

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2024**

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: **001-40764**

Wag!

Wag! Group Co.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

88-3590180

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

**55 Francisco Street, Suite 360
San Francisco, California**

(Address of principal executive offices)

94133

(Zip Code)

(707) 324-4219

(Registrant's telephone number, including area code)

Not applicable

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

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.0001 per share	PET	The Nasdaq Global Market
Warrants, each whole warrant exercisable for one share of Common Stock at an exercise price of \$11.50 per share	PETWW	The Nasdaq Global Market

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

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

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

There were 40,620,162 shares of common stock outstanding as of May 2, 2024.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which are statements that involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “shall,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- *our ability to further develop and advance our pet service offerings and achieve scale;*
- *our ability to attract personnel;*
- *market opportunity, anticipated growth, and future financial performance, including management’s financial outlook for the future;*
- *market adoption of our pet service offerings and solutions;*
- *our ability to protect our intellectual property;*
- *changes in the competitive industries in which we operate;*
- *changes in laws and regulations affecting our business;*
- *our ability to implement our business plans, forecasts, and other expectations, and identify and realize additional partnerships and opportunities; and*
- *the risk of downturns in the market and the technology industry.*

You should not rely upon forward-looking statements as predictions of future events. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2023 and elsewhere in this Quarterly Report on Form 10-Q, as well as in our other filings with the Securities and Exchange Commission (“SEC”). Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

WAG! GROUP CO.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2024	December 31, 2023
<i>(in thousands, except par value amounts)</i>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,603	\$ 18,323
Accounts receivable, net	11,104	10,023
Prepaid expenses and other current assets	2,510	3,428
Total current assets	26,217	31,774
Property and equipment, net	622	347
Operating lease right-of-use assets	970	1,045
Intangible assets, net	8,280	8,828
Goodwill	4,646	4,646
Other assets	52	57
Total assets	\$ 40,787	\$ 46,697
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 12,375	\$ 9,919
Accrued expenses and other current liabilities	2,953	4,015
Deferred revenue	1,742	1,781
Deferred purchase consideration – current portion	368	547
Operating lease liabilities – current portion	390	386
Notes payable – current portion	1,913	1,751
Total current liabilities	19,741	18,399
Operating lease liabilities – non-current portion	731	816
Notes payable – non-current portion, net of debt discount and warrant allocation of \$3,280 and \$4,563 as of March 31, 2024 and December 31, 2023, respectively	21,428	25,664
Other non-current liabilities	125	172
Total liabilities	42,025	45,051
Commitments and contingencies (Note 8)		
Stockholders' equity (deficit):		
Common stock, \$0.0001 par value; 110,000 shares authorized as of both March 31, 2024 and December 31, 2023; 40,540 and 39,597 issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	4	4
Additional paid-in capital	164,733	163,376
Accumulated deficit	(165,975)	(161,734)
Total stockholders' equity (deficit)	(1,238)	1,646
Total liabilities and stockholders' equity (deficit)	\$ 40,787	\$ 46,697

See the accompanying notes to unaudited condensed consolidated financial statements.

WAG! GROUP CO.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended	
	March 31, 2024	March 31, 2023
	<i>(in thousands, except per share amounts)</i>	
Revenues	\$ 23,219	\$ 20,623
Costs and expenses:		
Cost of revenues (exclusive of depreciation and amortization shown separately below)	1,570	1,026
Platform operations and support	2,960	3,170
Sales and marketing	15,655	13,275
General and administrative	4,239	4,984
Depreciation and amortization	578	381
Total costs and expenses	25,002	22,836
Interest expense	1,885	1,874
Interest income	(152)	(244)
Loss on extinguishment of debt	726	—
Other income, net	—	(56)
Loss before income taxes	(4,242)	(3,787)
Income taxes	(1)	—
Net loss	\$ (4,241)	\$ (3,787)
Loss per share, basic and diluted	\$ (0.11)	\$ (0.10)
Weighted-average common shares outstanding used in computing loss per share, basic and diluted	40,077	37,065

See the accompanying notes to unaudited condensed consolidated financial statements.

WAG! GROUP CO.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)

Common Stock					
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
<i>(in thousands)</i>					
Balance as of December 31, 2023	39,597	\$ 4	\$ 163,376	\$ (161,734)	\$ 1,646
Issuance of common stock from exercise of stock options and vesting of restricted stock units	943	—	61		61
Stock-based compensation			1,296		1,296
Net loss				(4,241)	(4,241)
Balance as of March 31, 2024	40,540	4	164,733	(165,975)	(1,238)

Common Stock					
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
<i>(in thousands)</i>					
Balance as of December 31, 2022	36,849	\$ 4	\$ 158,335	\$ (148,417)	\$ 9,922
Issuance of common stock from exercise of stock options and vesting of restricted stock units	580	—	54		54
Stock-based compensation			1,342		1,342
Net loss				(3,787)	(3,787)
Balance as of March 31, 2023	37,429	4	159,731	(152,204)	7,531

See the accompanying notes to unaudited condensed consolidated financial statements.

WAG! GROUP CO.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31, 2024	March 31, 2023
<i>(in thousands)</i>		
Cash flow from operating activities:		
Net loss	\$ (4,241)	\$ (3,787)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Stock-based compensation	1,296	1,342
Non-cash interest expense	665	685
Depreciation and amortization	578	381
Reduction in carrying amount of operating lease right-of-use assets	75	83
Loss on extinguishment of debt	726	—
Changes in operating assets and liabilities, net of effect of acquired business:		
Accounts receivable	(1,081)	(2,351)
Prepaid expenses and other current assets	918	537
Operating lease liabilities	(81)	(78)
Other assets	5	(5)
Accounts payable	2,456	(459)
Accrued expenses and other current liabilities	(1,062)	(250)
Deferred revenue	(39)	322
Other non-current liabilities	(47)	—
Net cash provided by (used in) operating activities	<u>168</u>	<u>(3,580)</u>
Cash flows from investing activities:		
Cash paid for acquisitions, net of cash acquired	—	(9,000)
Cash paid for equity method investment	—	(1,470)
Purchase of property and equipment	(305)	(16)
Net cash used in investing activities	<u>(305)</u>	<u>(10,486)</u>
Cash flows from financing activities:		
Repayment of debt	(5,357)	(277)
Debt prepayment penalty	(100)	—
Proceeds from exercises of stock options	61	54
Other	(187)	(175)
Net cash used in financing activities	<u>(5,583)</u>	<u>(398)</u>
Net change in cash and cash equivalents	(5,720)	(14,464)
Cash and cash equivalents, beginning of period	18,323	38,966
Cash and cash equivalents, end of period	<u>\$ 12,603</u>	<u>\$ 24,502</u>

See the accompanying notes to unaudited condensed consolidated financial statements.

WAG! GROUP CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Description of Business

Wag! Group Co. (“Wag!,” “Wag,” the “Company,” “we,” or “our”), formerly known as CHW Acquisition Corporation (“CHW”), is incorporated in Delaware with headquarters in San Francisco, California. The Company develops and supports proprietary technologies available via website and mobile app (“platform” or “marketplace”) that enable end users, such as Pet Parents, to connect with independent service and product providers to obtain services and products. The Company operates in the United States.

2. Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated interim financial information of the Company has been prepared in accordance with Article 10 of the Securities and Exchange Commission’s (“SEC”) Regulation S-X. Accordingly, as permitted by Article 10 of Regulation S-X, it does not include all of the information required by generally accepted accounting principles in the U.S. (“U.S. GAAP”) for complete financial statements. The condensed consolidated balance sheet as of December 31, 2023 was derived from the audited financial statements at that date and does not include all the disclosures required by U.S. GAAP, as permitted by Article 10 of Regulation S-X. The Company’s unaudited condensed consolidated financial statements as of March 31, 2024 and for the three months ended March 31, 2024 and 2023 include Wag! Group Co. and all of its subsidiaries. In the opinion of management, the accompanying financial information contains all adjustments, consisting of normal recurring adjustments, necessary to state fairly the Company’s unaudited condensed consolidated financial statements as of March 31, 2024 and for the three months ended March 31, 2024 and 2023. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 (the “2023 10-K”). Operating results for the three months ended March 31, 2024 and 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenues and expenses. Actual results could differ from those estimates.

Significant items subject to estimates and assumptions include, but are not limited to, fair values of financial instruments, valuation of intangible assets acquired, valuation of stock-based compensation and warrants, and the valuation allowance for deferred income taxes. Actual results may differ from these estimates.

