will drive more and better quality traffic while improving conversion both online and in stores, and increase our share of retailer sales in our wholesale channel.
- ***Prioritize gross margin improvements.*** We expect continued gross margin gains to come from driving cost savings through plant consolidation efficiency gains, supplier diversification efforts, and improved scrap and yield results from continuous improvements efforts. We are also ramping up in-house pillow production, changing vendors for key mattress components like coils and mattress covers and improving our delivery program to drive cost improvements and better deliveries. These savings will enable us to reinvest in innovation and marketing to drive growth.

There is no guarantee that we will be able to effectively execute on these initiatives, which are subject to risks, uncertainties, and assumptions that are difficult to predict, including the risks described in the “Risk Factors” section of this Quarterly Report and in our Annual Report on Form 10-K filed with the SEC on March 14, 2025 and elsewhere herein. Therefore, actual results may differ materially and adversely from those described above. In addition, we may, in the future, adapt these focuses in response to changes in the market or our business.

## Operating Results for the Three Months Ended March 31, 2025 and 2024

The following table sets forth for the periods indicated, our results of operations and the percentage of total revenue represented in our unaudited condensed consolidated statements of operations (dollars in thousands):

	Three Months Ended March 31,			
	2025	% of Net Revenues	2024	% of Net Revenues
Revenues, net	\$ 104,171	100.0%	\$ 120,033	100.0%
Cost of revenues:				
Cost of revenues	62,207	59.7	78,313	65.2
Cost of revenues - restructuring related charges	918	0.9	—	—
Total cost of revenues	63,125	60.6	78,313	65.2
Gross profit	41,046	39.4	41,720	34.8
Operating expenses:				
Marketing and sales	36,626	35.2	41,462	34.5
General and administrative	14,487	13.9	19,728	16.4
Research and development	2,452	2.4	3,666	3.1
Restructuring, impairment and other related charges	1,960	1.9	—	—
Total operating expenses	55,525	53.3	64,856	54.0
Operating loss	(14,479)	(13.9)	(23,136)	(19.3)
Other income (expense):				
Interest expense	(4,764)	(4.6)	(4,474)	(3.7)
Other income, net	69	0.1	4,394	3.7
Loss on extinguishment of debt	—	—	(3,394)	(2.8)
Change in fair value – warrant liabilities	49	—	(23,599)	(19.7)
Total other income (expense), net	(4,646)	(4.5)	(27,073)	(22.6)
Net loss before income taxes	(19,125)	(18.4)	(50,209)	(41.8)
Income tax expense	(41)	—	(59)	—
Net loss	(19,166)	(18.4)	(50,268)	(41.9)
Net loss attributable to noncontrolling interest	(29)	—	(51)	—
Net loss attributable to Purple Innovation, Inc.	<u>\$ (19,137)</u>	<u>(18.3)</u>	<u>\$ (50,217)</u>	<u>(41.8)</u>

### Revenues, Net

Net revenues decreased \$15.9 million, or 13.2%, to \$104.2 million for the three months ended March 31, 2025 compared to \$120.0 million for the three months ended March 31, 2024. This decrease was primarily driven by the continuing industry-wide demand softness for home-related products. From a sales channel perspective, e-commerce net revenues decreased \$4.1 million, or 8.2%, showrooms net revenues increased \$1.2 million, or 7.4%, and wholesale net revenues decreased \$13.0 million, or 24.2%.

### Total Cost of Revenues

Total cost of revenues decreased \$15.2 million, or 19.4%, to \$63.1 million for the three months ended March 31, 2025, compared to \$78.3 million for the three months ended March 31, 2024. This decrease was due primarily to reduced sales volumes coupled with lower production costs that were largely attributable to supply chain initiatives and operational efficiency improvements implemented over the last 12 months. Our gross profit percentage, increased to 39.4% of net revenues in the first quarter of 2025 from 34.8% in the first quarter of 2024, due to improved production effectiveness due primarily to supply chain initiatives and manufacturing efficiencies as well as a shift in revenue to our DTC channels, which carry a higher average selling price than sales from our wholesale channels. During the three months ended March 31, 2025, we incurred \$0.9 million in costs associated with the Restructuring Plan. We expect to record additional cost of revenue restructuring related charges in the amount of \$1.4 million through the second quarter of 2025. These charges include certain estimates that are provisional and include management judgments and assumptions that could change materially as we complete the execution of our plans. Actual results may differ from these estimates, and the completion of our plan could result in additional restructuring related charges not reflected.

