

**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, 2022

OR

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

For the transition period from _____ to _____.

Commission File Number
001-40263

Virgin Group Acquisition Corp. II

(Exact Name of Registrant as Specified in Its Charter)

Cayman Islands
(State or Other Jurisdiction of
Incorporation or Organization)

N/A
(I.R.S. Employer
Identification No.)

65 Bleecker Street, 6th Floor
New York, NY
(Address of Principal Executive Offices)

10012
Zip Code

Registrant's telephone number, including area code: +1
212-905-4923

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Units, each consisting of one Class A ordinary share and one-fifth of one redeemable warrant	VGIL.U	The New York Stock Exchange
Class A ordinary shares, par value \$0.0001 per share	VGII	The New York Stock Exchange
Warrants, each warrant exercisable for one Class A ordinary share at an exercise price of \$11.50	VGII.WS	The New York Stock Exchange

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

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

As of June 30, 2021 (the last business day of the registrant’s second fiscal quarter), the aggregate market value of its voting and non-voting common equity held by non-affiliates was \$394,000,000 based upon the closing sales price of the registrant’s Class A ordinary shares as reported on the New York Stock Exchange. For purposes of this computation, all officers, directors and 10% beneficial owners of the registrant of which the registrant is aware are deemed to be affiliates. Such determination should not be deemed to be an admission that such officers, directors or 10% beneficial owners are, in fact, affiliates of the registrant.

As of May 16, 2022, 40,250,000 Class A ordinary shares, par value \$0.0001 per share, and 10,062,500 Class B ordinary shares, par value \$0.0001 per share, were issued and outstanding, respectively.

DOCUMENTS INCORPORATED BY REFERENCE

None

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For the Three Months Ended March 31, 2022
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PART I. FINANCIAL INFORMATION

Item 1. Interim Financial Statements.

VIRGIN GROUP ACQUISITION CORP. II
CONDENSED BALANCE SHEETS

	March 31, 2022 (Unaudited)	December 31, 2021
ASSETS:		
Current Assets:		
Cash	\$ 79,823	\$ 507,233
Prepaid expenses	615,316	629,106
Total current assets	695,139	1,136,339
Prepaid expenses – non-current portion	—	141,333
Investments held in trust account	402,566,409	402,530,526
TOTAL ASSETS	\$ 403,261,548	\$403,808,198
LIABILITIES, REDEEMABLE ORDINARY SHARES AND SHAREHOLDERS' DEFICIT		
Current Liabilities:		
Accrued costs and expenses	\$ 2,814,837	\$ 2,419,324
Due to related party	31,667	1,667
Promissory note – related party	1,000,000	1,000,000
Total current liabilities	3,846,504	3,420,991
Derivative warrant liabilities	5,685,730	13,340,010
Backstop derivative liability	30,234,314	—
Deferred underwriter's discount	14,087,500	14,087,500
Total liabilities	53,854,048	30,848,501
Commitments and Contingencies (Note 7)		
Class A ordinary shares, \$0.001 par value; 200,000,000 shares authorized; 40,250,000 shares subject to possible redemption at a redemption value of \$10.00 per share at March 31, 2022 and December 31, 2021, respectively	402,500,000	402,500,000
Shareholders' Deficit:		
Preference shares, \$0.0001 par value; 1,000,000 shares authorized; none issued or outstanding	—	—
Class B ordinary shares, \$0.0001 par value; 20,000,000 shares authorized; 10,062,500 shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively	1,006	1,006
Additional paid-in capital	—	—
Accumulated deficit	(53,093,506)	(29,541,309)
Total Shareholders' deficit	(53,092,500)	(29,540,303)
TOTAL LIABILITIES, REDEEMABLE ORDINARY SHARES AND SHAREHOLDERS' DEFICIT	\$ 403,261,548	\$403,808,198

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

VIRGIN GROUP ACQUISITION CORP. II
CONDENSED STATEMENTS OF OPERATIONS

	For the Three Months Ended March 31, 2022	For the period from January 13, 2021 (inception) through March 31, 2021
Formation and operating costs	\$ 1,008,046	\$ 27,356
Loss from operations	(1,008,046)	(27,356)
Other income (expense)		
Interest income earned on cash and investments held in trust account	35,883	1,444
Offering costs allocated to warrants	—	(497,634)
Change in fair value of derivative warrant liabilities	7,654,280	(208,793)
Initial measurement of backstop derivative liability	(30,234,314)	—
Total other expense, net	(22,544,151)	(704,983)
Net loss	\$ (23,552,197)	\$ (732,339)
Basic and diluted weighted average shares outstanding, Class A ordinary shares, subject to possible redemption	40,250,000	3,141,026
Basic and diluted net loss per ordinary share, Class A ordinary shares, subject to possible redemption	\$ (0.47)	\$ (0.06)
Basic and diluted weighted average shares outstanding, Class B ordinary shares	10,062,500	8,750,000
Basic and diluted net loss per ordinary share, Class B ordinary shares	\$ (0.47)	\$ (0.06)

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

VIRGIN GROUP ACQUISITION CORP. II
CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

	Ordinary Shares				Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Deficit
	Class A		Class B				
	Shares	Amount	Shares	Amount			
Balance as of December 31, 2021	—	\$ —	10,062,500	\$ 1,006	\$ —	\$(29,541,309)	\$(29,540,303)
Net loss	—	—	—	—	—	(23,552,197)	(23,552,197)
Balance as of March 31, 2022, (unaudited)	—	\$ —	10,062,500	\$ 1,006	\$ —	(53,093,506)	\$(53,092,500)

	Class A Ordinary Shares		Class B Ordinary Shares		Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount			
	Balance as of January 13, 2021 (inception)	—	\$—	—			
Issuance of Class B Ordinary shares to Sponsor	—	—	10,062,500	1,006	23,994	—	25,000
Accretion for Class A Ordinary Shares to redemption amount	—	—	—	—	(23,994)	(28,100,284)	(28,124,278)
Net loss	—	—	—	—	—	(732,339)	(732,339)
Balance as of March 31, 2021, (unaudited)	—	\$ —	10,062,500	\$ 1,006	\$ —	\$ (28,832,623)	\$(28,831,617)

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

VIRGIN GROUP ACQUISITION CORP. II
CONDENSED STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31, 2022	For the period from January 13, 2021 (inception) through March 31, 2021
Cash flows from operating activities:		
Net loss	\$(23,552,197)	\$ (732,339)
Adjustments to reconcile net loss to net cash used in operating activities:		
Interest income on investments held in Trust Account	(35,883)	(1,444)
Offering costs allocated to derivative warrant liabilities	—	497,634
Change in fair value of derivative warrant liabilities	(7,654,280)	208,793
Initial measurement of backstop derivative liability	30,234,314	
Changes in operating assets and liabilities:		
Prepaid assets	155,123	(1,244,423)
Accrued costs and expenses	395,513	1,266,779
Due to related party	30,000	—
Net cash used in operating activities	(427,410)	(5,000)
Cash flows from investing activity:		
Investment of cash in Trust Account	—	(350,000,000)
Net cash used in investing activity	—	(350,000,000)
Cash flows from financing activities:		
Proceeds from purchase of Class B shares by initial shareholder	—	25,000
Proceeds from initial public offering, net of underwriters' discount	—	343,000,000
Proceeds from private placement	—	9,000,000
Payment of offering costs	—	(595,525)
Net cash provided by financing activities	—	351,429,475
Net change in cash	(427,410)	1,424,475
Cash, beginning of the period	507,233	—
Cash, end of the period	<u>\$ 79,823</u>	<u>\$ 1,424,475</u>
Supplemental disclosure of cash flow information:		
Deferred underwriting commissions charged to temporary equity	<u>\$ —</u>	<u>\$ 12,250,000</u>

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

VIRGIN GROUP ACQUISITION CORP. II
NOTES TO CONDENSED FINANCIAL STATEMENTS

Note 1 — Organization and Business Operations

Virgin Group Acquisition Corp. II (the “Company”) was incorporated as a Cayman Islands exempted company on January 13, 2021. The Company was formed for the purpose of acquiring, merging with, engaging in capital stock exchange with, purchasing all or substantially all of the assets of, engaging in contractual arrangements, or engaging in any other similar business combination with a single operating entity, or one or more related or unrelated operating entities operating in any sector (“Business Combination”). The Company has not selected any specific business combination target and the Company has not, nor has anyone on its behalf, engaged in any substantive discussions, directly or indirectly, with any business combination target with respect to the Business Combination.

As of March 31, 2022, the Company had not commenced any operations. All activity through March 31, 2022 relates to the Company’s formation and the Initial Public Offering (“IPO”) which is described below, and the Company’s search for and completion of a Business Combination. The Company will not generate any operating revenues until after the completion of a Business Combination, at the earliest. The Company generates non-operating income in the form of interest income from the proceeds derived from the IPO.

The registration statement for the Company’s IPO was declared effective on March 22, 2021 (the “Effective Date”). On March 25, 2021, the Company consummated the IPO of 35,000,000 units (the “Units”), which is discussed in Note 3. The Units were sold at a price of \$10.00 per Unit, generating gross proceeds of \$350,000,000. Only whole warrants are exercisable.

Concurrently with the closing of the IPO, the Company completed the private sale (the “Private Placement”) of 6,000,000 warrants (the “Private Placement Warrants”) to Virgin Group Acquisition Sponsor II LLC (the “Sponsor”) at a purchase price of \$1.50 per Private Placement Warrant, generating gross proceeds to the Company of \$9,000,000, which is discussed in Note 4.

Transaction costs of the IPO amounted to \$19,845,525, consisting of \$7,000,000 of underwriting discount, \$12,250,000 of deferred underwriting discount, \$595,525 of other offering costs.