Recently Adopted Accounting Pronouncements

In August 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity* (“ASU 2020-06”). This ASU simplifies the accounting for convertible instruments by eliminating certain accounting models, resulting in fewer embedded conversion features being separately recognized from the host contract, and also amends the guidance for derivatives scope exception for contracts in an entity’s own equity to reduce form-over-substance-based accounting conclusions. Additionally, the amendments in this ASU affect the diluted earnings per share (“EPS”) calculation for convertible instruments. It requires that the effect of potential share settlement be included in the diluted EPS calculation when a convertible instrument may be settled in cash or shares; the if-converted method as opposed to the treasury stock method is required to calculate diluted EPS for these types of convertible instruments. The amendments in this update are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years, with early adoption permitted. The adoption of this guidance during the first quarter of 2024 did not have a material impact on the Company’s condensed consolidated financial statements.

New Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* (“ASU 2023-07”). This ASU improves reportable segment disclosures, primarily through enhanced disclosures about significant segment expenses. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is evaluating the potential impact of this adoption on its condensed consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* (“ASU 2023-09”). This ASU improves the transparency of income tax disclosures by requiring: (1) consistent categories and greater disaggregation of information in the rate reconciliation, and (2) income taxes paid disaggregated by jurisdiction. Additionally, the amendments in this ASU improve the effectiveness and comparability of disclosures by: (1) adding disclosures of pretax income (or loss) and income tax expense (or benefit) to be consistent with U.S. Securities and Exchange Commission (“SEC”) Regulation S-X, and (2) removing disclosures that no longer are considered cost beneficial or relevant. The amendments in this update are effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is evaluating the potential impact of this adoption on its condensed consolidated financial statements.

Equity Method Investment

During the fourth quarter of 2022, the Company’s subsidiary, Compare Pet Insurance Services, Inc., entered into an agreement to invest \$1.5 million for 49% ownership in a new limited liability company, which was funded in the first quarter of 2023. The investment was accounted for as an equity method investment, with the Company’s proportionate share of the investee’s net income recognized in equity in net earnings of equity method investment within the Company’s consolidated statement of operations, as the Company had less than 50% ownership and did not control the entity. During the three months ended March 31, 2024, the Company did not recognize any activity within its condensed consolidated statements of operations related to the equity method investee.

During the third quarter of 2023, the Company acquired the outstanding 51% ownership of the limited liability company for an aggregate purchase price of approximately \$2.2 million. The Company accounted for the transaction as an asset acquisition using the cost accumulation model to determine the cost to be allocated to the assets acquired, which resulted in the derecognition of royalties payable to the equity method investee of approximately \$1.8 million and the recognition of intangible assets acquired of approximately \$0.2 million and cash acquired of \$2.5 million. As a result of the transaction, the limited liability company became a wholly-owned subsidiary of the Company and the Company began consolidating the entity as part of its condensed consolidated financial statements.

Revenue Recognition

The Company recognizes revenue in accordance with FASB Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*. Through its Services offerings, the Company principally generates Services revenue from service fees charged to Pet Caregivers to successfully complete a pet care service to a Pet Parent via the platform. The Company also generates revenue from subscription fees paid by Pet Parents for Wag! Premium and fees paid by Pet Caregivers to join the platform. Additionally, through its Wellness and Pet Food & Treat offerings, the Company generates revenue through commission fees paid by third-party service partners in the form of ‘revenue-per-action’ or conversion activity defined in our agreements with the respective third-party service partner. For some of the Company’s arrangements with third-party service partners, the transaction price is considered variable, and an estimate of the transaction price is recorded when the action occurs. The estimated transaction price used in the variable consideration is based on historical data with the respective third-party service partner and the consideration is measured and settled monthly.

The Company enters into terms of service with Pet Caregivers and Pet Parents to use the platform (“Terms of Service Agreements”), as well as an Independent Contractor Agreement (“ICA”) with Pet Caregivers (the ICA, together with the Terms of Service Agreements, the “Agreements”). The Agreements govern the fees the Company charges the Pet Caregivers and Pet Parents, where applicable, for each transaction. Upon acceptance of a transaction, Pet Caregivers agree to perform the services that are requested by a Pet Parent. The acceptance of a transaction request combined with the Agreements establishes enforceable rights and obligations for each transaction. A contract exists between the Company and its customers after both the Pet Caregivers and Pet Parent accept a transaction request and the Pet Caregivers ability to cancel the transaction lapses. For Wag! Wellness and Pet Food & Treat revenues, the Company enters into agreements with third-party service partners which define the action by a Pet Parent that results in the Company earning and receiving a commission fee from the third-party service partner.

Wag!’s service obligations are performed, and revenue is recognized, for fees earned related to the facilitation and completion of a pet service transaction between the Pet Parent and the Pet Caregiver through the use of our platform. Revenue generated from the Company’s Wag! Premium subscription is recognized on a ratable basis over the contractual period, which is generally one month to one year depending on the type of subscription purchased by the Pet Parent. Prepaid subscription amounts are included in deferred revenue within the Company’s condensed consolidated balance sheets. Revenue related to the fees paid by the Pet Caregiver to join the platform are recognized upon processing of the applications. Wag! Wellness and Pet Food & Treat revenue performance obligations are completed, and revenue is recognized, when an end-user completes an action or conversion activity.

Principal vs. Agent Considerations

Judgment is required in determining whether the Company is the principal or agent in transactions with Pet Caregivers and Pet Parents. The Company evaluates the presentation of revenues on a gross or net basis based on whether the Company controls the service provided to the Pet Parent and is the principal (i.e., “gross”), or whether the Company arranges for other parties to provide the service to the Pet Parent and is an agent (i.e. “net”).

The Company’s role in a transaction on the platform is to facilitate Pet Caregivers finding, applying, and completing a successful pet care service for a Pet Parent. The Company has concluded it is the agent in transactions with Pet Caregivers and Pet Parents because, among other factors, the Company’s role is to facilitate pet service opportunities; it is not responsible for and does not control the delivery of pet services provided by the Pet Caregivers to the Pet Parents.

Gift Cards

The Company sells gift cards that can be redeemed by Pet Parents through the platform. Proceeds from the sale of gift cards are deferred and recorded as contract liabilities in Deferred revenue within the Company’s condensed consolidated balance sheets until Pet Parents use the card to place orders on our platform. When gift cards are redeemed, revenue is recognized on a net basis as the difference between the amounts collected from the purchaser less amounts remitted to Pet Caregivers. Unused gift cards are included in Deferred revenue within the Company’s condensed consolidated balance sheets.

The Company recognizes breakage revenue based on historical redemption patterns.

Incentives

The Company offers discounts and promotions to encourage use of the Company’s platform. These promotions are generally pricing actions in the form of discounts that reduce the price Pet Parents pay Pet Caregivers for services. These promotions result in a lower fee earned by the Company from the Pet Caregiver. Accordingly, the Company records the cost of these promotions as a reduction of revenues. Discounts on services offered through our subscription program are also recorded as a reduction of revenues.

Loss Per Share

The Company follows the two-class method when computing loss per share when shares issued meet the definition of participating securities. The two-class method determines loss per share for each class of common stock and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to stockholders for the period to be allocated between common stock and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed.

For periods in which the Company reports net losses, diluted loss per share is the same as basic loss per share because potentially dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

3. Business Combination with CHW

On August 9, 2022 (the “Closing Date” or “Merger Date”), Wag! Labs, Inc. (“Legacy Wag!”), CHW, and CHW Merger Sub, Inc. (“Merger Sub”) pursuant to the terms of the Business Combination Agreement and Plan of Merger (the “CHW Business Combination Agreement”) dated February 2, 2022, completed the business combination of Legacy Wag! and CHW which was effected by the merger of Merger Sub with and into Legacy Wag!, with Legacy Wag! surviving the Merger as a wholly-owned subsidiary of CHW (the “Merger,” and, together with the other transactions contemplated by the CHW Business Combination Agreement, the “CHW Business Combination”). Upon completion of the Merger on August 9, 2022, following the approval at the extraordinary general meeting of the stockholders of CHW held on July 28, 2022 (the “Special Meeting”), the Company changed its name to Wag! Group Co. (“Post-Combination Company”) and effectively assumed all of CHW’s material operations.

For more information regarding the CHW Business Combination, refer to Note 3, *Business Combination with CHW*, to the Consolidated Financial Statements included in the 2023 10-K.