### *Marketing and Sales*

Marketing and sales expense decreased \$4.8 million, or 11.7%, to \$36.6 million for the three months ended March 31, 2025 compared to \$41.5 million for the three months ended March 31, 2024. This decrease primarily consisted of a \$2.2 million decrease in employee related costs due to headcount reductions, \$1.3 million decrease in wholesale marketing and sales expenses, a \$0.9 million decrease in showrooms marketing and sales expenses and \$0.4 million decrease in all other marketing and sales expenses. Advertising expense remained consistent between the two period at \$14.6 million and \$14.5 million for the three months ended March 31, 2025 and 2024, respectively.

### *General and Administrative*

General and administrative expense decreased \$5.2 million, or 26.6%, to \$14.5 million for the three months ended March 31, 2025 compared to \$19.7 million for the three months ended March 31, 2024. This decrease was due to a \$2.3 million decrease in employee related costs due to headcount reductions, \$1.7 million decrease in consulting fees, \$0.8 million reduction in legal fees and \$0.4 million decrease in all other general and administrative expenses.

### *Research and Development*

Research and development expense decreased \$1.2 million, or 33.1%, to \$2.5 million for the three months ended March 31, 2025 compared to \$3.7 million for the three months ended March 31, 2024. This decrease is the result of a \$0.3 million decrease in employee related costs due to headcount reductions and a \$0.9 million decrease in other product development expenses as we focused on specific product development projects.

### *Restructuring, Impairment and Other Related Charges*

In August 2024, we initiated a Restructuring Plan to permanently close our two Utah manufacturing facilities and consolidate mattress production in our Georgia plant. The Restructuring Plan also provided for a headcount reduction at our Utah headquarters to drive additional operating efficiencies. The \$2.0 million of restructuring and impairment charges recorded during the first quarter of 2025 included \$1.2 million of moving and transition related costs, \$0.6 million related to disposal of long-lived assets or equipment in progress that will not be put in service, and \$0.2 million in employee related costs. We expect to record additional restructuring and other related charges in the amount of \$1.6 million in the second quarter of 2025 related to continued moving and transition costs.

These charges include certain estimates that are provisional and include management judgments and assumptions that could change materially as we complete the execution of our plans. Actual results may differ from these estimates, and the completion of our plan could result in additional restructuring, impairment or other related charges not reflected.

### *Operating Loss*

Operating loss decreased \$8.7 million, or 37.4%, to \$14.5 million, for the three months ended March 31, 2025 compared to \$23.1 million for the three months ended March 31, 2024. This decrease in our operating loss is the result of the benefits realized through our Restructuring Plan, supply chain initiatives, operational efficiency improvements and other cost reduction efforts throughout the Company.

### *Interest Expense*

Interest expense totaled \$4.8 million for the three months ended March 31, 2025 compared to \$4.5 million for the three months ended March 31, 2024. This increase was primarily due to additional interest incurred on a higher principal balance on the Related Party Loan as the Company elected the paid-in-kind option on monthly interest over the past 12 months.

#### *Other Income, Net*

Other income decreased to \$0.1 million for the three months ended March 31, 2025 compared to \$4.4 million for the three months ended March 31, 2024. This decrease was mainly due to \$4.2 million of proceeds received in January 2024 for a partial settlement amount pursuant to a previously filed business interruption insurance claim.

#### *Loss on Extinguishment of Debt*

In January 2024, we entered into the Amended and Restated Credit Agreement that terminated and paid off our 2023 credit agreements. This termination was accounted for as an extinguishment of debt and \$3.4 million of unamortized debt issuance costs relating to the 2023 credit agreements were recorded as loss on extinguishment of debt in the first quarter of 2024.

#### *Change in Fair Value – Warrant Liabilities*

In March 2025 and January 2024, in connection with the loans, we issued 6.2 million and 20.0 million warrants, respectively, to the various lenders. These Warrants contained certain provisions that did not meet the criteria for equity classification and therefore are recorded as liabilities with a re-measurement of fair value at each reporting date. For the three months ended March 31, 2025, we recognized a negligible gain related to the net decrease in fair value of the warrant liability comprised of a decrease in fair value of \$0.3 million for the warrants issued in 2024 partially offset by an increase in fair value of \$0.2 million from the March 2025 issuance date for the warrants issued in March 2025. For the three months ended March 31, 2024, we recognized a \$23.6 million loss related to the increase in the fair value of the warrants from the January 2024 issuance date.