On April 13, 2021, the underwriters exercised their full over-allotment option which resulted in the sale of an additional 5,250,000 units to the public generating additional proceeds of \$52,500,000. The over-allotment exercise resulted in an additional purchase of 700,000 Private Placement Warrants which generated gross proceeds of \$1,050,000.

Additional transaction costs of the overallotment amounted to \$2,887,500 consisting of \$1,050,000 of underwriting discount and \$1,837,500 of deferred underwriting discount.

As of March 31, 2022, \$79,823 of cash is not held in the Trust Account (as defined below) and is available for working capital purposes.

The Company’s management has broad discretion with respect to the specific application of the net proceeds of the IPO, although substantially all of the net proceeds are intended to be applied generally toward consummating a Business Combination. There is no assurance that the Company will be able to complete a Business Combination successfully. The Company must complete one or more initial Business Combinations having an aggregate fair market value of at least 80% of the assets held in the Trust Account (as defined below) (net of amounts disbursed to management for working capital purposes, if permitted, and excluding the amount of any deferred underwriting commissions) at the time of the agreement to enter into the initial Business Combination. However, the Company will only complete a Business Combination if the post-transaction company owns or acquires 50% or more of the outstanding voting securities of the target or otherwise acquires an interest in the target sufficient for it not to be required to register as an investment company under the Investment Company Act 1940, as amended (the “Investment Company Act”).

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Following the closing of the Public Offering on March 25, 2021, and the over-allotment exercise on April 13, 2021, an amount equal to at least \$0.00 per Unit sold in the IPO was placed in a trust account (“Trust Account”), to be invested only in U.S. government securities with a maturity of 180 days or less or in money market funds meeting certain conditions under Rule 2a-7 under the Investment Company Act, which invest only in direct U.S. government treasury obligations. Except with respect to interest earned on the funds held in the Trust Account that may be released to the Company to pay its tax obligations, the proceeds from the offering will not be released from the Trust Account until the earliest to occur of (a) the completion of the Company’s initial Business Combination (b) the redemption of any public shares properly submitted in connection with a shareholder vote to amend its amended and restated memorandum and articles of association to (i) modify the substance or timing of the Company’s obligation to provide for the redemption of its public shares in connection with an initial Business Combination or to redeem 100% of its public shares if the Company does not complete its initial Business Combination within 24 months from the closing of its IPO or (ii) with respect to any other material provisions relating to shareholders’ rights or pre-initial Business Combination activity, and (c) the redemption of the Company’s public shares if the Company is unable to complete its initial Business Combination within 24 months from the closing of the IPO, subject to applicable law.

The Company will provide the holders of its issued and outstanding public shares (the “Public Shareholders”) of its Class A Ordinary Shares, sold in the IPO (the “Public Shares”), with the opportunity to redeem all or a portion of their Public Shares upon the completion of a Business Combination either (i) in connection with a shareholder meeting called to approve the Business Combination or (ii) by means of a tender offer. The decision as to whether the Company will seek shareholder approval of a Business Combination or conduct a tender offer will be made by the Company. The Public Shareholders will be entitled to redeem their Public Shares for a pro rata portion of the amount then in the Trust Account (initially anticipated to be \$10.00 per Public Share, plus any pro rata interest earned on the funds held in the Trust Account and not previously released to the Company to pay its tax obligations), calculated as of two business days prior to the completion of the Business Combination.

The per-share amount to be distributed to Public Shareholders who redeem their Public Shares will not be reduced by the deferred underwriting commissions the Company will pay to the underwriter (as discussed in Note 7). There will be no redemption rights upon the completion of the Business Combination with respect to the Company’s warrants. The Public Shares subject to redemption will be recorded at redemption value and classified as temporary equity in accordance with the Accounting Standards Codification (“ASC”) Topic 480 “Distinguishing Liabilities from Equity.”

The Company will proceed with a Business Combination only if the Company has net tangible assets of at least \$5,000,001 upon such consummation of a Business Combination and, if the Company seeks shareholder approval, it receives an ordinary resolution under Cayman Islands law approving a Business Combination, which requires the affirmative vote of a majority of the shareholders who attend and vote at a general meeting of the Company. If a shareholder vote is not required by applicable law or stock exchange listing requirements and the Company does not decide to hold a shareholder vote for business or other reasons, the Company will, pursuant to its Amended and Restated Memorandum and Articles of Association, conduct the redemptions pursuant to the tender offer rules of the U.S. Securities and Exchange Commission (the “SEC”) and file tender offer documents with the SEC prior to completing a Business Combination. If, however, shareholder approval of the transactions is required by applicable law or stock exchange listing requirements, or the Company decides to obtain shareholder approval for business or other reasons, the Company will offer to redeem shares in conjunction with a proxy solicitation pursuant to the proxy rules and not pursuant to the tender offer rules. If the Company seeks shareholder approval in connection with a Business Combination, the Sponsor has agreed to vote any Founder Shares (as defined in Note 5) and Public Shares held by it in favor of approving a Business Combination. Additionally, each public shareholder may elect to redeem their Public Shares, without voting, and if they do vote, irrespective of whether they vote for or against a proposed Business Combination.

Notwithstanding the foregoing, if the Company seeks shareholder approval of a Business Combination and it does not conduct redemptions pursuant to the tender offer rules, the Company’s Amended and Restated Memorandum and Articles of Association will provide that a public shareholder, together with any affiliate of such shareholder or any other person with whom such shareholder is acting in concert or as a “group” (as defined under Section 13 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), will be restricted from redeeming its shares with respect to more than an aggregate of 15% of the Public Shares, without the prior consent of the Company.

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The Company's sponsor has agreed to waive: (i) its redemption rights with respect to any Founder Shares and Public Shares held by it in connection with the completion of the Company's Business Combination and (ii) their redemption rights with respect to their Founder Shares and any Public Shares held by them in connection with a shareholder vote to approve an amendment to the Company's Amended and Restated Memorandum and Articles of Association (A) to modify the substance or timing of the Company's obligation to allow redemption in connection with its initial Business Combination or to redeem 100% of the Public Shares if the Company does not complete its Business Combination within 24 months from March 25, 2021 or (B) with respect to any other provision relating to shareholders' rights or pre-initial business combination activity.

If the Company is unable to complete its initial business combination within the Combination Period, the Company will: i) cease all operations except for the purpose of winding up, (ii) as promptly as reasonably possible, but not more than ten business days thereafter, redeem the Public Shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account including interest earned on the funds held in the Trust Account and not previously released to the Company to pay its tax obligations (less taxes payable and up to \$100,000 of interest to pay dissolution expenses and which interest shall be net of taxes payable), divided by the number of then issued and outstanding Public Shares, which redemption will completely extinguish public shareholders' rights as shareholders (including the right to receive further liquidating distributions, if any), and (iii) as promptly as reasonably possible following such redemption, subject to the approval of the Company's remaining shareholders and the Company's board of directors, dissolve and liquidate, subject in each case to the Company's obligations under Cayman Islands law to provide for claims of creditors and the requirements of other applicable law. There will be no redemption rights or liquidating distributions with respect to the Company's warrants, which will expire worthless if the Company fails to complete a Business Combination within the Combination Period.

The Company's sponsor has agreed to waive its rights to liquidating distributions from the Trust Account with respect to any founder shares held by it if the Company fails to complete its initial business combination within the Combination Period. However, if the sponsor acquires public shares in or after the IPO, the sponsor will be entitled to liquidating distributions from the Trust Account with respect to such public shares if the Company fails to complete a Business Combination during the Combination Period.

Merger Agreement

On December 7, 2021, the Company, entered into an Agreement and Plan of Merger (as it may be amended, supplemented or otherwise modified from time to time, the "Merger Agreement"), by and among the Company, Treehouse Merger Sub, Inc., a Delaware corporation ("VGAC II Merger Sub"), and Grove Collaborative, Inc., a Delaware public benefit corporation ("Grove").

The Business Combination

The Merger Agreement provides for, among other things, the following transactions on the closing date: (i) the Company will become a Delaware public benefit corporation (the "Domestication") and, in connection with the Domestication, (a) the Company's name will be changed to "Grove Collaborative Holdings, Inc." ("New Grove"), (b) each then-issued and outstanding Class A ordinary share of the Company will convert automatically into one Class A ordinary share of New Grove (the "New Grove Class A Ordinary Shares"), (c) each then-issued and outstanding Class B ordinary share of the Company will convert automatically into one New Grove Class A Ordinary Share, and (d) each then-issued and outstanding common warrant of the Company will convert automatically into one warrant to purchase one New Grove Class A Ordinary Share; and (ii) following the Domestication, VGAC II Merger Sub will merge with and into Grove, with Grove as the surviving company in the merger and, after giving effect to such merger, continuing as a wholly-owned subsidiary of New Grove (the "Merger").

The Domestication, the Merger and the other transactions contemplated by the Merger Agreement are hereinafter referred to as the "Business Combination."

In connection with the Business Combination, the Company will adopt a dual class stock structure pursuant to which (i) all shareholders of Grove will hold Class B ordinary shares of New Grove (the "New Grove Class B Ordinary Shares"), which will have ten votes per share. The New Grove Class B Ordinary Shares will be subject to conversion to New Grove Class A Ordinary Shares (i) upon any transfers of New Grove Class B Ordinary Shares (except for certain permitted transfers) or (ii) on the date that is the earliest to occur of (A) the fifth anniversary of the closing date and (B) the forty-fifth day (or, if such day is not a business day in the United States, the next such business day) after the end of the first fiscal quarter of New Grove in which the number of New Grove Class B Ordinary Shares outstanding or subject to outstanding securities convertible into or exercisable therefore, or otherwise underlying outstanding equity compensation awards, represents, in the aggregate, less than ten percent (10%) of all ordinary shares outstanding or subject to outstanding securities convertible into or exercisable therefor, or otherwise underlying outstanding equity compensation awards, in each case, measured on the last day of such fiscal quarter.