Earnout Compensation

In connection with the CHW Business Combination, Legacy Wag! stockholders and certain members of management and employees of Legacy Wag! that held either a share of common stock, a Legacy Wag! Option or a Legacy Wag! RSU Award at the date of the Merger have the contingent right to Earnout Shares. The aggregate number of Earnout Shares and Management Earnout Shares is 10,000,000 and 5,000,000 shares of Wag! common stock, respectively. The Earnout Shares will be issued following the CHW Business Combination, only if certain Wag! share price conditions are met over a three-year period from the effective Merger Date. The Earnout Shares are subject to the occurrence of certain triggering events based on a three-year period from the Merger Date as defined in the CHW Business Combination Agreement as:

1. 5,000,000 shares are earned if the stock price of the Company is or exceeds \$12.50 for 20 out of any 30 consecutive trading days (“Triggering Event I”)
2. 5,000,000 shares are earned if the stock price of the Company is or exceeds \$15.00 for 20 out of any 30 consecutive trading days (“Triggering Event II”); and
3. 5,000,000 shares are earned if the stock price of the Company is or exceeds \$18.00 for 20 out of any 30 consecutive trading days (“Triggering Event III”) (collectively, the “Triggering Events”).

Additionally, if there is a change of control transaction, the agreed upon selling price of the Company on a per share basis, would be the fair value of the shares inclusive of the resulting triggered Earnout Shares upon consummation of the proposed transaction. The per share price in a change in control would be used to determine whether the Triggering Events have been met, and depending on the per share price, a certain number of shares will be issued.

The Earnout Shares and Management Earnout Shares are classified as equity transactions at initial issuance and at settlement when and if the triggering conditions are met. The Earnout Shares are equity-classified since they do not meet the liability classification criteria outlined in FASB ASC Topic 480, *Distinguishing Liabilities from Equity*, and are both (i) indexed to the Company’s own shares and (ii) meet the criteria for equity classification. Until the shares are issued upon a Triggering Event, the Earnout Shares are not included in shares outstanding. As of the date of the CHW Business Combination, the Earnout Share awards had a total fair value of \$23.9 million determined using a Monte Carlo fair value methodology in each of the \$12.50, \$15.00, and \$18.00 Earnout tranches multiplied by the number of Earnout Shares allocated to each individual pursuant to the calculation defined in the CHW Business Combination Agreement.

4. Fair Value Measurements

The following tables provide information about the Company's financial instruments that are measured at fair value on a recurring basis and indicate the fair value hierarchy of the valuation techniques utilized to determine such values as of March 31, 2024 and December 31, 2023:

	March 31, 2024			
	Level 1	Level 2	Level 3	Total
	<i>(in thousands)</i>			
Assets:				
Cash equivalents:				
Money market funds	\$ 5,961	\$ —	\$ —	\$ 5,961
Total cash equivalents	5,961	—	—	5,961
Total assets at fair value	\$ 5,961	\$ —	\$ —	\$ 5,961

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
	<i>(in thousands)</i>			
Assets:				
Cash equivalents:				
Money market funds	\$ 11,388	\$ —	\$ —	\$ 11,388
Total cash equivalents	11,388	—	—	11,388
Total assets at fair value	\$ 11,388	\$ —	\$ —	\$ 11,388

The Company's money market funds were valued using Level 1 inputs because they were valued using quoted prices in active markets. As of March 31, 2024 and December 31, 2023, the Company's cash equivalents approximated their estimated fair value. As such, there are no unrealized gains or losses related to the Company's cash equivalents.

5. Goodwill and Other Intangible Assets

Goodwill recorded in connection with the Company's acquisitions is primarily attributable to the assembled workforce and anticipated operational synergies. Goodwill is reviewed for impairment at least annually, absent any interim indicators of impairment. Goodwill was \$4.6 million and \$4.6 million as of March 31, 2024 and December 31, 2023, respectively. There were no additions to or impairments of goodwill during the three months ended March 31, 2024.

The gross carrying amounts and accumulated amortization of the Company's intangible assets with determinable lives as of March 31, 2024 and December 31, 2023 were as follows:

	March 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	<i>(in thousands)</i>		
Finite-lived intangible assets:			
Customer relationships and licenses	\$ 7,686	\$ (1,833)	\$ 5,853
Media brand	1,250	(208)	1,042
Developed technology	1,073	(542)	531
Trademarks	1,052	(247)	805
Pharmacy board licenses	5	(5)	—
Total finite-lived intangible assets	11,066	(2,835)	8,231
Indefinite-lived intangible assets	49	—	49
Total intangible assets	\$ 11,115	\$ (2,835)	\$ 8,280

	December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	<i>(in thousands)</i>		
Finite-lived intangible assets:			
Customer relationships and licenses	\$ 7,686	\$ (1,550)	\$ 6,136
Media brand	1,250	(52)	1,198
Developed technology	1,073	(479)	594
Trademarks	1,052	(201)	851
Pharmacy board licenses	5	(5)	—
Total finite-lived intangible assets	11,066	(2,287)	8,779
Indefinite-lived intangible assets	49	—	49
Total intangible assets	\$ 11,115	\$ (2,287)	\$ 8,828

Amortization expense related to customer relationships and licenses, media brand, developed technology, trademarks, and pharmacy board licenses is recorded in depreciation and amortization within the Company's condensed consolidated statements of operations. Amortization expense of intangible assets with determinable lives was \$0.5 million and \$0.4 million for the three months ended March 31, 2024 and 2023, respectively.

6. Contract Liabilities

The timing of Services revenue recognition may differ from the timing of invoicing to or collections from customers. The Company's contract liabilities balance, which is included in Deferred revenue within the Company's condensed consolidated balance sheets, is primarily comprised of unredeemed gift cards, prepayments received from consumers for Wag! Premium subscriptions, and certain consumer credits for which the revenue is recognized over time as they are used for services on its platform. The contract liabilities balance was \$1.7 million and \$1.8 million as of March 31, 2024 and December 31, 2023, respectively. Revenues recognized related to the Company's contract liabilities as of the beginning of the year was \$0.4 million and \$0.3 million for the three months ended March 31, 2024 and 2023, respectively.

7. Long-Term Debt

Paycheck Protection Program Loan

On August 5, 2020, the Company received loan proceeds of approximately \$5.1 million from a financial institution pursuant to the Paycheck Protection Program (the "PPP Loan") established by the Coronavirus Aid, Relief, and Economic Security Act, of which \$3.5 million was subsequently forgiven. The PPP Loan matures on August 5, 2025 and bears interest at a fixed rate of 1.00%. Principal and interest payments are payable monthly.

During the three months ended March 31, 2024 and 2023, the Company repaid a total amount of \$0.1 million and \$0.1 million, respectively, on amounts outstanding under the PPP Loan. As of March 31, 2024 and December 31, 2023, the amount outstanding under the PPP Loan was \$0.7 million and \$0.8 million, respectively.

During the three months ended March 31, 2024 and 2023, the Company recognized immaterial amounts of interest expense relating to the PPP Loan.

Blue Torch Financing and Warrant Agreement

On August 9, 2022, the Company entered into a financing agreement and warrant agreement with Blue Torch Finance, LLC (together with its affiliated funds and any other parties providing a commitment thereunder, including any additional lenders, agents, arrangers or other parties joined thereto after the date thereof, collectively, "Blue Torch"), pursuant to which, among other things, Blue Torch agreed to extend an approximately \$32.2 million senior secured term loan (the "Financing Agreement"). The Financing Agreement is secured by a first priority security interest in substantially all assets of the Company and its subsidiaries.

The Financing Agreement bears interest at a floating rate of interest equal to, at the Company's option, Secured Overnight Financing Rate ("SOFR") plus 10.00% per annum or the reference rate plus 9.00% per annum, with the reference rate defined as the greatest of:

- 2.00% per annum;
- the federal funds effective rate plus 0.50% per annum;
- one-month SOFR plus 1.00% per annum; and
- the prime rate announced by the Wall Street Journal from time to time.

SOFR will be subject to a floor of 1.00% per annum, and the reference rate will be subject to a floor of 2.00% per annum. Interest will be payable in arrears at the end of each SOFR interest period (but at least every three months) for SOFR borrowings and quarterly in arrears for reference rate borrowings.

The Financing Agreement matures in three years after the Closing Date and is subject to quarterly amortization payments of principal, in an aggregate amount equal to 2.00% of the outstanding principal amount in the first year after closing, 3.00% of the outstanding principal amount in the second year after closing, and 5.00% of the outstanding principal amount in the third year after closing. The remaining outstanding principal balance of the Financing Agreement is due and payable in full on the maturity date. In addition to scheduled amortization payments, the Financing Agreement contains customary mandatory prepayment provisions that require principal prepayments of the loan upon certain triggering events, including receipt of asset sale proceeds outside of the ordinary course of business, receipt of certain insurance proceeds, and receipt of proceeds of non-permitted debt. The loan may also be voluntarily prepaid at any time, subject to the payment of a prepayment premium and a make-whole payment. The prepayment premium is payable for voluntary payments and certain mandatory prepayments, and is equal to: (i) an interest make-whole payment plus 3.00% of the principal amount of such prepayment in the first year after closing; (ii) 2.00% of the principal amount of such prepayment in the second year after closing; and (iii) 0% thereafter.