#### *Income Tax (Expense) Benefit*

We had a de minimis income tax expense for the three months ended March 31, 2025 compared to \$0.1 million income tax expense for the three months ended March 31, 2024. The income tax expense amounts in both the first quarter of 2025 and 2024 were related to various state taxes.

#### *Noncontrolling Interest*

We calculate net income or loss attributable to noncontrolling interests on a quarterly basis using their weighted average ownership percentage. Net loss attributed to noncontrolling interests was negligible for the three months ended March 31, 2025 and \$0.1 million for the three months ended March 31, 2024.



## Liquidity and Capital Resources

Our principal sources of funds are cash flows from operations and cash and cash equivalents on hand, supplemented with borrowings made pursuant to various loan agreements. Principal uses of funds consist of capital expenditures, working capital needs and operating lease payment obligations. In accordance with the terms of our various agreements, we have elected to pay interest in kind on our loans to reduce cash obligations. Our working capital needs depend largely upon the timing of cash receipts from product sales, payments to vendors and others, changes in inventories, and operating lease payment obligations. Our cash and cash equivalents and working capital positions were \$21.6 million and \$29.8 million, respectively, as of March 31, 2025 compared to \$29.0 million and \$25.4 million, respectively, as of December 31, 2024. Cash used for capital expenditures totaled \$2.1 million and \$3.1 million for the three months ended March 31, 2025 and 2024, respectively. Our capital expenditures in the first quarter of 2025 have primarily consisted of additional investments made in our manufacturing operations and showrooms facilities. Additional details about our loan agreements are described above under “*Recent Developments in our Business – Debt Financing*.”

Our financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. In connection with our preparation of our unaudited condensed consolidated financial statements for the three months ended March 31, 2025, we conducted an evaluation as to whether there were conditions and events, considered in the aggregate, which raised substantial doubt as to our ability to continue as a going concern within one year after the date of the issuance of such financial statements. We had cash and cash equivalents of approximately \$21.6 million and an accumulated deficit of \$593.0 million at March 31, 2025, a net loss of \$19.1 million and net cash used in operating and investing activities of \$25.2 million for the three months ended March 31, 2025. We entered into the 2025 Amendment and the Second 2025 Amendment, pursuant to which we received an aggregate of \$39.0 million in additional term loan proceeds from the 2025 Lenders.

We have also taken a number of other actions to increase cash flow. In August 2024, we implemented the Restructuring Plan to consolidate manufacturing operations to create efficiencies and cost savings. We have realized and plan to continue to realize direct material cost savings through supply chain initiatives and supplier diversification efforts. We have taken additional cost-saving initiatives in the first quarter of 2025 to maintain liquidity to support our operations and strategies. Additionally, we entered into an agreement with Mattress Firm, a business unit of SGI to expand its inventory of our products across SGI’s national store network from approximately 5,000 mattress slots to a minimum of 12,000 mattress slots.

Accordingly, we concluded that we will have sufficient liquidity to fund our operations for at least one year from the date of this Quarterly Report on Form 10-Q.

Although we currently expect our sources of capital to be sufficient to meet our near-term liquidity needs, there can be no assurance that such sources will be sufficient to satisfy our liquidity requirements in the future. If we cannot generate or obtain needed funds, we might be forced to make substantial reductions in our operating and capital expenses or pursue restructuring plans, which could adversely affect our business operations and ability to execute our current business strategy.

### *Other Contractual Obligations*

Other material contractual obligations primarily include operating lease payment obligations. See Note 8 - *Leases* of the unaudited condensed consolidated financial statements for additional information on leases.

*Cash Flows for the Three Months Ended March 31, 2025 Compared to the Three Months Ended March 31, 2024*

The following summarizes our cash flows for the three months ended March 31, 2025 and 2024 as reported in our unaudited condensed consolidated statements of cash flows (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
Net cash used in operating activities	\$ (23,070)	\$ (16,814)
Net cash used in investing activities	(2,144)	(3,100)
Net cash provided by financing activities	17,830	27,534
Net increase (decrease) in cash	(7,384)	7,620
Cash, beginning of the period	29,011	26,857
Cash, end of the period	<u>\$ 21,627</u>	<u>\$ 34,477</u>

Cash used in operating activities was \$23.1 million and \$16.8 million for the three months ended March 31, 2025 and 2024, respectively. Significant components of the year-over-year change in cash used in operating activities included a \$11.0 million increase in cash used in the changes in operating assets, and liabilities partially offset by a \$31.1 million decrease in net loss and a \$26.4 million decrease of net noncash adjustments.