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The Business Combination is expected to close early in the second quarter of 2022, following the receipt of the required approval by the Company's shareholders and the fulfillment of other customary closing conditions.

Merger Agreement Amendment

On March 31, 2022, the Company entered into an Amended and Restated Agreement and Plan of Merger (the "Amended and Restated Merger Agreement"), by and among the Company, Treehouse Merger Sub, Inc., a Delaware corporation ("Merger Sub I"), Treehouse Merger Sub II, LLC, a Delaware limited liability company ("Merger Sub II"), and Grove. The Amended and Restated Merger Agreement amends and restates in its entirety the Agreement and Plan of Merger, dated as of December 7, 2021 (the "Original Merger Agreement"), entered into by the Company, Merger Sub I and Grove that the Company originally announced in its Current Report on Form 8-K filed on December 7, 2021. Except as described below, the terms and provisions of the Amended and Restated Merger Agreement are consistent with the terms and provisions of the Original Merger Agreement.

The Amended and Restated Merger Agreement and the transactions contemplated thereby were approved by the boards of directors of each of the Company and Grove.

The Amended and Restated Merger Agreement provides that, among other things, at least one day following the domestication of the Company as a Delaware public benefit corporation (the "Redomestication"), (i) Merger Sub I will merge with and into Grove (the "Initial Merger"), with Grove as the surviving company in the merger and, after giving effect to such merger, continuing as a wholly-owned subsidiary of the Company (the "Initial Surviving Corporation") and (ii) immediately following the Initial Merger, and as part of the same overall transaction as the Initial Merger, the Initial Surviving Corporation will merge with and into Merger Sub II (the "Final Merger" and, together with the Initial Merger, the "Mergers", and the Mergers, together with the other transactions contemplated by the Amended and Restated Merger Agreement (other than the Redomestication), the "Business Combination"), with Merger Sub II as the surviving company in the merger and, after giving effect to such merger, continuing as a wholly-owned subsidiary of the Company.

The Amended and Restated Merger Agreement further provides that, on the terms and subject to the conditions of the Amended and Restated Merger Agreement, each Tranche 1 Share (as defined below) (other than dissenting shares) will be canceled and converted into the right to receive a number of VGAC Class B Common Shares, as determined pursuant to an exchange ratio set forth in the Amended and Restated Merger Agreement (the "Exchange Ratio"). The VGAC Class B Common Shares to be issued in exchange for the Tranche 1 Shares are in addition to the merger consideration payable to the existing equity holders of Grove.

The foregoing description of the Amended and Restated Merger Agreement is subject to and qualified in its entirety by reference to the full text of the Amended and Restated Merger Agreement, a copy of which is included as Exhibit 2.1 hereto, and the terms of which are incorporated by reference.

On January 14, 2022, the Company filed a Form S-4 with the SEC relating to the proposed Business Combination. Subsequently on March 10, 2022, an amended S-4 was filed.

Backstop Derivative Liability

On March 31, 2022, the Company entered into a subscription agreement (the "Backstop Subscription Agreement") with Corvina Holdings, Limited, an affiliate of the Sponsor (the "Backstop Investor") and Grove Collaborative, Inc., a Delaware public benefit corporation ("Grove").

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Pursuant to the Backstop Subscription Agreement, among other things, (i) the Backstop Investor agreed to subscribe for and purchase, and Grove agreed to issue and sell to the Investor, on the date of the Backstop Subscription Agreement, a number of shares of Grove's common stock equal to the quotient of \$27,500,000 and \$11.70, for an aggregate purchase price of \$27,500,000 (the "Tranche 1 Shares") and (ii) the Backstop Investor has agreed to subscribe for and purchase, on the closing date of the Business Combination, certain VGAC Class A Common Shares at a purchase price of \$10.00 per share (the "Tranche 2 Shares"), for aggregate gross proceeds in an amount equal to (x) \$22,500,000 minus (y) the amount of cash available, as of immediately prior to the closing of the Business Combination, to be released from the Trust Account (after giving effect to all payments to be made as a result of the exercise of all Redemption Rights) (the "Available Cash").

The purchase price per share for the Tranche 1 Shares was based on an estimate of the Exchange Ratio, and each of the Backstop Investor and Grove have agreed to adjust the number of Tranche 1 Shares held by the Backstop Investor immediately prior to the closing of the Business Combination to reflect the final Exchange Ratio calculated pursuant to the terms of the Amended and Restated Merger Agreement such that at the closing of the Business Combination the Tranche 1 Shares will convert into VGAC Class B Common Shares (which will immediately be exchanged for VGAC Class A Common Shares) at a ratio that reflects a purchase price of \$10.00 for each VGAC Class B Common Share. In addition, immediately prior to the closing of the Business Combination, to the extent the Available Cash exceeds \$22,500,000, the Backstop Investor shall have the right to redeem all or a portion of the Tranche 1 Shares in cash for a purchase price per share equal to (x) the final Exchange Ratio calculated pursuant to the terms of the Amended and Restated Merger Agreement multiplied by (y) \$10.00.

In addition, if the volume weighted average price of VGAC Class A Common Shares is less than \$10.00 during the 10 trading days commencing on the first trading day after the Company's first quarterly earnings call for a fiscal quarter that ends following the closing of the Business Combination (the "Measurement Period VWAP"), then the Backstop Investor shall be entitled to receive a number of additional VGAC Class A Common Shares equal to the lesser of (i) the product of (x) the sum of (1) the shares of common stock of VGAC II issued to the Investor at the closing of the Business Combination pursuant to the Amended and Restated Merger Agreement (as defined below) as consideration for the Tranche 1 Shares and (2) the Tranche 2 Shares (collectively, the "Post-Combination VGAC Shares") multiplied by (y) a fraction, (A) the numerator of which is \$10.00 (as adjusted for any stock split, reverse stock split or similar adjustment following the closing of the Business Combination) minus the Measurement Period VWAP and (B) the denominator of which is the Measurement Period VWAP and (ii) the number of Post-Combination VGAC Shares outstanding as of immediately following the closing of the Business Combination (the "Additional Shares").

Immediately following the closing of the Business Combination, the Company shall issue to the Backstop Investor a number of warrants to purchase VGAC Class A Common Shares (each warrant exercisable to purchase one VGAC Class A Common Share for \$0.01) (the "Penny Warrants"). Such warrants will be exercisable by the Backstop Investor at any time for a period of five years from the date of issuance and otherwise be on terms customary for warrants of such nature.

In the event that the Amended and Restated Merger Agreement is terminated, then (a) upon such termination, Grove shall issue to the Backstop Investor certain warrants that are exercisable for shares of Grove's common stock, (b) the Tranche 1 Shares will automatically convert, in certain circumstances, into Grove's preferred stock and (c) Grove will be subject to certain repurchase obligations with respect to the Tranche 1 Shares, in each case, as set forth in the Backstop Subscription Agreement.

In connection with the foregoing, Grove has agreed to waive the available cash condition, effective upon (a) the payment of the purchase price for the Tranche 1 Shares by the Backstop Investor and (b) if the conditions to the Backstop Investor's obligation to purchase the Tranche 2 Shares under the Backstop Subscription Agreement are satisfied, the payment of the purchase price of the Tranche 2 Shares.

Risks and Uncertainties

Management continues to evaluate the impact of the COVID-19 pandemic and Russia-Ukraine war and has concluded that while it is reasonably possible that the virus and war could have a negative effect on the Company's financial position, results of its operations and search for a target company, the specific impact is not readily determinable as of the date of these unaudited condensed financial statements. The unaudited condensed financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Liquidity and Capital Resources

As of March 31, 2022, the Company had \$79,823 in its operating bank account and a working capital deficit of \$1,151,365.

The Company does not believe it will need to raise additional funds in order to meet the expenditures required for operating the business. However, if the estimate of the costs of identifying a target business, undertaking in-depth due diligence and negotiating a Business Combination are less than the actual amount necessary to do so, the Company may have insufficient funds available to operate its business prior to the Business Combination.

In order to finance transaction costs in connection with a Business Combination, or because the Company becomes obligated to redeem a significant number of the public shares upon consummation of the Business Combination, the Sponsor, an affiliate of the Sponsor or certain of the Company's officers and directors may, but are not obligated to, provide the Company Working Capital Loans (as defined below). As of March 31, 2022, the Company had \$1,000,000 of outstanding borrowings under the Working Capital Loans. In addition, the Company may issue additional securities or incur debt in connection with such Business Combination. Subject to compliance with applicable securities laws, the Company would only complete such financing simultaneously with the completion of the Business Combination. If the Company is unable to complete the Business Combination because it does not have sufficient funds available, the Company will be forced to cease operations and liquidate the Trust Account. In addition, following the Business Combination, if cash on hand is insufficient, the Company may need to obtain additional financing in order to meet our obligations.

Based on the foregoing, management believes that the Company will have sufficient working capital and borrowing capacity to meet its needs through the earlier of the consummation of a Business Combination or one year from this filing. Over this time period, the Company will be using these funds for paying existing accounts payable, identifying and evaluating prospective initial Business Combination candidates, performing due diligence on prospective target businesses, paying for travel expenditures, selecting the target business to merge with or acquire, and structuring, negotiating and consummating the Business Combination.