The Financing Agreement contains customary representations and warranties, affirmative covenants, financial reporting requirements, negative covenants and events of default. The negative covenants impose restrictions on the ability of the Company and its subsidiaries to incur indebtedness, grant liens, make investments, make acquisitions, declare and pay restricted payments, prepay junior or subordinated debt, sell assets, and enter into transactions with affiliates, in each case, subject to certain customary exceptions.

The Company's obligations under the Financing Agreement are guaranteed by certain of its subsidiaries meeting materiality thresholds. Such obligations, including the guarantees, are secured by substantially all of the personal property of the Company and its subsidiary guarantors, including pursuant to a Security Agreement simultaneously entered into on August 9, 2022. The Financing Agreement establishes the following financial covenants: (i) the Company's trailing annual aggregate revenue shall exceed certain thresholds as of the end of each monthly computation period as defined therein; and (ii) liquidity shall not be less than \$5 million at any time. The Company was in compliance with these covenants as of March 31, 2024.

As of March 31, 2024 and December 31, 2023, the interest rate for borrowings under the Financing Agreement was 15.57% and 15.61%, respectively.

During the three months ended March 31, 2024, the Company repaid a total amount of \$5.2 million on amounts outstanding under the Financing Agreement, which included a \$5.0 million prepayment that was treated as an extinguishment of debt for accounting purposes and resulted in a \$0.7 million loss on extinguishment of debt. During the three months ended March 31, 2023, the Company repaid a total amount of \$0.2 million on amounts outstanding under the Financing Agreement. As of March 31, 2024 and December 31, 2023, the amount outstanding under the Financing Agreement was \$26.0 million and \$31.2 million, respectively.

During the three months ended March 31, 2024 and 2023, the Company recognized \$1.2 million and \$1.2 million, respectively, of interest expense relating to the Financing Agreement.

On the closing of the Financing Agreement, the Company also entered into the Lender Warrant Agreement with Vstock Transfer, LLC as warrant agent, pursuant to which affiliates of Blue Torch received 1,896,177 warrants to acquire common stock of the Company, par value \$0.0001 per share ("Common Stock"), for \$11.50 per whole share (such warrants, the "Lender Warrants"). The Lender Warrants were issued pursuant to the SPAC Warrant Agreement (as defined in the CHW Business Combination Agreement) and are subject to the terms and conditions thereof, as modified (whether reflected in the terms of the Lender Warrants issued on the Merger Date, or in an amendment to or exchange for the Lender Warrants consummated after the Merger Date) to provide that (i) the exercise period of the Lender Warrants will terminate on the earliest to occur of (x) the date that is ten years after completion of the CHW Business Combination, (y) liquidation of the Company, and (z) redemption of the Lender Warrants as provided in the SPAC Warrant Agreement (the "Lender Warrant Expiration Date"), (ii) Blue Torch has the ability to net exercise the Lender Warrants (based on the fair value of the stock at the time of net exercise, fair value being equal to the public trading price at the time of exercise) on a cashless basis, (iii) Blue Torch received the benefit of certain customary representations and warranties from the Company, and (iv) the Lender Warrants are not required to be registered under the Securities Act.

At the date of issuance, the Company classified the Lender Warrants as equity and recognized them in additional paid-in capital within its condensed consolidated balance sheet. As the Lender Warrants were classified as equity, the proceeds were allocated based on the relative fair values of the financial instruments issued as a whole.

Total Debt

As of March 31, 2024, annual scheduled principal payments of debt were as follows:

	Amount
	<i>(in thousands)</i>
2024	\$ 1,394
2025	25,227
Total principal payments	\$ 26,621

8. Commitments and Contingencies

Legal and Other Contingencies

From time to time, the Company may be a party to litigation and subject to claims, including non-income tax audits, in the ordinary course of business. The Company accrues a liability when management believes information available to it prior to the issuance of the consolidated financial statements indicates it is probable a loss has been incurred as of the date of the consolidated financial statements and the amount of loss can be reasonably estimated. The Company adjusts its accruals to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. Legal costs are expensed as incurred. Although the results of litigation and claims cannot be predicted with certainty, management concluded that there was not a reasonable probability that it had incurred a material loss during the periods presented related to such loss contingencies. Therefore, the Company has not recorded a reserve for any such contingencies.

Given the inherent uncertainties and unpredictability of litigation, the ultimate outcome of ongoing matters cannot be predicted with certainty but the Company believes it has valid defenses with respect to the legal matters pending against it. Nevertheless, the consolidated financial statements could be materially adversely affected in a particular period by the resolution of one or more of these contingencies. Regardless of the outcome, litigation can have an adverse impact on the Company because of judgment, defense, and settlement costs, diversion of management resources, and other factors. Liabilities established to provide for contingencies are adjusted as further information develops, circumstances changes, or contingencies are resolved; such changes are recorded in the accompanying statements of operations during the period of the change and reflected in accrued expenses and other current liabilities on the accompanying consolidated balance sheets.

The Company has been and continues to be involved in numerous legal proceedings related to Pet Caregiver classification. In California, Assembly Bill No. 5 (AB-5) implemented a presumption that workers are employees. However, AB-2257 exempts agencies providing referrals for certain animal services, including dog walking, from AB-5. The Company believes that it falls within this exemption. Nevertheless, the interpretation or enforcement of the exemption could change. The United States Department of Labor announced on October 11, 2022 that it would publish a Notice of Proposed Rulemaking regarding the classification of workers as independent contractors or employees. The Company is monitoring the development of the proposed rule and will evaluate in a future period any potential impact of the final rule, when issued, on its operations.

The Company is subject to audits by taxing authorities and other forms of investigation, audit, or inquiry conducted by federal, state, or local governmental agencies. Due to the inherent uncertainties in the final outcome of such matters, the Company can give no assurance that it will prevail in such matters, which could have an adverse effect on the Company's business. In addition, the Company may be subject to greater risk of legal claims or regulatory actions as it increases and continues its operations in jurisdictions where the laws and regulations governing online marketplaces or the employment classification of service providers who use online marketplaces are uncertain or unfavorable.

In November 2019, California issued an assessment alleging various violations and penalties related to alleged misclassification of pet caregivers who use the Company's platform as independent contractors. The Company has challenged both the legal basis and the amount of the assessment, of \$1.7 million in unemployment insurance contributions for its independent contractors. In April 2022, the California Employment Development Department ("CA EDD") initiated a routine employment tax audit of the Company and alleges the Company owes approximately \$1.3 million in additional unemployment insurance contributions for its independent contractors. The Company is engaged in ongoing discussions with the CA EDD and intends to defend itself vigorously in this pending matter. The Company believes given the inherent uncertainties of litigation, the outcome of this matter is not considered probable nor estimable and, therefore, the Company has not recorded a reserve.

In August 2018, the New York State Department of Labor ("NY DOL") issued an Investigation Report assessing the Company with approximately \$0.2 million in unemployment insurance contributions for its independent contractors. In August 2023, the Company completed payments of \$0.4 million to the NY DOL, which represented the amount of the assessment plus interest and was recognized in general and administrative expenses within the Company's condensed consolidated statement of operations during the third quarter of 2023.

In December 2019, Wag Hotels, Inc. filed a lawsuit against the Company alleging various claims related to breach of contract and trademark infringement. On June 29, 2023, the parties agreed to a settlement amount of \$0.5 million to resolve all claims, with an initial payment up front and the remaining payments over 25 months. The settlement was executed on August 30, 2023. The \$0.5 million was recognized in general and administrative expenses within the Company's condensed consolidated statement of operations during the second quarter of 2023 and the Company has recorded a corresponding liability in Accrued expenses and other current liabilities and Other non-current liabilities within its condensed consolidated balance sheet as of March 31, 2024.

In December 2023, the NY DOL issued an investigation report assessing the Company with approximately \$1.8 million in unemployment insurance contributions, including interest and penalties, for its independent contractors. On January 19, 2024, the Company submitted a request for hearing contesting assessment. The Company believes given the inherent uncertainties of litigation, the outcome of this matter is not considered probable nor estimable and, therefore, the Company has not recorded a reserve.

As of March 31, 2024, management did not believe that the outcome of pending matters would have a material effect on the Company's financial position, results of operations, or cash flows.