Cash used in investing activities reflected net capital expenditures of \$2.1 million and \$3.1 million for the three months ended March 31, 2025 and 2024, respectively. Capital expenditures in the first three months of 2025 primarily consisted of additional investments made in our manufacturing operations.

Cash provided by financing activities was \$17.8 million during the three months ended March 31, 2025 compared to \$27.5 million during the three months ended March 31, 2024. Financing activities during the first three months of 2025 included \$19.0 million of proceeds from the additional financing offset in part by \$1.2 million in payments for debt issuance costs. Financing activities during the first three months of 2024 included \$61.0 million of proceeds received from the Related Party Loan under the Amended and Restated Credit Agreement, offset in part by a \$25.0 million payment to pay off the term loans from the 2023 credit agreement, a \$5.0 million payment to pay off the ABL Loans from the 2023 credit agreement, and payments of \$3.5 million for debt issuance costs associated with entering into the Amended and Restated Credit Agreement.

### **Critical Accounting Estimates**

We discuss our critical accounting policies and estimates in *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our 2024 Annual Report on Form 10-K filed with the SEC on March 14, 2025. There have been no significant changes in our critical accounting policies since the end of fiscal 2024.

### **Available Information**

Our website address is [www.purple.com](http://www.purple.com). We make available free of charge on the Investor Relations portion of our website, [investors.purple.com](http://investors.purple.com), our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The inclusion of our website address in this report does not include or incorporate by reference into this report any information on our website.

We also use the Investor Relations portion of our website, [investors.purple.com](http://investors.purple.com), as a channel of distribution of additional Company information that may be deemed material. Accordingly, investors should monitor this channel, in addition to following our press releases, SEC filings and public conference calls and webcasts. The contents of our website shall not be deemed to be incorporated herein by reference.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### **Interest Rate Risk**

Our operating results are subject to risk from interest rate fluctuations on the outstanding borrowings. Interest rate risk is highly sensitive due to many factors, including U.S. monetary and tax policies, U.S. and international economic factors and other factors beyond our control. The proceeds we received from the Related Party Loan entered into in January 2024 bears interest at a variable rate which exposes us to market risks relating to changes in interest rates. As of March 31, 2025, we had \$93.4 million of variable rate debt associated with the Related Party Loan. Based on this debt level, an increase of 100 basis points in the effective interest rate on the outstanding debt amount would result in an increase in interest expense of approximately \$0.9 million over the next 12 months.

We do not use derivative financial instruments for speculative or trading purposes, but this does not preclude our adoption of specific hedging strategies in the future.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **(a) Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO” and together with the CEO, the “Certifying Officers”), evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act). Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Certifying Officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Based upon this evaluation, and the above criteria, our Certifying Officers concluded that the Company’s disclosure controls and procedures were effective as of March 31, 2025 at the reasonable assurance level.

#### **(b) Changes in Internal Controls Over Financial Reporting.**

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The Company is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. Please refer to Note 13 — *Commitments and Contingencies* to the unaudited condensed consolidated financial statements contained in this report for certain information regarding our legal proceedings.

### ITEM 1A. RISK FACTORS

Except as described below, there have been no material changes from the risk factors previously disclosed in our 2024 Annual Report on Form 10-K filed with the SEC on March 14, 2025. The disclosure of risks identified below does not imply that the risk has not already materialized.

***Changes in U.S. trade policy including the impact of tariffs are having and may continue to have a material adverse effect on our business and results of operations.***

Our business and results of operations are being and may continue to be adversely affected by uncertainty and changes in U.S. trade policies, including tariffs, trade agreements or other trade restrictions which may be imposed by the U.S. or other governments with little or no advance notice. For example, the U.S. government recently imposed tariffs on product imports from almost all countries. Some tariff announcements have been followed by the granting of limited exemptions and temporary pauses causing substantial uncertainty and volatility in financial markets. Current U.S. trade policy has and may continue to result in retaliatory measures on U.S. goods. If we are unable to navigate further these unpredictable changes in U.S. or international trade policy, it could have a material adverse impact on our business and results of operations.