Going Concern

In connection with the Company's assessment of going concern considerations in accordance with Financial Accounting Standard Board's Accounting Standards Update ("ASU") 2014-15, "Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern," the Company has until March 25, 2023, to consummate a Business Combination. It is uncertain that the Company will be able to consummate a Business Combination by this time. Additionally, the Company may not have sufficient liquidity to fund the working capital needs of the Company until one year from the issuance of these financial statements. If a Business Combination is not consummated by this date, there will be a mandatory liquidation and subsequent dissolution of the Company. Management has determined that the mandatory liquidation, should a Business Combination not occur, and potential subsequent dissolution, raises substantial doubt about the Company's ability to continue as a going concern. No adjustments have been made to the carrying amounts of assets or liabilities should the Company be required to liquidate after March 25, 2023. The Company intends to complete a Business Combination before the mandatory liquidation date.

Note 2 — Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed financial statements are presented in U.S. dollars in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for financial information and pursuant to the rules and regulations of the SEC. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP. In the opinion of management, the unaudited condensed financial statements reflect all adjustments, which include only normal recurring adjustments necessary for the fair statement of the balances and results for the periods presented. The interim results for the three months ended March 31, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022 or for any future interim periods. The accompanying unaudited condensed financial statements should be read in conjunction with the Company's should be read in conjunction with the Company's audited financial statements and notes thereto included in the Form 10-K filed by the Company with the SEC on February 24, 2022.

Emerging Growth Company Status

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012, (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

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Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's unaudited condensed financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Use of Estimates

The preparation of unaudited condensed financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed financial statements and the reported amounts of expenses during the reporting period.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the unaudited condensed financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from those estimates.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents. The Company did not have any cash equivalents as of March 31, 2022 and December 31, 2021.

Investments Held in Trust Account

When the Company's investments held in the Trust Account are comprised of money market funds, the investments are presented on the balance sheet at fair value at the end of each reporting period. Gains and losses resulting from the change in fair value of these securities is included in income from investments held in the Trust Account in the accompanying statements of operations. At March 31, 2022 and December 31, 2021, the assets held in the Trust Account were held in a mutual fund.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in a financial institution, which, at times, may exceed the federal depository insurance coverage of \$250,000. As of March 31, 2022 and December 31, 2021, the Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

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Ordinary Shares Subject to Possible Redemption

The Company accounts for its Class A ordinary shares subject to possible redemption in accordance with the guidance in ASC Topic 480 “Distinguishing Liabilities from Equity.” Class A ordinary shares subject to mandatory redemption (if any) are classified as a liability instrument and are measured at fair value. Conditionally redeemable Class A ordinary shares (including Class A ordinary shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company’s control) are classified as temporary equity. At all other times, Class A ordinary shares are classified as shareholders’ equity. The Company’s Class A ordinary shares feature certain redemption rights that are considered to be outside of the Company’s control and subject to the occurrence of uncertain future events. Accordingly, all of the Company’s 40,250,000 Class A ordinary shares subject to possible redemption are presented at redemption value as temporary equity, outside of the shareholders’ deficit section of the Company’s condensed balance sheets.

Offering Costs associated with the Initial Public Offering

The Company complies with the requirements of ASC 340-10-S99-1 and SEC Staff Accounting Bulletin (“SAB”) Topic 5A—“Expenses of Offering”. Offering costs consist principally of professional and registration fees incurred through the balance sheet date that are related to the Public Offering. The Company allocates the offering costs between ordinary shares and public and private warrants using the relative fair value method, the offering costs allocated to the public warrants will be expensed immediately and offering costs associated with equity components will be charged to temporary equity. Accordingly, the Company incurred offering costs in the aggregate of \$22,733,025 of which \$22,162,529 have been allocated to temporary equity and \$570,496 was allocated to the public and private warrants and was expensed immediately.

Fair Value Measurements

Fair value is defined as the price that would be received for sale of an asset or paid for transfer of a liability, in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices (unadjusted) for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

In some circumstances, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

Derivative Instruments

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives, pursuant to ASC 480 and ASC 815-15. The classification of derivative instruments, including whether such instruments should be recorded as asset, liabilities or as equity, is re-assessed at the end of each reporting period.

Derivative assets and liabilities are classified on the balance sheet as current or non-current based on whether or not net-cash settlement or conversion of the instrument is required within 12 months of the balance sheet date. The Company has determined that the Tranche 2 Shares, Penny Warrants, Additional Shares, and both the private and public warrants are a derivative instrument.

Net Loss Per Ordinary Share

The Company has two classes of shares, which are referred to as Class A ordinary shares and Class B ordinary shares. Earnings and losses are shared pro rata between the two classes of shares. The 14,750,000 potential ordinary shares and 13,000,000 potential ordinary shares for outstanding warrants to purchase the Company's shares were excluded from diluted earnings per share for the three months ended March 31, 2022 and March 31, 2021, respectively because the warrants are contingently exercisable, and the contingencies have not yet been met. As a result, diluted net loss per ordinary share is the same as basic net loss per ordinary share for the period. The table below presents a reconciliation of the numerator and denominator used to compute basic and diluted net loss per share for each class of ordinary share:

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	For the three months ended		For the period from	
	March 31, 2022		January 13, 2021 (inception) through March 31, 2021	
	Class A	Class B	Class A	Class B
Basic and diluted net loss per ordinary share:				
Numerator:				
Allocation of loss	\$ (18,841,758)	\$ (4,710,439)	\$ (193,448)	\$ (538,891)
Denominator:				
Weighted-average shares outstanding including shares subject to redemption	40,250,000	10,062,500	3,141,026	8,750,000
Basic and diluted loss per ordinary share	<u>\$ (0.47)</u>	<u>\$ (0.47)</u>	<u>\$ (0.06)</u>	<u>\$ (0.06)</u>

Income Taxes

ASC Topic 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company's management determined that the Cayman Islands is the Company's only major tax jurisdiction. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. There were no unrecognized tax benefits and no amounts accrued for interest and penalties as of March 31, 2022 and December 31, 2021. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position.

The Company is considered an exempted Cayman Islands company and is presently not subject to income taxes or income tax filing requirements in the Cayman Islands or the United States. As such, the Company's tax provision was zero for the periods presented. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities approximates the carrying amounts represented in the accompanying balance sheet, primarily due to their short-term nature.

Recently Adopted Accounting Standards

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 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) ("ASU 2020-06") to simplify accounting for certain financial instruments. ASU 2020-06 eliminates the current models that require separation of beneficial conversion and cash conversion features from convertible instruments and simplifies the derivative scope exception guidance pertaining to equity classification of contracts in an entity's own equity. The new standard also introduces additional disclosures for convertible debt and freestanding instruments that are indexed to and settled in an entity's own equity. ASU 2020-06 amends the diluted earnings per share guidance, including the requirement to use the if-converted method for all convertible instruments. ASU 2020-06 is effective January 1, 2024 and should be applied on a full or modified retrospective basis, with early adoption permitted beginning on April 13, 2021. The Company is currently assessing the impact, if any, that ASU 2020-06 would have on its financial position, results of operations or cash flows.

Management does not believe that any other recently issued, but not effective, accounting pronouncements, if currently adopted, would have a material effect on the Company's unaudited condensed financial statements.

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Note 3 — Initial Public Offering

Pursuant to the IPO on March 25, 2021, the Company sold 35,000,000 Units, at a price of \$10.00 per Unit. On April 13, 2021, the underwriter exercised their full over-allotment option which resulted in the sale of an additional 5,250,000 Units, for a total aggregate of 40,250,000 Units sold in connection with the IPO. Each Unit consists of one share of Class A Ordinary Shares, par value \$0.0001 per share, and one-fifth of one redeemable warrant. Each whole Public Warrant entitles the holder to purchase one share of Class A Ordinary Shares at a price of \$11.50 per share. Each whole warrant will become exercisable 30 days from the completion of the initial Business Combination or 12 months from the closing of the public offering and will expire five years after the completion of the initial Business combination, or earlier upon redemption or liquidation.

All of the 40,250,000 Class A ordinary share sold as part of the Units in the IPO contain a redemption feature which allows for the redemption of such public shares in connection with the Company's liquidation, if there is a shareholder vote or tender offer in connection with the Business Combination and in connection with certain amendments to the Company's certificate of incorporation. In accordance with SEC guidance on redeemable equity instruments, which has been codified in ASC 480-10-S99, redemption provisions not solely within the control of the Company require ordinary share subject to redemption to be classified outside of permanent equity.

The Class A ordinary shares are accounted for in accordance to codified in ASC 480-10-S99. If it is probable that the equity instrument will become redeemable, the Company has the option to either accrete changes in the redemption value over the period from the date of issuance (or from the date that it becomes probable that the instrument will become redeemable, if later) to the earliest redemption date of the instrument or to recognize changes in the redemption value immediately as they occur and adjust the carrying amount of the instrument to equal the redemption value at the end of each reporting period. The Company recognizes changes in redemption value immediately as they occur. Immediately upon the closing of the IPO, the Company recognized the accretion from initial book value to redemption amount value. The change in the carrying value of redeemable ordinary shares resulted in charges against additional paid-in capital and accumulated deficit.