9. Stockholders' Equity (Deficit)

Common Stock Warrants

Prior to the Merger, CHW issued 12,500,000 of Public Warrants and 4,238,636 of Private Warrants (together, the "Warrants") in connection with its initial public offering to CHW Acquisition Sponsor, LLC, the sponsor of CHW. After consummation of the Merger on August 9, 2022, the 4,238,636 Private Warrants held by the Sponsor were exchanged for 3,895,564 warrants to purchase shares of common stock of the Company issuable upon the exercise of Private Placement Warrants originally issued to CHW and the 12,500,000 shares of common stock that are issuable upon the exercise of Public Warrants remained outstanding. Each whole warrant entitles the registered holder to purchase one share of common stock at a price of \$11.50 per share, subject to adjustment, at any time commencing on September 8, 2022, which was the later of 30 days after the completion of the CHW Business Combination or 12 months from CHW's IPO closing date. The Warrants will expire on the fifth anniversary of the CHW Business Combination, or earlier upon redemption or liquidation.

The Company may call the Warrants for redemption:

- in whole or in part;
- at a price of \$0.01 per warrant;
- upon a minimum of 20 days' prior written notice of redemption; and
- if, and only if, the reported last sale price of the Public Shares equals or exceeds \$16.50 per share (as adjusted for share subdivisions, share consolidations, share capitalizations, rights issuances, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date the Company sends the notice of redemption to the warrant holders.

If the Company calls the Warrants for redemption, management will have the option to require all holders that wish to exercise the public warrants to do so on a "cashless basis," as described in the warrant agreement.

The exercise price and number of shares of common stock issuable upon exercise of the Warrants may be adjusted in certain circumstances including in the event of a share dividend, recapitalization, reorganization, merger or consolidation. However, the Warrants will not be adjusted for issuance of common stock at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the Warrants.

Management has concluded that the Warrants issued pursuant to the CHW IPO qualify for equity classification.

Accumulated Other Comprehensive Income

There were no changes in accumulated other comprehensive income for the three months ended March 31, 2024 and 2023.

10. Revenues

The following table presents the Company's revenues disaggregated by offering:

	Three Months Ended	
	March 31, 2024	March 31, 2023
	<i>(in thousands)</i>	
Services revenue	\$ 5,327	\$ 5,397
Wellness revenue	15,769	13,855
Pet Food & Treats revenue	2,123	1,371
Total revenues	<u>\$ 23,219</u>	<u>\$ 20,623</u>

11. Stock-Based Compensation

The Company has stock-based compensation plans, which are more fully described in Note 12, *Stock-Based Compensation*, to the Consolidated Financial Statements included in the 2023 10-K. During the three months ended March 31, 2024, the Company granted restricted stock units (“RSUs”) subject to service conditions.

Stock Options

The following table summarizes the activities for all stock options under the Company’s stock-based compensation plans for the three months ended March 31, 2024:

	Number of Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value(1)
	<i>(in thousands)</i>			<i>(in thousands)</i>
Outstanding as of December 31, 2023	6,163	\$ 0.44	6.06 years	\$ 8,934
Granted	—	\$ —		
Exercised	(607)	\$ 0.10		
Forfeited or expired	(42)	\$ 0.99		
Outstanding as of March 31, 2024	<u>5,514</u>	\$ 0.47	5.89 years	\$ 8,980
Exercisable as of March 31, 2024	<u>5,452</u>	\$ 0.47	5.87 years	\$ 8,872
Vested and expected to vest as of March 31, 2024	<u>5,514</u>	\$ 0.47	5.89 years	\$ 8,980

(1) The intrinsic value is the amount by which the current market value of the underlying stock exceeds the exercise price of the stock awards.

There were no stock options granted during the three months ended March 31, 2024 and 2023. The total intrinsic value of stock options exercised during the three months ended March 31, 2024 and 2023 was \$1.2 million and \$1.2 million, respectively.

As of March 31, 2024, the total unrecognized compensation cost related to all nonvested stock options was \$11 thousand and the related weighted-average period over which it is expected to be recognized was approximately 1.29 years.

Restricted Stock Units

The following table summarizes the activities for all RSUs under the Company’s stock-based compensation plans for the three months ended March 31, 2024:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
	<i>(in thousands)</i>	
Outstanding and nonvested as of December 31, 2023	4,322	\$ 2.39
Granted	1,106	\$ 2.11
Vested	(333)	\$ 2.42
Forfeited	(44)	\$ 2.50
Outstanding and nonvested as of March 31, 2024	<u>5,051</u>	\$ 2.33

The total vesting date fair value of RSUs which vested during the three months ended March 31, 2024 and 2023 was \$0.7 million and \$31 thousand, respectively.

As of March 31, 2024, the total unrecognized compensation cost related to all nonvested RSUs was \$10.3 million and the related weighted-average period over which it is expected to be recognized was approximately 1.90 years.

Stock-Based Compensation Expense

The following table provides information about stock-based compensation expense by financial statement line item:

	Three Months Ended	
	March 31, 2024	March 31, 2023
	<i>(in thousands)</i>	
Platform operations and support	\$ 210	\$ 337
Sales and marketing	223	196
General and administrative	863	809
Total stock-based compensation expense	<u>\$ 1,296</u>	<u>\$ 1,342</u>

12. Income Taxes

The quarterly income tax provision reflects an estimate of the corresponding quarter's state taxes in the United States. The provision for income tax expense for the three months ended March 31, 2024 and 2023 was determined based upon estimates of the Company's annual effective tax rate for the years ending December 31, 2024 and 2023, respectively. Since the Company is in a full valuation allowance position due to losses incurred since inception, the provision for taxes consists solely of certain state income taxes.

13. Acquisitions

Acquisition of Dog Food Advisor

On January 5, 2023, the Company entered into an Asset Purchase Agreement with Clicks and Traffic LLC to purchase its Dog Food Advisor assets for cash consideration of \$9.0 million. Of the \$9.0 million of cash consideration, \$8.1 million was paid on the acquisition date and the remaining \$0.9 million was deposited into an escrow account as an indemnification holdback for a period of 12 months. No working capital was acquired as part of the transaction. The Company incurred less than \$0.1 million in transaction-related costs during the first quarter of 2023 in connection with the acquisition, which are included in general and administrative expenses within the Company's condensed consolidated statement of operations. The acquisition marked the Company's entrance into the Pet Food & Treats market, in line with its strategy to be an all-inclusive, trusted partner for the premium Pet Parent.

The assets acquired were recognized at fair value as of the date of the acquisition. During 2023, the Company finalized the analysis of the purchase price and no adjustments were made to the assessed fair values. The following table summarizes the final fair values assigned to the assets acquired:

	January 5, 2023	
	<i>(in thousands)</i>	
Intangible assets	\$	5,950
Goodwill		3,050
Total purchase consideration	<u>\$</u>	<u>9,000</u>

The table below summarizes the fair value and the estimated useful lives of the acquired intangible assets:

	January 5, 2023	Estimated Weighted-Average Useful Life
	<i>(in thousands)</i>	
Developed technology and website content	\$ 1,950	5 years
Strategic customer relationships and subscriber lists	3,600	8 years
Trademarks	400	10 years
Total intangible assets	<u>\$ 5,950</u>	7 years

Goodwill recognized as a result of this acquisition is deductible for tax purposes.

Pro forma disclosures required under ASC 805-10-50 are not presented because the pro forma impacts on the current period and prior year comparable period are not material.

Acquisition of maxbone

On April 6, 2023, the Company acquired 100% of the outstanding equity interests of MaxBone, Inc. ("maxbone"), a top-tier digital platform for modern pet essentials, for cash consideration of \$0.5 million and 0.1 million common shares with a fair value of \$0.2 million as of the closing date. Of the \$0.2 million of common stock consideration, \$0.1 million was issued on the acquisition date and the remaining \$0.1 million will be issued in the future after the indemnification holdback period expires 12 months after the acquisition close. The acquisition expanded the Company's reach into the Pet Supplies market, while remaining committed to the needs and standards of the premium Pet Parent.

Acquisition of WoofWoofTV

On December 15, 2023, the Company acquired 100% of the outstanding equity interests of Rowlo Woof Limited ("WoofWoofTV"), a digital media publishing company focusing on content for dog lovers, for cash consideration of \$1.3 million. Of the \$1.3 million of cash consideration, \$1.1 million was paid on the acquisition date and the remaining \$0.2 million was deposited into an escrow account as an indemnification holdback for a period of 12 months. The Company accounted for the transaction as an asset acquisition, as substantially all of the fair value of the gross assets acquired was concentrated in a single identifiable asset.