Some of our products require materials that may be subject to these recent tariffs, especially our products requiring textiles. Any imposition of or increase in tariffs on imports of these products or components, as well as corresponding price increases for such materials available domestically, could increase our costs. To the extent that we are unsuccessful in finding alternative suppliers that are subject to smaller or no tariffs, negotiating sharing these costs with our suppliers, or failing to pass cost increases on to our customers, such cost increases could adversely affect our business and results of operations. Higher costs could also inhibit our ability to develop new products and innovations.

Tariffs or other trade restrictions may lead to continuing 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 may reduce demand for our products. Such conditions could have a material adverse impact on our business, results of operations and cash flows. Also, disruptions and volatility in the financial markets may lead to adverse changes in the availability, terms and cost of capital. Such adverse changes could increase our costs of capital and limit our access to financing sources, which could in turn reduce our cash flow and limit our ability to pursue growth opportunities.

***Our indebtedness, related covenants, and certain prepayment obligations, including make-whole payments, could limit operational and financial flexibility and adversely affect our business if we breach such covenants or default on such indebtedness.***

On January 23, 2024, to refinance existing obligations, we entered into the Amended and Restated Credit Agreement. Upon entry into the Amended and Restated Credit Agreement, we received a term loan in the amount of \$61.0 million. The Amended and Restated Credit Agreement imposes various affirmative and negative covenants, including covenants regarding dispositions of property, investments, forming or acquiring subsidiaries, business combinations or acquisitions, incurrence of additional indebtedness, paying dividends or making distributions and transactions with affiliates, among other customary covenants.

These restrictions may prevent us from taking actions that we believe would be in the best interests of the business and complicate our ability to execute our business strategy or compete with less restricted companies. If we fail to comply with the covenants under the Amended and Restated Credit Agreement, we may need to seek future amendments or waivers and/or alternative liquidity sources, such as subordinated debt, which may not be favorable or available. Before taking any action requiring a waiver under the Amended and Restated Credit Agreement, we must first obtain approval from the Lenders, which may cause us to incur additional costs and may not be granted. Non-compliance could lead to defaults, which could materially adversely affect our financial condition and results of operations, including possible acceleration of our debt, as well as other cross-defaulting debt obligations. Additionally, defaults could significantly impair our ability to secure alternative financing and limit our business strategies. Our compliance with these covenants will depend on successfully implementing our business strategies, as breaches could lead to defaults and acceleration of our debt, potentially forcing us into bankruptcy or liquidation.

In addition, on March 12, 2025, we entered into the 2025 Amendment, pursuant to which the 2025 Lenders agreed to provide us with an incremental term loan of \$19.0 million pursuant to Section 2.18 of the Amended and Restated Credit Agreement. On May 2, 2025, we entered into the 2025 Second Amendment, pursuant to which the 2025 Lenders agreed to provide us with an incremental term loan of \$20.0 million pursuant to Section 2.18 of the Amended A&R Credit Agreement. The 2025 Amendment also amended the Amended A&R Credit Agreement to (i) provide for an additional term loan from the 2025 Term Loan Lenders (as defined in the 2025 Amendment) in an aggregate amount not to exceed \$20.0 million, subject to the approval of the Required Lenders in their discretion, (ii) provide for the payment of substantial make-whole payments in the event we prepay the loans prior to their maturity, and (iii) provide that the incremental term loan will be senior in right of repayment to the initial term loan.

Under the Amended and Restated Credit Agreement, we have mandatory prepayment obligations, including upon certain asset dispositions, equity issuances, debt incurrences and extraordinary receipts of cash. As amended by the 2025 Amendment, we may be required to make substantial “make-whole” payments to the Lenders. If required to prepay or pay such make-whole payments, we may lack the liquidity to do so, resulting in default. Prepayments, including make-whole payments, would also divert resources from operating expenses, potentially harming relationships with suppliers, hindering growth strategies, and jeopardizing our business continuity. In addition, such payments could result in holders of our Class A Stock not receiving any consideration in a sale of our business, or if we were to liquidate, dissolve, or wind-up, either voluntarily or involuntarily.

***We may need additional funds to execute our business plan, maintain our liquidity, repay our debt and fund our operations. We may not be able to obtain such funds on acceptable terms or at all.***

We have experienced recurring operating losses and negative cash flows and may continue to generate operating losses and consume significant cash resources in the future. For the years ended December 31, 2024, and 2023, we had negative cash flow from operating activities of \$18.0 million and \$54.7 million, respectively. As of December 31, 2024, we had unrestricted cash and cash equivalents of \$29.0 million and borrowings of \$70.7 million under our Amended and Restated Credit Agreement, which will become due on December 31, 2026.