As of March 31, 2022 and December 31, 2021, the ordinary shares reflected on the balance sheet are reconciled in the following table:

Gross proceeds from IPO	\$402,500,000
Less:	
Proceeds allocated to Public Warrants	(10,101,143)
Ordinary share issuance costs	(22,162,529)
Plus:	
Accretion of carrying value to redemption value	<u>32,263,672</u>
Contingently redeemable ordinary shares	<u>\$402,500,000</u>

Note 4 — Private Placement

Concurrently with the closing of the IPO, the Company completed the Private Placement of 6,000,000 Private Placement Warrants to Virgin Group Acquisition Sponsor II LLC at a purchase price of \$1.50 per Private Placement Warrant, generating gross proceeds to the Company of \$9,000,000. On April 13, 2021 the underwriter exercised their full over-allotment option which resulted in the purchase of an additional 700,000 private placement warrants for proceeds of \$1,050,000. Therefore, the aggregate Private Placement Warrants purchased by Virgin Group Acquisition Sponsor II LLC were 6,700,000 for gross proceeds to the Company of \$10,050,000. Each warrant is exercisable to purchase one share of the Company's Class A Ordinary Shares at a price of \$11.50 per share. A portion of the purchase price of the Private Placement Warrants was added to the proceeds from the IPO and held in the trust account, such that \$402,500,000 is held in the trust account. If the Company does not complete its initial Business Combination within 24 months from the closing of the IPO, the proceeds from the sale of the Private Placement Warrants held in the Trust Account will be used to fund the redemption of the Public Shares (subject to the requirements of applicable law) and the Private Placement Warrants will expire worthless.

Note 5 — Related Party Transactions

Founder Shares

On January 22, 2021, the Company issued 7,187,500 Class B Ordinary Shares to the Sponsor in consideration for the Sponsor paying certain offering and formation costs on behalf of the Company with a value of \$25,000. On February 12, 2021, the Company effected a 33-for-25 share split with respect to the Founder Shares, resulting in an aggregate of 9,487,500 founder shares issued and outstanding. On March 22, 2021, the Company effected a 35-for-33 share split with respect to the Founder Shares resulting in an aggregate of 10,062,500 founder shares issued and outstanding. On April 13, 2021, the underwriters exercised their full over-allotment option which resulted in 1,312,500 Founder Shares no longer being subject to forfeiture, so that the number of Founder Shares will equal 20% of the Company's issued and outstanding ordinary shares after the IPO and exercise of the over-allotment option.

The Sponsor has agreed, subject to limited exceptions, not to transfer, assign or sell any Founder Shares until the earlier to occur of (i) one year after the completion of a Business Combination or (ii) the date following the completion of a Business Combination on which the Company completes a liquidation, merger, stock exchange or other similar transaction that results in all of the shareholders having the right to exchange their ordinary shares for cash, securities or other property. Notwithstanding the foregoing, if the closing price of the Class A ordinary shares equals or exceeds \$12.00 per share (as adjusted for share splits, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after a Business Combination, the Founder Shares will be released from the lockup.

Working Capital Loans

In order to finance transaction costs in connection with a Business Combination, the Sponsor or an affiliate of the Sponsor, or certain of the Company's officers and directors may, but are not obligated to, loan the Company funds as may be required (the "Working Capital Loans"). If the Company completes a Business Combination, the Company may repay the Working Capital Loans out of the proceeds of the Trust Account released to the Company. Otherwise, the Working Capital Loans may be repaid only out of funds held outside the Trust Account. The Working Capital Loans would either be repaid upon consummation of a Business Combination or, at the lender's discretion, up to \$1,500,000 of such Working Capital Loans may be convertible into warrants of the post-Business Combination entity at a price of \$1.50 per warrant. Such warrants would be identical to the Private Placement Warrants. Except for the foregoing, the terms of such Working Capital Loans, if any, have not been determined and no written agreements exist with respect to such loans.

On September 28, 2021, the Company issued an unsecured promissory note in the amount of up to \$1,000,000 to the Sponsor. The proceeds of this promissory note, which may be drawn down as Working Capital Loans from time to time until the Company consummates a Business Combination, will be used for general working capital purposes. This promissory note bears no interest and is payable in full upon the earlier to occur of (i) March 22, 2023 or (ii) the consummation of the Company's initial business combination. As of March 31, 2022 and December 31, 2021, the outstanding balance for promissory note was \$1,000,000.

On April 8, 2022, the Company amended the promissory note to increase the aggregate principal amount to \$1,500,000. On April 14, 2022, the Company received an additional \$500,000 in relation to the amended promissory note.

Administrative Service Fee

Commencing on March 25, 2021, the Company has agreed to pay the Sponsor up to \$10,000 per month for office space, secretarial and administrative services. Upon completion of the initial Business Combination or its liquidation, it will cease paying these monthly fees. For the three months ended March 31, 2022 and for the period from January 13, 2021 (inception) through March 31, 2021, the Company incurred \$30,000 and \$1,667, respectively of administrative service fees. Unpaid amounts reported in the due to related party account on the condensed balance sheets as of March 31, 2022 and December 31, 2021 are \$30,000 and \$1,667, respectively.

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Note 6 — Fair Value Measurements

The following table presents information about the Company's assets and liabilities that were measured at fair value on a recurring basis as of March 31, 2022 and December 31, 2021, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. The Company uses inputs such as actual trade data, benchmark yields, quoted market prices from dealers or brokers, and other similar sources to determine the fair value of its investments in the Mutual Fund.

	March 31, 2022	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Mutual Fund held in Trust Account	\$402,566,409	\$ 402,566,409	\$ —	\$ —
Liabilities:				
Derivative warrant liability – Public Warrants	\$ 3,048,919	\$ 3,048,919	\$ —	\$ —
Derivative warrant liability – Private Warrants	2,636,811	—	—	2,636,811
Backstop derivative liability	30,234,314	—	—	30,234,314
Derivative liabilities	<u>\$ 35,920,044</u>	<u>\$ 3,048,919</u>	<u>\$ —</u>	<u>\$ 32,871,125</u>
	December 31, 2021	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Mutual Fund held in Trust Account	\$ 402,530,526	\$ 402,530,526	\$ —	\$ —
Liabilities:				
Derivative warrant liability – Public Warrants	\$ 6,731,959	\$ 6,731,959	\$ —	\$ —
Derivative warrant liability – Private Warrants	6,608,051	—	—	6,608,051
Derivative warrant liabilities	<u>\$ 13,340,010</u>	<u>\$ 6,731,959</u>	<u>\$ —</u>	<u>\$ 6,608,051</u>

The change in fair value of the derivative warrant liabilities is summarized as follows:

	Private Placement Warrants	Public Warrants	Warrant Liabilities
Derivative warrant liability – initial measurement on March 25, 2021	\$9,020,019	\$8,776,387	\$17,796,406
Change in fair value of derivative warrant liabilities	133,454	55,320	188,774
Derivative warrant liabilities at March 31, 2021	<u>\$9,153,473</u>	<u>\$8,831,707</u>	<u>\$17,985,180</u>
	Private Placement Warrants	Public Warrants	Warrant Liabilities
Derivative warrant liabilities at December 31, 2021	\$ 6,608,051	\$ —	\$ 6,608,051
Change in fair value of derivative warrant liabilities	(3,971,240)	—	(3,971,240)
Derivative warrant liabilities at March 31, 2022	<u>\$ 2,636,811</u>	<u>\$ —</u>	<u>\$ 2,636,811</u>

The estimated fair value of the warrant liability for the private warrants at March 31, 2022 and December 31, 2021 was determined using Level 3 inputs. Inherent in a Monte Carlo options pricing model are assumptions related to expected stock-price volatility, expected life, risk-free interest rate and dividend yield. The Company estimates the volatility of its ordinary shares based on projected volatility of comparable public companies that matches the expected remaining life of the warrants. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity similar to the expected remaining life of the warrants. The expected life of the warrants is based on management assumptions regarding the timing and likelihood of completing a business combination. The dividend rate is based on the historical rate, which the Company anticipates to remain at zero.

Transfers to/from Levels 1, 2 and 3 are recognized at the end of the reporting period. The estimated fair value of the Public Warrants transferred from a Level 3 measurement to a Level 1 fair value measurement in May 2021 when the Public Warrants were listed separately.

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The following table provides quantitative information regarding Level 3 fair value measurements of derivative warrant liabilities as of March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Strike price	\$ 11.50	\$ 11.50
Share price	\$ 5.95	\$ 9.59
Volatility	25%	40%
Risk-free rate	2.40%	1.28%
Expected term (years)	5	5

The Company accounts for the Backstop Subscription Agreement in accordance with the guidance in ASC 815-40 and accounts for the Tranche 2 Shares as a derivative asset and Penny Warrants and Additional Shares as derivative liabilities at its fair value determined by a Monte Carlo simulation of redemptions and share price using the same calibrated price from the warrant valuation analysis. These assets and liabilities are subject to re-measurement at each balance sheet date. With each such re-measurement, the derivative asset or liability will be adjusted to fair value, with the change in fair value recognized in the Company's statements of operations. On March 31, 2022, the Company recorded net backstop derivative liability in the unaudited condensed balance sheets amounting to \$30,234,314.

The following table provides quantitative information regarding Level 3 fair value measurement of backstop derivative liability as of March 31, 2022:

Share price	\$5.95
Volatility	25%
Risk-free rate	2.40%
Minimum Redemption Percentage	92%
Maximum Redemption Percentage	100%

Note 7 — Commitments and Contingencies

Registration Rights

The holders of the Founder Shares, Private Placement Warrants and any warrants that may be issued upon conversion of Working Capital Loans (and any ordinary shares issuable upon the exercise of the Private Placement Warrants or warrants issued upon conversion of the Working Capital Loans and upon conversion of the Founder Shares) will be entitled to registration rights pursuant to a registration rights agreement signed on March 22, 2021, the effective date of the IPO, requiring the Company to register such securities for resale. The holders of these securities will be entitled to make up to three demands, excluding short form demands, that the Company register such securities. In addition, the holders have certain "piggy-back" registration rights with respect to registration statements filed subsequent to the completion of a Business Combination. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

Underwriting Agreement

The Company granted the underwriter a 45-day option from the date of the IPO to purchase up to 5,250,000 additional Units to cover over-allotments, if any, at the price paid by the underwriters in the IPO. On April 13, 2021 the underwriters exercised their over-allotment option in full. The underwriters were paid an underwriting discount of \$0.20 per unit, or \$8,050,000 in the aggregate upon the closing of the IPO and exercise of the full over-allotment. Additionally, a deferred underwriting discount of \$0.35 per unit, or \$14,087,500 in the aggregate, will be payable to the underwriters from the amounts held in the Trust Account solely in the event that the Company completes a Business Combination, subject to the terms of the underwriting agreement. The Company had \$14,087,500 accrued as of March 31, 2022 and December 31, 2021.