The table below summarizes the fair value and the estimated useful life of the acquired intangible asset:

	December 15, 2023	Estimated Weighted-Average Useful Life
	<i>(in thousands)</i>	
Media brand	\$ 1,250	2 years
Total intangible assets	<u>\$ 1,250</u>	2 years

14. Loss Per Share

The following securities have been excluded from the computation of diluted loss per share for the periods presented because including them would have been anti-dilutive:

	Three Months Ended	
	March 31, 2024	March 31, 2023
	<i>(in thousands)</i>	
Earnout Shares	15,000	15,000
Options and RSUs issued and outstanding	10,565	10,861
Warrants issued and outstanding	18,292	18,292
Shares related to acquisition indemnification holdback	51	—
Total	43,908	44,153

All unvested Earnout Shares are excluded from basic and diluted loss per share as such shares are contingently issuable only when the share price of the Company's common stock exceeds specified thresholds, which had not been achieved as of March 31, 2024.

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

Overview

We are one of the largest online marketplaces for pet care and strive to be the #1 platform for busy Pet Parents, offering access to 5-star dog walking and pet sitting, expert pet advice, wellness plans, and one-on-one training from our community of more than 500,000 local Pet Caregivers nationwide, in addition to pet insurance options from the leading pet insurance companies.

Our proprietary marketplace technology, which is available as a mobile app and website, enables independent Pet Caregivers to connect with Pet Parents. Through our cutting-edge technologies and multi-faceted platforms, Wag! connects Pet Parents with Pet Caregivers who provide pet care services. Our marketplace enables Pet Parents to find a wide array of pet services provided by Pet Caregivers and third-party service partners, such as walking, pet sitting and boarding, advice from licensed pet experts, home visits, training services, and pet insurance comparison tools.

Beyond providing unrivaled services to premium Pet Parents, Wag! has expanded its reach to become the button on the phone for the paw. Wag!, once purely synonymous with pet services, is now a key player in the wellness space via the management and operation of Patted.com, a pet insurance comparison service, as well as the acquisition of Furmacy, which creates prescription management software to simplify pet prescriptions. Additionally, in 2023, Wag! expanded into the Pet Food & Treats market by acquiring one of the most visited and trusted dog food marketplaces: Dog Food Advisor. Wag! is confident that the addition of Dog Food Advisor will unlock tremendous value and insights for recurring and new customers alike; those who we already provide an unparalleled marketplace experience to in the wellness space and longtime customers who rely on Dog Food Advisor as a subject matter expert. In April 2023, we acquired maxbone, expanding our reach into the Pet Supplies market.

Components of Our Results of Operations

The following is a summary of the principal line items comprising our operating results.

Revenues

We provide an online marketplace that enables Pet Parents to connect with Pet Caregivers for various pet services. We recognize revenue in accordance with ASC 606, *Revenue from Contracts with Customers*, from the following distinct streams: (1) service fees charged to Pet Caregivers, (2) subscription fees for Wag! Premium and other fees paid by Pet Parents, (3) joining fees paid by Pet Caregivers to join and be listed on our platform, (4) wellness revenue through affiliate fees, and (5) Pet Food & Treat revenue also through affiliate fees.

Cost of Revenues, Excluding Depreciation and Amortization

Cost of revenues consists of costs directly related to revenue-generating transactions, which primarily includes fees paid to payment processors, hosting and platform-related infrastructure costs, product costs, third-party costs for background checks for Pet Caregivers, and other costs arising as a result of revenue transactions that take place on our platform, excluding depreciation and amortization.

Platform Operations and Support

Platform operations and support expenses include personnel-related compensation costs of technology and operations teams, and third-party operations support costs.

Sales and Marketing

Sales and marketing expenses include personnel-related compensation costs of the marketing team and advertising expenses. Sales and marketing expenses are expensed as incurred.

Royalty

Royalty expenses represent fees paid by us to be the exclusive marketer of certain pet insurance products.

General and Administrative

General and administrative expense includes personnel-related compensation costs for employees on corporate functions, such as management, accounting, and legal as well as insurance and other expenses used to run the business, together with outside party service costs of related items such as auditors and lawyers.

Depreciation and Amortization

Depreciation and amortization expenses primarily consist of depreciation and amortization expenses associated with our property and equipment. Amortization includes expenses associated with our capitalized software and website development.

Interest Expense, Net

Interest expense, net consists primarily of interest incurred on debt and interest earned on our cash, cash equivalents, and short-term investments.

Key Operating and Financial Metrics and Non-GAAP Financial Measures

We regularly review several metrics, including the following key financial metrics and non-GAAP financial measures, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections, and make strategic decisions. These key financial metrics and non-GAAP financial measures are set forth below for the periods presented:

	Three Months Ended		Change	
	March 31, 2024	March 31, 2023	\$	%
	<i>(in thousands, except percentages)</i>			
Platform Participants (as of period end)	671	611	60	9.8 %
Revenues	\$ 23,219	\$ 20,623	2,596	12.6 %
Net loss	\$ (4,241)	\$ (3,787)	(454)	12.0 %
Net loss margin	(18.3)%	(18.4)%	—	(0.5)%
Net cash provided by (used in) operating activities	\$ 168	\$ (3,580)	3,748	*
Adjusted EBITDA (loss)(1)	\$ 168	\$ (397)	565	*
Adjusted EBITDA (loss) margin(1)	0.7 %	(1.9)%	—	(137.6)%

* Comparisons between positive and negative numbers are not meaningful.

(1) Adjusted EBITDA (loss) and Adjusted EBITDA (loss) margin are non-GAAP measures which may not be comparable to similarly-titled measures used by other companies. See below for a reconciliation of Adjusted EBITDA (loss) to net loss.

Platform Participants

A Platform Participant is defined as a Pet Parent or Pet Caregiver who transacted on the Wag! platform for a service in the quarter. Services include dog walking, sitting, boarding, drop-ins, training, premium telehealth services, wellness plans, and pet insurance plan comparison.

Non-GAAP Financial Measures

Adjusted EBITDA (Loss) and Adjusted EBITDA (Loss) Margin

Adjusted EBITDA (loss) means net loss adjusted to exclude, where applicable in a given period, interest expense, net; income taxes; depreciation and amortization; stock-based compensation; integration and transaction costs associated with acquired businesses; severance costs; and loss on extinguishment of debt. Adjusted EBITDA (loss) margin represents Adjusted EBITDA (loss) divided by revenues. We use Adjusted EBITDA (loss) and Adjusted EBITDA (loss) margin, which are both non-GAAP metrics, to evaluate and assess our operating performance and the operating leverage in our business, and for internal planning and forecasting purposes. We believe that Adjusted EBITDA (loss) and Adjusted EBITDA (loss) margin, when taken collectively with our U.S. GAAP results, may be helpful to investors because they provide consistency and comparability with past financial performance and assist in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their U.S. GAAP results.

Non-GAAP financial measures are presented for supplemental informational purposes only. Non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as substitutes for financial information presented in accordance with U.S. GAAP. There are a number of limitations related to the use of non-GAAP financial measures versus comparable financial measures determined under U.S. GAAP. For example, other companies in our industry may calculate these non-GAAP financial measures differently or may use other measures to evaluate their performance. All of these limitations could reduce the usefulness of these non-GAAP financial measures as analytical tools. Investors are encouraged to review the related non-GAAP financial measures and the reconciliations of these non-GAAP financial measures to their most directly comparable U.S. GAAP financial measures and to not rely on any single financial measure to evaluate our business.

The following table provides a reconciliation of net loss to Adjusted EBITDA (loss):

	Three Months Ended	
	March 31, 2024	March 31, 2023
	<i>(in thousands, except percentages)</i>	
Net loss	\$ (4,241)	\$ (3,787)
Interest expense, net	1,733	1,630
Income taxes	(1)	—
Depreciation and amortization	578	381
Stock-based compensation	1,296	1,342
Integration and transaction costs associated with acquired business	—	37
Severance costs	77	—
Loss on extinguishment of debt	726	—
Adjusted EBITDA (loss)	<u>\$ 168</u>	<u>\$ (397)</u>
Revenues	\$ 23,219	\$ 20,623
Adjusted EBITDA (loss) margin	0.7 %	(1.9)%

Comparison of the Three Months Ended March 31, 2024 and 2023

The following table sets forth our results of operations for the three months ended March 31, 2024 and 2023. These results of operations are not necessarily indicative of the future results of operations that may be expected for any future period.