On March 12, 2025, we borrowed an additional \$19.0 million under the Amended and Restated Credit Agreement pursuant to the 2025 Amendment, which will also become due on December 31, 2026. On May 2, 2025, we borrowed an additional \$20 million under the Amended and Restated Credit Agreement, pursuant to the 2025 Second Amendment. The 2025 Amendment also added certain make-whole payments with respect to our borrowings under the Amended and Restated Credit Agreement, which would require substantial payments in connection with certain pre-payments or refinancing of our outstanding borrowings.

In connection with the preparation of our 2024 financial statements, we undertook a going concern assessment and concluded the Company will have sufficient liquidity for its operations for at least one year from the date these consolidated financial statements are issued. However, there can be no assurance that we will be able to maintain the liquidity necessary to fund our long-term operations and growth strategies, or repay our debt obligations when due. As a result, we may need to secure additional sources of liquidity to fund our long-term operating activities and capital expenditures. However, there can be no assurance that we will be able to obtain additional financing as needed on terms favorable to us, or at all. If we fail to meet liquidity and capital requirements, we may need to scale back or halt our growth plans, risking slower growth, losing suppliers, failing to meet customer demands, and losing employees. We may also need to restructure our obligations or pursue other measures to address any liquidity deficiency.

Under the Amended and Restated Credit Agreement, we can request additional loans, but the Lenders may deny requests, limiting our access to future funds and adversely affecting our liquidity, financial condition and results of operations. As a condition to providing future funds, the Lenders may require other revisions to the Amended and Restated Credit Agreement, such as increasing prepayment or make-whole payments or including additional restrictive covenants, which could adversely affect our business and financial condition.

Future equity or debt financings may involve issuing securities likely to be dilutive to our existing stockholders, such as warrants, as we did on January 23, 2024 when we issued to the Lenders, as partial consideration for their entering into the Amended and Restated Credit Agreement, warrants (the “2024 Warrants”) to purchase 20.0 million shares of our Common Stock (approximately 19% of our currently outstanding Common Stock) at a price of \$1.50 per share, subject to certain adjustments. In addition, on March 12, 2025, we issued to the 2025 Lenders, as partial consideration for their entering into the 2025 Amendment, warrants to purchase 6.2 million shares of our Common Stock, on May 2, 2025 we issued to the 2025 Lenders, as partial consideration for their entering into the Second 2025 Amendment, warrants to purchase 6.6 million shares of our Common Stock and on May 2, 2025 we issued to SGI as partial consideration for their entering into the SGI Agreement, warrants to purchase 8.0 million shares of our Common Stock at a price of \$1.50 per share, subject to certain adjustments. The exercise of such warrants and/or any additional similar securities in the future would dilute the value and amount of our Common Stock. Similarly, any new securities we may issue may carry preferences, superior voting rights, or additional terms that could adversely affect shareholders of our Common Stock. Future capital raising efforts may incur substantial costs, such as investment banking, legal, and accounting fees, and could lead to non-cash expenses that negatively impact our financial condition.

***Our business could suffer if we are unsuccessful in making, integrating and maintaining commercial agreements, strategic alliances and other business relationships.***

We rely on commercial agreements and strategic relationships with suppliers, service providers, and wholesale partners. Disruptions in these relationships or strategic decisions by partners could negatively affect our business. For example, (i) one of our competitors has acquired one of our wholesale partners, which could disrupt our relationship or prevent us from continuing to sell our products in favorable placements alongside the competitor’s products or at all in the wholesale partner’s stores, and (ii) one of our competitors owns a manufacturing company with which we have a manufacturing relationship, and that competitor could disrupt that relationship to harm our manufacturing efforts. We may also struggle to maintain or develop these relationships and may not be able to secure new ones on favorable terms.

We sell products through wholesale partnerships and may seek to expand these relationships. However, these wholesale partnerships may not be profitable and could incur additional costs compared to our DTC operations. In addition, an expansion of these relationships may concentrate our business with one customer resulting in greater reliance on that customer, which could adversely affect our ability to grow our business and compete in our industry. Wholesale relationships may be terminated or modified, or wholesale partners may reduce orders or fail to meet their obligations, resulting in lost sales and adversely affecting our financial performance, results of operations and financial condition. Disputes with partners or the termination or amendment of agreements could lead to expenses, delayed payments, liabilities, and distractions from our strategic objectives. If we cannot renew or replace agreements on favorable terms, it could harm our business. Wholesale partners may also compete against us in key channels, harming our business. Maintaining these relationships may require significant resources and could limit our sales channels, adversely affecting other areas of our business.