Note 8 — Derivative Liabilities

Warrants

As of March 31, 2022 and December 31, 2021, there were 8,050,000 Public Warrants and 6,700,000 Private Placement Warrants outstanding. The total Warrants will become exercisable on the later of (a) 30 days from the completion of a Business Combination or (b) 12 months from the closing of the IPO; provided in each case that the Company has an effective registration statement under the Securities Act covering the Class A ordinary shares issuable upon exercise of the warrants and a current prospectus relating to them is available (or the Company permits holders to exercise their warrants on a cashless basis and such cashless exercise is exempt from registration under the Securities Act).

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The Company has agreed that as soon as practicable, but in no event later than 15 business days after the closing of the initial Business Combination, the Company will use its best efforts to file with the SEC and have an effective registration statement covering the Class A ordinary shares issuable upon exercise of the warrants and to maintain a current prospectus relating to those Class A ordinary shares until the warrants expire or are redeemed, as specified in the warrant agreement. If a registration statement covering the Class A ordinary shares issuable upon exercise of the warrants is not effective by the 60th business day after the closing of the initial Business Combination, warrant holders may, until such time as there is an effective registration statement and during any period when the Company will have failed to maintain an effective registration statement, exercise warrants on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act or another exemption. Notwithstanding the above, if the Company’s Class A ordinary shares are at the time of any exercise of a warrant not listed on a national securities exchange such that they satisfy the definition of a “covered security” under Section 18(b)(1) of the Securities Act, the Company may, at its option, require holders of Public Warrants who exercise their warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, in the event the Company so elect, the Company will not be required to file or maintain in effect a registration statement, and in the event the Company does not so elect, the Company will use its best efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available. The warrants will expire at 5:00 p.m., New York City time, five years after the completion of a Business Combination or earlier upon redemption or liquidation. On the exercise of any warrant, the warrant exercise price will be paid directly to the Company and not placed in the trust account. The Company may call the Public Warrants for redemption:

- in whole and not in part;
- at a price of \$0.01 per warrant;
- upon not less than 30 days’ prior written notice of redemption (the “30-day redemption period”) to each warrant holder; and
- if, and only if, the reported closing price of the Class A ordinary shares equals or exceeds \$8.00 per share (as adjusted for share splits, share dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading day period ending three business days before the Company sends the notice of redemption to the warrant holders. In addition, if (x) the Company issues additional Class A ordinary shares or equity-linked securities for capital raising purposes in connection with the closing of a Business Combination at an issue price or effective issue price of less than \$9.20 per Class A ordinary share (with such issue price or effective issue price to be determined in good faith by the Company’s board of directors and, in the case of any such issuance to the Sponsor or its affiliates, without taking into account any Founder Shares held by the Sponsor or such affiliates, as applicable, prior to such issuance) (the “Newly Issued Price”), (y) the aggregate gross proceeds from such issuances represent more than 60% of the total equity proceeds, and interest thereon, available for the funding of a Business Combination, and (z) the volume weighted average trading price of the Class A ordinary shares during the 20 trading day period starting on the trading day prior to the day on which the Company consummates a Business Combination (such price, the “Market Value”) is below \$9.20 per share, then the exercise price of the warrants will be adjusted (to the nearest cent) to be equal to 15% of the higher of the Market Value and the Newly Issued Price, and the \$18.00 per share redemption trigger price will be adjusted (to the nearest cent) to be equal to 180% of the higher of the Market Value and the Newly Issued Price.

The Private Placement Warrants are identical to the Public Warrants underlying the Units being sold in the IPO, except that (x) the Private Placement Warrants and the Class A ordinary shares issuable upon the exercise of the Private Placement Warrants will not be transferable, assignable or salable until 30 days after the completion of a Business Combination, subject to certain limited exceptions, (y) the Private Placement Warrants will be exercisable on a cashless basis and be non-redeemable so long as they are held by the initial purchasers or their permitted transferees and (z) the Private Placement Warrants and the Class A ordinary shares issuable upon the exercise of the Private Placement Warrants will be entitled to registration rights. If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

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The warrant agreement contains an Alternative Issuance provision that if less than 70% of the consideration receivable by the holders of the ordinary shares in the Business Combination is payable in the form of common equity in the successor entity, and if the holders of the warrants properly exercises the warrants within thirty days following the public disclosure of the consummation of Business Combination by the Company, the warrant price shall be reduced by an amount equal to the difference (but in no event less than zero) of (i) the warrant price in effect prior to such reduction minus (ii) (A) the Per Share Consideration (as defined below) minus (B) the Black-Scholes Warrant Value (as defined below). The “Black-Scholes Warrant Value” means the value of a Warrant immediately prior to the consummation of the Business Combination based on the Black-Scholes Warrant Model for a Capped American Call on Bloomberg Financial Markets. “Per Share Consideration” means (i) if the consideration paid to holders of the ordinary shares consists exclusively of cash, the amount of such cash per ordinary shares, and (ii) in all other cases, the volume weighted average price of the ordinary shares as reported during the ten-trading day period ending on the trading day prior to the effective date of the Business Combination.

The Company believes that the Alternative Issuance provision and the adjustments to the exercise price of the warrants is based on a variable that is not an input to the fair value of a “fixed-for-fixed” option as defined under FASB ASC Topic No. 815 – 40, and thus the warrants are not eligible for an exception from derivative accounting.

The accounting treatment of derivative financial instruments requires that the Company record a derivative liability upon the closing of the IPO. Accordingly, the Company has classified each warrant as a liability at its fair value and the warrants were allocated a portion of the proceeds from the issuance of the Units equal to its fair value determined by the Monte Carlo simulation. This liability is subject to re-measurement at each balance sheet date. With each such re-measurement, the warrant liability will be adjusted to fair value, with the change in fair value recognized in the Company’s statements of operations. The Company will reassess the classification at each balance sheet date. If the classification changes as a result of events during the period, the warrants will be reclassified as of the date of the event that causes the reclassification. As such, the Company recorded \$17,796,406 of warrant liability upon issuance as of March 25, 2021 and an additional \$2,392,661 upon exercise of the over-allotment for an aggregate original warrant liability of \$20,189,067.

Backstop Derivative Liability

On March 31, 2022, the Company entered into a Backstop Subscription Agreement with the Backstop Investor and Grove.

Pursuant to the Backstop Subscription Agreement, (i) the Backstop Investor agreed to subscribe for and purchase, and Grove agreed to issue and sell to the Investor, on the date of the Backstop Subscription Agreement, a number of shares of Grove’s common stock equal to the quotient of \$27,500,000 and \$11.70, for an aggregate purchase price of \$27,500,000 and (ii) the Backstop Investor has agreed to subscribe for and purchase, on the closing date of the Business Combination, certain VGAC Class A Common Shares at a purchase price of \$10.00 per share, for aggregate gross proceeds in an amount equal to (x) \$22,500,000 minus (y) the amount of cash available, as of immediately prior to the closing of the Business Combination, to be released from the Trust Account (after giving effect to all payments to be made as a result of the exercise of all Redemption Rights) (the “Tranche 2 Shares”).

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The purchase price per share for the Tranche 1 Shares was based on an estimate of the Exchange Ratio, and each of the Backstop Investor and Grove have agreed to adjust the number of Tranche 1 Shares held by the Backstop Investor immediately prior to the closing of the Business Combination to reflect the final Exchange Ratio. In addition, immediately prior to the closing of the Business Combination, to the extent the Available Cash exceeds \$22,500,000, the Backstop Investor shall have the right to redeem all or a portion of the Tranche 1 Shares in cash for a purchase price per share equal to (x) the final Exchange Ratio calculated pursuant to the terms of the Amended and Restated Merger Agreement multiplied by (y) \$10.00.

In addition, if the volume weighted average price of VGAC Class A Common Shares is less than \$10.00 during the 10 trading days commencing on the first trading day after the Company's first quarterly earnings call for a fiscal quarter that ends following the closing of the Business Combination, then the Backstop Investor shall be entitled to receive a number of additional VGAC Class A Common Shares (the "Additional Shares").

Immediately following the closing of the Business Combination, the Company shall issue to the Backstop Investor a number of warrants to purchase VGAC Class A Common Shares (each warrant exercisable to purchase one VGAC Class A Common Share for \$0.01) (the "Penny Warrants"). Such warrants will be exercisable by the Backstop Investor at any time for a period of five years from the date of issuance and otherwise be on terms customary for warrants of such nature.

The Company accounts for the Backstop Subscription Agreement in accordance with the guidance in ASC815-40 and accounts for Tranche 2 shares as asset and Penny Warrants and Additional Shares as derivative liabilities at its fair value determined by a Monte Carlo simulation of redemptions and share price using the same calibrated price from the warrant valuation analysis. This liability is subject to re-measurement at each balance sheet date. With each such re-measurement, the warrant liability will be adjusted to fair value, with the change in fair value recognized in the Company's statements of operations. On March 31, 2022, the Company recorded net backstop derivative liability in the unaudited condensed balance sheets amounting to \$30,234,314.