	Three Months Ended		Change	
	March 31, 2024	March 31, 2023	\$	%
	<i>(in thousands, except percentages)</i>			
Revenues	\$ 23,219	\$ 20,623	2,596	12.6 %
Costs and expenses:				
Cost of revenues (exclusive of depreciation and amortization shown separately below)	1,570	1,026	544	53.0 %
Platform operations and support	2,960	3,170	(210)	(6.6)%
Sales and marketing	15,655	13,275	2,380	17.9 %
General and administrative	4,239	4,984	(745)	(14.9)%
Depreciation and amortization	578	381	197	51.7 %
Total costs and expenses	25,002	22,836	2,166	9.5 %
Interest expense	1,885	1,874	11	0.6 %
Interest income	(152)	(244)	92	(37.7)%
Loss on extinguishment of debt	726	—	726	*
Other income, net	—	(56)	56	*
Loss before income taxes	(4,242)	(3,787)	(455)	12.0 %
Income taxes	(1)	—	(1)	*
Net loss	\$ (4,241)	\$ (3,787)	(454)	12.0 %

* Comparisons between positive and negative numbers and with a zero are not meaningful.

Revenues

Revenues increased by \$2.6 million, or approximately 12.6%, from \$20.6 million for the three months ended March 31, 2023 to \$23.2 million for the three months ended March 31, 2024. The increase was primarily attributable to a \$1.9 million increase in Wellness revenue and a \$0.8 million increase in Pet Food & Treats revenue as a result of a 10% increase in Platform Participants year-over-year.

Cost of Revenues, Exclusive of Depreciation and Amortization

Cost of revenues, exclusive of depreciation and amortization, increased by \$0.5 million, or approximately 53.0%, from \$1.0 million for the three months ended March 31, 2023 to \$1.6 million for the three months ended March 31, 2024. The increase was primarily attributable to a \$0.6 million increase in Wellness and other product costs.

Platform Operations and Support

Platform operations and support expenses decreased by \$0.2 million, or approximately 6.6%, from \$3.2 million for the three months ended March 31, 2023 to \$3.0 million for the three months ended March 31, 2024. The decrease was primarily attributable to a \$0.3 million decrease in personnel costs, partially offset by a \$0.2 million increase in professional services.

Sales and Marketing

Sales and marketing expenses increased by \$2.4 million, or approximately 17.9%, from \$13.3 million for the three months ended March 31, 2023 to \$15.7 million for the three months ended March 31, 2024. The increase was primarily attributable to a \$3.2 million increase in investing in new and expanding existing partnerships related to our Wellness offerings, partially offset by a \$0.8 million decrease in personnel costs.

General and Administrative

General and administrative expenses decreased by \$0.7 million, or approximately 14.9%, from \$5.0 million for the three months ended March 31, 2023 to \$4.2 million for the three months ended March 31, 2024. The decrease was primarily attributable to a \$0.5 million decrease in personnel costs and a \$0.2 million decrease in administrative costs.

Depreciation and Amortization

Depreciation and amortization expenses increased by \$0.2 million, or approximately 51.7%, from \$0.4 million for the three months ended March 31, 2023 to \$0.6 million for the three months ended March 31, 2024. The increase was primarily attributable to the acquisitions of maxbone and WoofWoofTV in 2023 and the related amortization of acquired intangible assets.

Interest Expense, Net

Interest expense, net was as follows:

	Three Months Ended		Change	
	March 31, 2024	March 31, 2023	\$	%
	<i>(in thousands, except percentages)</i>			
Interest expense	\$ 1,885	\$ 1,874	11	0.6 %
Interest income	(152)	(244)	92	(37.7)%
Interest expense, net	<u>\$ 1,733</u>	<u>\$ 1,630</u>	103	6.3 %

Interest expense, net increased by \$0.1 million, or approximately 6.3%, from \$1.6 million for the three months ended March 31, 2023 to \$1.7 million for the three months ended March 31, 2024. The increase was primarily attributable to a decrease in interest income as a result of a decreased balance of money market funds.

Loss on Extinguishment of Debt

During the three months ended March 31, 2024, we recognized a \$0.7 million loss on extinguishment of debt related to the \$5.0 million prepayment of the Blue Torch Financing Agreement (See Note 7, *Long-Term Debt*, to the Condensed Consolidated Financial Statements included in Part I, Item 1, *Financial Statements*, of this Quarterly Report on Form 10-Q).

Liquidity and Capital Resources

We have historically generated negative cash flows from operations and have primarily financed our operations through private and public sales of equity securities and debt. As of March 31, 2024, we had cash and cash equivalents of \$12.6 million.

We expect operating losses to continue in the foreseeable future as we continue to invest in growing our business. Our primary uses of cash include operating costs such as product and technology expenses, marketing expenses, personnel expenses and other expenditures necessary to support our operations and our growth. Although we currently anticipate that our existing cash and cash equivalents will be sufficient to meet our working capital, capital expenditure, and debt obligation needs for at least the next 12 months, we may seek additional financing in the near or long term, including to refinance or repay amounts due under the Financing Agreement that matures in August 2025. Accordingly, we may need to engage in equity or debt financings to secure additional funds.

Our future capital requirements and the adequacy of available funds will depend on many factors, including, but not limited to, our ability to grow our revenue and the impact of the factors described in Part I, Item 1A, *Risk Factors*, of our Annual Report on Form 10-K for the year ended December 31, 2023 ("2023 10-K"). We may seek additional equity or debt financing. See the section titled "*Risk Factors—Risks Related to Our Operations—We may require additional capital to support business growth and this capital might not be available on acceptable terms, or at all*" within the 2023 10-K.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Three Months Ended	
	March 31, 2024	March 31, 2023
	<i>(in thousands)</i>	
Net cash provided by (used in):		
Operating activities	\$ 168	\$ (3,580)
Investing activities	(305)	(10,486)
Financing activities	(5,583)	(398)
Net change in cash and cash equivalents	\$ (5,720)	\$ (14,464)

Changes in Cash Flows From Operating Activities

Net cash provided by operating activities for the three months ended March 31, 2024 was \$0.2 million, an improvement of \$3.7 million from net cash used in operating activities of \$3.6 million for the three months ended March 31, 2023. The improvement in net cash provided by operating activities was primarily due to \$3.4 million of favorable changes in operating assets and liabilities and a \$0.4 million decrease in net loss excluding non-cash and reconciling items disclosed within our condensed consolidated statement of cash flows. The \$3.4 million of favorable changes in operating assets and liabilities was primarily driven by favorable changes in accounts payable, accounts receivable, and prepaid expenses and other current assets, partially offset by unfavorable changes in accrued expenses and other current liabilities and deferred revenue.

Changes in Cash Flows from Investing Activities

Net cash used in investing activities for the three months ended March 31, 2024 was \$0.3 million, a decrease of \$10.2 million from \$10.5 million for the three months ended March 31, 2023. The decrease was primarily due to a \$9.0 million decrease in cash paid for acquisitions, net of cash acquired and a \$1.5 million decrease in cash paid for equity method investments, partially offset by a \$0.3 million increase in purchases of property and equipment.

Changes in Cash Flows from Financing Activities

Net cash used in financing activities for the three months ended March 31, 2024 was \$5.6 million, an increase of \$5.2 million from \$0.4 million for the three months ended March 31, 2023. The increase is primarily due to a \$5.1 million increase in repayment of debt related to a \$5.0 million prepayment of the Financing Agreement during the first quarter of 2024 (See Note 7, *Long-Term Debt*, to the Condensed Consolidated Financial Statements included in Part I, Item 1, Financial Statements, of this Quarterly Report on Form 10-Q).

Paycheck Protection Program Loan

On August 5, 2020, the Company received loan proceeds of approximately \$5.1 million from a financial institution pursuant to the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act, of which \$3.5 million was subsequently forgiven. The PPP Loan matures on August 5, 2025 and bears interest at a fixed rate of 1.00%. Principal and interest payments are payable monthly, and as of March 31, 2024, the amount outstanding under the PPP Loan was \$0.7 million.

For additional information regarding the PPP Loan, refer to Note 7, *Long-Term Debt*, to the Condensed Consolidated Financial Statements included in Part I, Item 1, *Financial Statements*, of this Quarterly Report on Form 10-Q.

Blue Torch Financing and Warrant Agreement

On August 9, 2022, we entered into a financing agreement and warrant agreement with Blue Torch, pursuant to which, among other things, Blue Torch agreed to extend an approximately \$32.2 million senior secured term loan (the "Financing Agreement"). The Financing Agreement is secured by a first priority security interest in substantially all assets of us and our subsidiaries.

For additional information regarding the Financing Agreement, refer to Note 7, *Long-Term Debt*, to the Condensed Consolidated Financial Statements included in Part I, Item 1, *Financial Statements*, of this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as defined by applicable rules and regulations of the SEC, that are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures, or capital resources.