We are expanding Purple showrooms across the U.S., which may compete with our wholesale partners for customers. This omni-channel strategy carries the risk of diminishing sales in other channels, increasing costs, and the potential loss of wholesale partners. Managing this omni-channel strategy may require significant resources, potentially impacting other areas of our business. If our financial performance falls short of expectations, we may struggle to secure favorable payment terms or obtain credit from commercial partners that have extended credit to us.

***NASDAQ may delist our securities from its exchange, which could harm our business and limit our stockholders' liquidity.***

Our Common Stock is currently listed on NASDAQ, which has listing criteria. We cannot assure that our Common Stock will continue to be listed on NASDAQ in the future. To continue listing our Common Stock on NASDAQ, we must maintain certain governance, financial, distribution and stock price levels. Generally, we must maintain a minimum amount in stockholders' equity, a minimum number of holders of our Common Stock, and a \$1.00 minimum per share bid price for our Common Stock. If we fail to maintain a \$1.00 minimum per share bid price for a period of 30 consecutive business days, we have 180 calendar days to maintain our Common Stock at a \$1.00 minimum per share bid price for 10 consecutive trading days. If we do not regain compliance within 180 calendar days, NASDAQ may grant a second compliance period of 180 calendar days or it may determine to delist our Common Stock, at which point we would have an opportunity to appeal the delisting determination to a hearings panel. On April 5, 2025, we received written notice from NASDAQ that we were not in compliance with Nasdaq minimum share price rule, since the closing price of our Common Stock had been below \$1.00 per share for 30 consecutive business days. We have 180 calendar days, or until October 1, 2025, to regain compliance with the Nasdaq minimum share price rule. To regain compliance, the bid price of our Common Stock must close at \$1.00 or more for a minimum of ten consecutive business days. While we intend to actively monitor the bid price of our Common Stock and will consider available options to regain compliance, there can be no guarantee that we will be able to regain compliance or otherwise comply with NASDAQ's other continued listing requirements.

If we are unable to comply with NASDAQ'S continued listing requirements, our Common Stock may be subject to delisting. If NASDAQ delists our Common Stock from trading on its exchange or if we decide to voluntarily delist from NASDAQ and/or deregister our Common Stock under the federal securities laws, we could face significant material adverse consequences, including but not limited to (i) a limited availability of market quotations for our Common Stock; (ii) reduced liquidity for our Common Stock; (iii) a determination that our Common Stock is a "penny stock" which will require brokers trading in our Common Stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities; (iv) a limited amount of news and analyst coverage, and in the event of deregistration of our Common Stock, less public disclosure about us; and (v) a decreased ability to issue additional securities or obtain additional financing in the future.

***Our stockholders may experience substantial dilution in the value of their investment or may otherwise have their interests impaired if we issue additional debt or equity securities or securities convertible into equity securities, as well as due to the exercise of the currently outstanding Warrants.***

We may attempt to increase our capital by entering additional secured or unsecured debt or debt-like financing, or by issuing additional debt or equity securities, including issuances of secured or unsecured notes, preferred stock, hybrid securities or convertible securities. Our Second Amended and Restated Certificate of Incorporation allows us to issue up to 300 million shares of our common stock, including 210 million shares of Class A common stock and 90 million shares of Class B common stock, and up to five million shares of undesignated preferred stock.

We have previously sold and may in the future sell additional shares of our Common Stock or convertible securities at prices that are lower than the prices paid by existing stockholders, and investors purchasing shares or other securities could have rights superior to existing stockholders, which could result in substantial dilution of existing stockholders. For example, in February 2023 we issued 13.4 million shares of Common Stock pursuant to a public offering, on January 23, 2024, we issued to the Lenders under the Amended and Restated Credit Agreement the 2024 Warrants to purchase 20.0 million shares of our Common Stock at a price of \$1.50 per share, subject to adjustments, and on March 12, 2025, we issued to the 2025 Lenders under the 2025 Amendment the 2025 Warrants to purchase 6.2 million shares of our Common Stock at a price of \$1.50 per share, subject to adjustments. In addition, on May 2, 2025, we issued to the 2025 Lenders under the Second 2025 Amendment the 2025 Additional Warrants to purchase 6.6 million shares of our Common Stock at a price of \$1.50 per share, subject to adjustments and on May 2, 2025, we issued to SGI as partial consideration for their entering into the SGI Agreement, warrants to purchase 8.0 million shares of our Common Stock at a price of \$1.50 per share, subject to adjustments. The exercise of the Warrants will dilute the value of Class A common stock and stockholder voting power. In addition, the Warrants include full-ratchet anti-dilution protections, subject to certain conditions, which could result in the Warrants becoming exercisable for a significantly greater number of shares if we engage in a dilutive financing.