Note 9 — Shareholders' Deficit

Preference Shares — The Company is authorized to issue a total of 1,000,000 preference shares at par value of \$0.0001 each. At March 31, 2022 and December 31, 2021, there were no preference shares issued or outstanding.

Class A Ordinary Shares — The Company is authorized to issue a total of 200,000,000 Class A ordinary shares with a par value of \$0.0001 each. At March 31, 2022 and December 31, 2021, there were no shares issued and outstanding, excluding 40,250,000 shares subject to possible redemption.

Class B Ordinary Shares — The Company is authorized to issue a total of 20,000,000 Class B ordinary shares with a par value of \$0.0001 each. Holders are entitled to one vote for each Class B Ordinary Share. As of March 31, 2022 and December 31, 2021, there were 10,062,500 shares of Class B ordinary shares issued and outstanding. On April 13, 2021, the underwriters exercised their over-allotment option in full, hence, 1,312,500 Founder Shares were no longer subject to forfeiture. Holders of the Class A ordinary shares and holders of the Class B ordinary shares will vote together as a single class on all matters submitted to a vote of the Company's shareholders, except as specified in the Company's amended and restated memorandum and articles of association, or as required by the Companies Act or stock exchange rules, an ordinary resolution under Cayman Islands law, which requires the affirmative vote of a majority of the shareholders who attend and vote at a general meeting of the company is generally required to approve any matter voted on by the Company's shareholders. Approval of certain actions require a special resolution under Cayman Islands law, which requires the affirmative vote of a majority of at least two thirds of the shareholders who attend and vote at a general meeting of the company, and pursuant to the Company's amended and restated memorandum and articles of association, such actions include amending the Company's amended and restated memorandum and articles of association and approving a statutory merger or consolidation with another company. There is no cumulative voting with respect to the appointment of directors, meaning, following the Company's initial business combination, the holders of more than 50% of the Company's ordinary shares voted for the appointment of directors can appoint all of the directors. Only holders of Class B ordinary shares will have the right to appoint directors in any general meeting held prior to or in connection with the completion of the Company's initial business combination. Holders of the Company's public shares will not be entitled to vote on the appointment of directors during such time. These provisions of the Company's amended and restated memorandum and articles of association relating to the rights of holders of Class B ordinary shares to appoint directors may be amended by a special resolution passed by a majority of at least 90% of the Company's ordinary shares voting in a general meeting. With respect to any other matter submitted to a vote of the Company's shareholders, including any vote in connection with the Company's initial business combination, except as required by law, holders of the founder shares and holders of the Company's public shares will vote together as a single class, with each share entitling the holder to one vote. If the company seeks shareholder approval of the Company's initial business combination, the Company will complete the Company's initial business combination only if the Company receive an ordinary resolution under Cayman Islands law, which requires the affirmative vote of a majority of the shareholders who attend and vote at a general meeting of the company. In such case, the Company's sponsor, officers and directors have agreed to vote their founder shares and any public shares purchased during or after the public offering (including in open market and privately-negotiated transactions) in favor of the Company's initial business combination.

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The Class B ordinary shares will automatically convert into Class A ordinary shares on with or immediately following the consummation of the initial Business Combination on a one-for-one basis, subject to adjustment for share sub-divisions, share capitalization, reorganizations, recapitalization and the like and subject to further adjustments as provided in the IPO. The number of Class A ordinary shares issuable upon conversion of all Founder Shares will equal, in the aggregate, on an as-converted basis, 20% of the total number of Class A ordinary shares outstanding after such conversion (after giving effect to any redemptions of Class A ordinary shares by public shareholders), including the total number of Class A ordinary shares issued, or deemed issued or issuable upon conversion or exercise of any equity-linked securities or rights issued or deemed issued, by the Company in connection with or in relation to the consummation of the initial business combination, excluding any Class A ordinary shares or equity-linked securities exercisable for or convertible into Class A ordinary shares issued, or to be issued, to any seller in the initial business combination and any private placement warrants issued to the Company's sponsor, officers or directors upon conversion of working capital loans; provided that such conversion of founder shares will never occur on a less than one-for-one basis.

Note 10 — Subsequent Events

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the unaudited condensed financial statements was issued. Based upon this review, except for the items discussed below, the Company did not identify any subsequent events that would have required adjustment or disclosure in the unaudited condensed financial statements.

Promissory Note

On April 8, 2022, the Company amended its existing unsecured promissory note to the Sponsor, dated as of September 28, 2021 (the "Original Note"), to increase the aggregate principal amount from \$1,000,000 to \$1,500,000 (the "Amended Note"). The proceeds of the Amended Note, which may be drawn down from time to time until the Company consummates its initial business combination, will be used for general working capital purposes. On April 14, 2022, the Company received \$500,000 in relation to the Amended Note, as discussed in Note 5.

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

References in this report (the "Quarterly Report") to "we," "us" or the "Company" refer to Virgin Group Acquisition Corp. II. References to our "management" or our "management team" refer to our officers and directors, and references to the "Sponsor" refer to Virgin Group Acquisition Sponsor II LLC. The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the unaudited condensed financial statements and the notes thereto contained elsewhere in this Quarterly Report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of 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"). We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue," or the negative of such terms or other similar expressions. Such statements include, but are not limited to, possible business combinations and the financing thereof, and related matters, as well as all other statements other than statements of historical fact included in this Form 10-Q. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the "Risk Factors" section of the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the U.S. Securities and Exchange Commission (the "SEC") on February 24, 2022. The Company's securities filings can be accessed on the EDGAR section of the SEC's website at www.sec.gov. Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Overview

We are a blank check company incorporated in the Cayman Islands on January 13, 2021 formed for the purpose of effecting a merger, amalgamation, share exchange, asset acquisition, share purchase, reorganization or other similar Business Combination with one or more businesses. We intend to effectuate an initial Business Combination (the "Business Combination") using cash derived from the proceeds of our initial public offering (the "Initial Public Offering") and the sale of the Private Placement Warrants (as defined in Note 1 to our unaudited condensed financial statements), our shares, debt or a combination of cash, shares and debt.

We expect to continue to incur significant costs in the pursuit of our acquisition plans. We cannot assure you that our plans to complete a Business Combination will be successful.

Recent Developments

Merger Agreement Amendment

On March 31, 2022, VGAC II entered into an Amended and Restated Agreement and Plan of Merger (the "Amended and Restated Merger Agreement"), by and among VGAC II, Treehouse Merger Sub, Inc., a Delaware corporation ("Merger Sub I"), Treehouse Merger Sub II, LLC, a Delaware limited liability company ("Merger Sub II"), and Grove. The Amended and Restated Merger Agreement amends and restates in its entirety the Agreement and Plan of Merger, dated as of December 7, 2021 (the "Original Merger Agreement"), entered into by VGAC II, Merger Sub I and Grove that VGAC II originally announced in its Current Report on Form 8-K filed on December 7, 2021. Except as described below, the terms and provisions of the Amended and Restated Merger Agreement are consistent with the terms and provisions of the Original Merger Agreement.

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The Amended and Restated Merger Agreement and the transactions contemplated thereby were approved by the boards of directors of each of VGAC II and Grove.

The Amended and Restated Merger Agreement provides that, among other things, at least one day following the domestication of VGAC II as a Delaware public benefit corporation (the “Redomestication”), (i) Merger Sub I will merge with and into Grove (the “Initial Merger”), with Grove as the surviving company in the merger and, after giving effect to such merger, continuing as a wholly-owned subsidiary of VGAC II (the “Initial Surviving Corporation”) and (ii) immediately following the Initial Merger, and as part of the same overall transaction as the Initial Merger, the Initial Surviving Corporation will merge with and into Merger Sub II (the “Final Merger” and, together with the Initial Merger, the “Mergers”), and the Mergers, together with the other transactions contemplated by the Amended and Restated Merger Agreement (other than the Redomestication), the “Business Combination”), with Merger Sub II as the surviving company in the merger and, after giving effect to such merger, continuing as a wholly-owned subsidiary of VGAC II.

The Amended and Restated Merger Agreement further provides that, on the terms and subject to the conditions of the Amended and Restated Merger Agreement, each Tranche 1 Share (as defined below) (other than dissenting shares) will be canceled and converted into the right to receive a number of VGAC Class B Common Shares, as determined pursuant to an exchange ratio set forth in the Amended and Restated Merger Agreement (the “Exchange Ratio”). The VGAC Class B Common Shares to be issued in exchange for the Tranche 1 Shares are in addition to the merger consideration payable to the existing equity holders of Grove.

The foregoing description of the Amended and Restated Merger Agreement is subject to and qualified in its entirety by reference to the full text of the Amended and Restated Merger Agreement, a copy of which is included as Exhibit 2.1 hereto, and the terms of which are incorporated by reference.

On January 14, 2022, we filed a Form S-4 with the SEC relating to the proposed Business Combination. Subsequently on March 10, 2022, an amended S-4 was filed.

Backstop Subscription Agreement

Concurrently with the execution of the Amended and Restated Merger Agreement, the Company entered into a subscription agreement (the “Backstop Subscription Agreement”) with Corvina Holdings, Limited, an affiliate of the Sponsor (the “Backstop Investor”) and Grove Collaborative, Inc., a Delaware public benefit corporation (“Grove”).