Critical Accounting Policies and Estimates

U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the year. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenues and expenses. Actual results could differ from those estimates.

There have been no material changes to our critical accounting policies since the 2023 10-K. For a description of critical accounting policies that affect our significant judgments and estimates used in the preparation of our condensed consolidated financial statements, see Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, of the 2023 10-K.

JOBS Act Accounting Election

We are an "emerging growth company," as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to use this extended transition period until we are no longer an emerging growth company or until we affirmatively and irrevocably opt out of the extended transition period. Accordingly, our consolidated financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

New Accounting Pronouncements

See discussion under Note 2, *Significant Accounting Policies*, to the Condensed Consolidated Financial Statements included in Part I, Item 1, *Financial Statements*, of this Quarterly Report on Form 10-Q for information on new accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, refers to controls and other procedures that are designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Because there are inherent limitations in all control systems, a control system, no matter how well conceived and operated, can provide only reasonable, as opposed to absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2024. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, due to the material weaknesses in internal control over financial reporting described below, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective at a reasonable assurance level.

Previously Reported Material Weaknesses in Internal Control over Financial Reporting

As previously disclosed in our 2023 10-K, in connection with the audit of our financial statements for the fiscal year ended December 31, 2023, we identified the following material weaknesses, which still exist as of March 31, 2024. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. We identified a material weakness in our internal control over financial reporting related to insufficient resources needed to fully implement our internal control risk assessment process, evaluate the technical accounting aspects of certain material transactions and effectively design and implement certain process level controls. We also identified a material weakness regarding the risk assessment process related to information technology general controls and activities of service organizations, the design and implementation of logical access, segregation of duties and program change controls and certain process level controls related to information used in the execution of those controls that impact our financial reporting processes.

These material weaknesses resulted in the immaterial misstatement of our consolidated financial statements for the year ended December 31, 2023 and for quarterly periods in 2023. Additionally, these material weaknesses could result in a misstatement of the account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Remediation Plan

To address our material weaknesses, we have added accounting and finance personnel and implemented new financial accounting processes, controls, and systems. We are continuing to take steps to remediate the material weaknesses described above through implementing enhancements and controls within our accounting and proprietary systems, utilizing additional qualified accounting and finance resources and further evolving our accounting close processes. We will not be able to fully remediate these material weaknesses until these steps have been completed and the controls have been operating effectively for a sufficient period of time.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our quarter ended March 31, 2024 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

See discussion under Note 8, *Commitments and Contingencies*, to the Condensed Consolidated Financial Statements included in Part I, Item 1, *Financial Statements*, of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Item 1A. Risk Factors

Risks affecting our business are discussed in Part I, Item 1A, *Risk Factors*, of our 2023 10-K. There have been no material changes to our risk factors as previously disclosed in our 2023 10-K.

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

- (a) None.
- (b) None.
- (c) None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

- (a) None.
- (b) None.
- (c) On February 16, 2024, Garrett Smallwood, our Chief Executive Officer, modified a Rule 10b5-1 plan originally adopted on June 14, 2023 to change the amount of shares to be sold under the plan, the price limits for sales under the plan and timing of sales under the plan. The modified Rule 10b5-1 plan is intended to satisfy the affirmative defense in Rule 10b5-1(c) and provides for the sale from time to time of an aggregate of up to 800,000 shares of common stock issuable upon the exercise of options. The duration of the trading plan is until December 31, 2024, or earlier if all transactions under the trading plan are completed.

On February 16, 2024, Adam Storm, our President and Chief Product Officer, modified a Rule 10b5-1 plan previously adopted on June 14, 2023 to change the amount of shares to be sold under the plan, the price limits for sales under the plan and timing of sales under the plan. The modified Rule 10b5-1 plan is intended to satisfy the affirmative defense in Rule 10b5-1(c) and provides for the sale from time to time of an aggregate of up to 267,200 shares of common stock issuable upon the exercise of options. The duration of the trading plan is until December 31, 2024, or earlier if all transactions under the trading plan are completed.

Item 6. Exhibits

- (a) Exhibit Index:

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit	Filing Date
3.1	Corrected Certificate of Incorporation of Wag! Group Co.	8-K	3.1	3/8/2024
3.2	Bylaws of Wag! Group Co.	8-K	3.2	8/15/2022
4.1	Warrant Agreement, dated as of August 30, 2021, by and between CHW and VStock Transfer LLC, as warrant agent	S-4	4.1	9/2/2021
4.2	Specimen Common Stock Certificate	S-1	4.2	9/14/2022
4.3	Specimen Warrant Certificate	S-1	4.3	9/14/2022
4.4	CHW Founders Stock Letter, dated as of February 2, 2022, by and among the Sponsor, Jonah Raskas, Mark Grundman and CHW	8-K	10.6	2/3/2022
4.5	Amended and Restated Registration Rights Agreement dated August 9, 2022, by and among Wag! Group Co. and the other signatories thereto	8-K	10.2	8/15/2022
4.6	PIPE and Backstop Subscription Agreement, dated as of February 2, 2022, by and between CHW and the other signatories thereto	8-K	10.3, 10.4, 10.5	2/3/2022
10.1#	2014 Equity Plan of Wag Labs, Inc.	S-1	10.16	9/14/2022
10.2#	Form of 2014 Equity Plan Stock Option Grant Notice and Agreement (Installment Exercise) of Wag Labs, Inc.	S-1	10.17	9/14/2022
10.3#	Form of 2014 Equity Plan Stock Option Grant Notice and Agreement (Early Exercise) of Wag Labs, Inc.	S-1	10.18	9/14/2022
10.4#	Form of 2014 Equity Plan Restricted Stock Unit Grant Notice and Agreement of Wag Labs, Inc.	S-1	10.19	9/14/2022
10.5#	2020 Management Carve-out Bonus Plan of Wag Labs, Inc.	S-1	10.15	9/14/2022
10.6#	Wag! Group Co. 2022 Omnibus Incentive Plan	10-K	10.6	3/20/2024
10.7#	Wag! Group Co. 2022 Employee Stock Purchase Plan	10-K	10.7	3/20/2024
10.8#	Form of Restricted Stock Unit Grant Notice and Grant Agreement under the Wag! Group Co. 2022 Omnibus Incentive Plan	S-8	99.2	12/1/2022
10.9#	Form of Wag Labs, Inc. Executive Offer Letter	S-1	10.14	9/14/2022
10.10#	Form of Wag Labs, Inc. Earnout Letter	S-1	10.13	9/14/2022
10.11#	Form of Wag! Group Co. Director Offer Letter	S-1	10.12	9/14/2022
10.12†	Financing Agreement, dated August 9, 2022, between Blue Torch Finance, LLC and Wag! Group Co. and the other parties signatories thereto	8-K	10.6	8/15/2022
10.13†	Security Agreement, dated August 9, 2022, between Blue Torch Finance, LLC and Wag! Group Co. and the other parties signatories thereto	8-K	10.8	8/15/2022
10.14†	Warrant Agreement, dated August 9, 2022, between Blue Torch Capital LLC and Wag! Group Co.	8-K	10.7	8/15/2022
31.1*	Rule 13a–14(a)/15d–14(a) Certification of Principal Executive Officer			
31.2*	Rule 13a–14(a)/15d–14(a) Certification of Principal Financial Officer			
32.1**	Section 1350 Certification of Principal Executive Officer and Principal Financial Officer			
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 Linkbase Document			
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

WAG! GROUP CO.

By: /s/ GARRETT SMALLWOOD
Garrett Smallwood
Chief Executive Officer and Chairman
(Principal Executive Officer)

Date: May 9, 2024

By: /s/ ALEC DAVIDIAN
Alec Davidian
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: May 9, 2024

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Garrett Smallwood, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Wag! Group Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ GARRETT SMALLWOOD
Garrett Smallwood
Chief Executive Officer and Chairman
(Principal Executive Officer)

Date: May 9, 2024

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Alec Davidian, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Wag! Group Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ ALEC DAVIDIAN

Alec Davidian

Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: May 9, 2024

SECTION 1350 CERTIFICATION

In connection with the Quarterly Report of Wag! Group Co. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Garrett Smallwood, Chief Executive Officer and Chairman of the Company, and Alec Davidian, Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

By: /s/ GARRETT SMALLWOOD
Garrett Smallwood
Chief Executive Officer and Chairman
(Principal Executive Officer)

Date: May 9, 2024

By: /s/ ALEC DAVIDIAN
Alec Davidian
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: May 9, 2024