In the event of our liquidation, holders of our debt would receive distributions of our assets before distributions to holders of our Common Stock, including substantial make-whole payments, and holders of securities senior to the Common Stock would receive distributions of our assets before distributions to the holders of our Common Stock. Because future debt and equity offerings may be influenced by market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings or debt financings. Market conditions could impose less favorable terms for the issuance of our securities in the future.

## **ITEM 5. OTHER INFORMATION**

### **10b5-1 Trading Plans**

During the first quarter of 2025, none of our directors or executive officers adopted or terminated any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" as such terms are defined under Item 408 of Regulation S-K.

## ITEM 6. EXHIBITS

Number	Description
10.1	<a href="#"><u>Amendment to Amended and Restated Credit Agreement, dated as of March 12, 2025, by and among Purple Innovation, Inc., Purple Innovation, LLC, Intellibed, LLC, Coliseum Capital Partners, L.P., Blackwell Partners LLC – Series A, and CSC Delaware Trust Company (incorporated by reference to Exhibit 10.41 to the Company’s Annual Report on Form 10-K (File No. 001-37523) filed with the SEC on March 14, 2025).</u></a>
10.2	<a href="#"><u>Form of Warrant (incorporated by reference to Exhibit 10.42 to the Company’s Annual Report on Form 10-K (File No. 001-37523) filed with the SEC on March 14, 2025).</u></a>
10.3	<a href="#"><u>Second Amended and Restated Registration Rights Agreement, dated as of March 12, 2025, by and among Purple Innovation, Inc., Coliseum Capital Partners, L.P., Blackwell Partners LLC – Series A and Coliseum Capital Co-Invest III, L.P. (incorporated by reference to Exhibit 10.43 to the Company’s Annual Report on Form 10-K (File No. 001-37523) filed with the SEC on March 14, 2025).</u></a>
31.1*	<a href="#"><u>Certification by Robert T. DeMartini, Chief Executive Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2*	<a href="#"><u>Certification by Todd E. Vogensen, Chief Financial Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1**	<a href="#"><u>Certification by Robert T. DeMartini, Chief Executive Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2**	<a href="#"><u>Certification by Todd E. Vogensen, Chief Financial Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS	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 Link base Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File—the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

\* Filed herewith.

\*\* Furnished herewith.

## SIGNATURE

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.

### PURPLE INNOVATION, INC.

Date: May 6, 2025

By: /s/ Robert T. DeMartini  
Robert T. DeMartini  
Chief Executive Officer  
(Principal Executive Officer)

Date: May 6, 2025

By: /s/ Todd E. Vogensen  
Todd E. Vogensen  
Chief Financial Officer  
(Principal Financial Officer)

Date: May 6, 2025

By: /s/ George T. Ulrich  
George T. Ulrich  
VP Accounting and Financial Reporting  
(Principal Accounting Officer)



## CERTIFICATIONS

I, Robert T. DeMartini, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Purple Innovation, 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 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 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.

Dated: May 6, 2025

/s/ Robert T. DeMartini

Robert T. DeMartini, Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATIONS

I, Todd E. Vogensen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Purple Innovation, 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 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 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.

Dated: May 6, 2025

/s/ Todd E. Vogensen

Todd E. Vogensen, Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION**

In connection with the Quarterly Report on Form 10-Q of Purple Innovation, Inc. (the “Corporation”) for the quarter ended March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Robert T. DeMartini, Chief Executive Officer of the Corporation, hereby certifies, pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his 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 Corporation.

Dated: May 6, 2025

/s/ Robert T. DeMartini

Robert T. DeMartini, Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION**

In connection with the Quarterly Report on Form 10-Q of Purple Innovation, Inc. (the “Corporation”) for the quarter ended March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Todd E. Vogensen, Chief Financial Officer of the Corporation, hereby certifies, pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his 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 Corporation.

Dated: May 6, 2025

/s/ Todd E. Vogensen

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Todd E. Vogensen, Chief Financial Officer  
(Principal Financial Officer)