Pursuant to the Backstop Subscription Agreement, among other things, (i) the Backstop Investor agreed to subscribe for and purchase, and Grove agreed to issue and sell to the Backstop Investor, on the date of the Backstop Subscription Agreement, a number of shares of Grove’s common stock equal to the quotient of \$27,500,000 and \$11.70, for an aggregate purchase price of \$27,500,000 (the “Tranche 1 Shares”) and (ii) the Backstop Investor has agreed to subscribe for and purchase, on the closing date of the Business Combination, certain VGAC Class A Common Shares at a purchase price of \$10.00 per share (the “Tranche 2 Shares”), for aggregate gross proceeds in an amount equal to (x) \$22,500,000 minus (y) the amount of cash available, as of immediately prior to the closing of the Business Combination, to be released from the Trust Account (as defined in Note 1 to our unaudited condensed financial statements) (after giving effect to all payments to be made as a result of the exercise of all Redemption Rights) (the “Available Cash”).

The purchase price per share for the Tranche 1 Shares was based on an estimate of the Exchange Ratio, and each of the Backstop Investor and Grove have agreed to adjust the number of Tranche 1 Shares held by the Backstop Investor immediately prior to the closing of the Business Combination to reflect the final Exchange Ratio calculated pursuant to the terms of the Amended and Restated Merger Agreement such that at the closing of the Business Combination the Tranche 1 Shares will convert into VGAC Class B Common Shares (which will immediately be exchanged for VGAC Class A Common Shares) at a ratio that reflects a purchase price of \$10.00 for each VGAC Class B Common Share. In addition, immediately prior to the closing of the Business Combination, to the extent the Available Cash exceeds \$22,500,000, the Backstop Investor shall have the right to redeem all or a portion of the Tranche 1 Shares in cash for a purchase price per share equal to (x) the final Exchange Ratio calculated pursuant to the terms of the Amended and Restated Merger Agreement multiplied by (y) \$10.00.

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In addition, if the volume weighted average price of VGAC Class A Common Shares is less than \$10.00 during the 10 trading days commencing on the first trading day after the Company's first quarterly earnings call for a fiscal quarter that ends following the closing of the Business Combination (the "Measurement Period VWAP"), then the Backstop Investor shall be entitled to receive a number of additional VGAC Class A Common Shares equal to the lesser of (i) the product of (x) the sum of (1) the shares of common stock of VGAC II issued to the Investor at the closing of the Business Combination pursuant to the Amended and Restated Merger Agreement (as defined below) as consideration for the Tranche 1 Shares and (2) the Tranche 2 Shares (collectively, the "Post-Combination VGAC Shares") multiplied by (y) a fraction, (A) the numerator of which is \$10.00 (as adjusted for any stock split, reverse stock split or similar adjustment following the closing of the Business Combination) minus the Measurement Period VWAP and (B) the denominator of which is the Measurement Period VWAP and (ii) the number of Post-Combination VGAC Shares outstanding as of immediately following the closing of the Business Combination.

Immediately following the closing of the Business Combination, the Company shall issue to the Backstop Investor a number of warrants to purchase VGAC Class A Common Shares (each warrant exercisable to purchase one VGAC Class A Common Share for \$0.01). Such warrants will be exercisable by the Backstop Investor at any time for a period of five years from the date of issuance and otherwise be on terms customary for warrants of such nature.

In the event that the Amended and Restated Merger Agreement is terminated, then (a) upon such termination, Grove shall issue to the Backstop Investor certain warrants that are exercisable for shares of Grove's common stock, (b) the Tranche 1 Shares will automatically convert, in certain circumstances, into Grove's preferred stock and (c) Grove will be subject to certain repurchase obligations with respect to the Tranche 1 Shares, in each case, as set forth in the Backstop Subscription Agreement.

In connection with the foregoing, Grove has agreed to waive the available cash condition, effective upon (a) the payment of the purchase price for the Tranche 1 Shares by the Backstop Investor and (b) if the conditions to the Backstop Investor's obligation to purchase the Tranche 2 Shares under the Backstop Subscription Agreement are satisfied, the payment of the purchase price of the Tranche 2 Shares.

Sponsor Agreement Amendment

Concurrently with the execution of the Amended and Restated Merger Agreement, the Company, VG Acquisition Sponsor II LLC (the "Sponsor"), Grove and certain other persons party thereto entered into an Amendment to Sponsor Letter Agreement (the "Sponsor Agreement Amendment") that amends the Support Agreement, dated as of December 7, 2021 (the "Sponsor Agreement") to reflect that the shares of common stock of the Company held by the Sponsor would not be subject to any earn-out provisions. Except as expressly modified pursuant to the Sponsor Agreement Amendment, the Sponsor Agreement remains in full force and effect as originally executed on December 7, 2021.

Voting and Support Agreements

Concurrently with the execution of the Amended and Restated Merger Agreement, certain stockholders of Grove (the "Voting Stockholders") entered into a First Amendment to Support Agreement (the "Support Agreement Amendment") with the Company and Grove. The Support Agreement Amendment amends the Support Agreement, dated as of December 7, 2021 (the "Support Agreement") to provide, among other things, that the Voting Stockholders agree to vote in favor of the Amended and Restated Merger Agreement and the transactions contemplated thereby. Except as expressly modified pursuant to the Support Agreement Amendment, the Support Agreement remains in full force and effect as originally executed on December 7, 2021.

Results of Operations

We have neither engaged in any operations nor generated any operating revenues to date. Our only activities from inception through March 31, 2022 were organizational activities and those necessary to prepare for the Initial Public Offering, described below, and our search for a Business Combination. We do not expect to generate any operating revenues until after the completion of our initial Business Combination. We expect to generate non-operating income in the form of interest income on investments held after the Initial Public Offering. We expect that we will incur increased expenses as a result of being a public company (for legal, financial reporting, accounting and auditing compliance), as well as for due diligence expenses in connection with searching for, and completing, a Business Combination.

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For the three months ended March 31, 2022, we had net loss of \$23,552,197, which consisted of interest income of \$35,883 and change in fair value of warrant liabilities amounting to 7,654,280, offset by formation and operating costs of \$1,008,046 and loss on backstop derivative liability of \$30,234,314. We are required to revalue our liability-classified warrants at the end of each reporting period and reflect in the statements of operations a gain or loss from the change in fair value of the warrant liability in the period in which the change occurred.

For the three months ended March 31, 2021, we had net loss of \$732,339 which consisted of interest income of \$1,444, offset by offering cost allocated to warrants amounting to \$497,634, change in fair value of warrant liabilities amounting to \$208,793 formation and operating costs of \$27,356.

Liquidity and Capital Resources

On March 25, 2021, we consummated the Initial Public Offering of 35,000,000 Units, at a price of \$10.00 per Unit, generating gross proceeds of \$350,000,000. Simultaneously with the closing of the Initial Public Offering, we consummated the sale of 6,000,000 Private Placement Warrants to the Sponsor at a price of \$1.50 per Private Placement Warrant generating gross proceeds of \$9,000,000.

On April 13, 2021, in connection with the underwriter's election to fully exercise its over-allotment option, we consummated the sale of an additional 5,250,000 Units and the sale of an additional 700,000 Private Placement Warrants, generating total gross proceeds of \$53,550,000.

Following the Initial Public Offering, the sale of the Private Placement Warrants and the underwriter's election to fully exercise its over-allotment option, a total of \$402,500,000 was placed in the Trust Account, and we had \$166,264 of cash held outside of the Trust Account, after payment of costs related to the Initial Public Offering, and available for working capital purposes. We incurred \$22,733,025 in transaction costs, including \$8,050,000 of underwriting fees, \$14,087,500 of deferred underwriting fees and \$595,525 of other offering costs.

For the three months ended March 31, 2022, net cash used in operating activities was \$427,410.

At March 31, 2022, we had \$79,823 in our operating bank account and a working capital deficit of \$3,151,365.

At March 31, 2022, we had cash and investments held in the Trust Account of \$402,566,409 and interest income amounting to \$35,883. We intend to use substantially all of the funds held in the Trust Account, including any amounts representing interest earned on the Trust Account, which interest shall be net of taxes payable and excluding deferred underwriting commissions, to complete our Business Combination. We may withdraw interest from the Trust Account to pay taxes, if any. To the extent that our share capital or debt is used, in whole or in part, as consideration to complete a Business Combination, the remaining proceeds held in the Trust Account will be used as working capital to finance the operations of the target business or businesses, make other acquisitions and pursue our growth strategies.

At March, 31 2022, we had cash of \$79,823 held outside of the Trust Account. We intend to use the funds held outside the Trust Account primarily to identify and evaluate target businesses, perform business due diligence on prospective target businesses, travel to and from the offices, plants or similar locations of prospective target businesses or their representatives or owners, review corporate documents and material agreements of prospective target businesses, structure, negotiate and complete a Business Combination.

In order to fund working capital deficiencies or finance transaction costs in connection with a Business Combination, our Sponsor or an affiliate of our Sponsor or certain of our officers and directors may, but are not obligated to, loan us funds as may be required. If we complete a Business Combination, we may repay such loaned amounts out of the proceeds of the Trust Account released to us. In the event that a Business Combination does not close, we may use a portion of the working capital held outside the Trust Account to repay such loaned amounts, but no proceeds from our Trust Account would be used for such repayment. Up to \$1,500,000 of such loans may be convertible into warrants, at a price of \$1.50 per warrant, at the option of the lender. The warrants would be identical to the Private Placement Warrants. As of March 31, 2022, we had \$1,000,000 of outstanding borrowings under such loans.

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We do not believe we will need to raise additional funds in order to meet the expenditures required for operating our business. However, if our estimate of the costs of identifying a target business, undertaking in-depth due diligence and negotiating a Business Combination are less than the actual amount necessary to do so, we may have insufficient funds available to operate our business prior to our initial Business Combination. Moreover, we may need to obtain additional financing either to complete our Business Combination or because we become obligated to redeem a significant number of our public shares upon completion of our Business Combination, in which case we may issue additional securities or incur debt in connection with such Business Combination.

Going Concern

In connection with the Company's assessment of going concern considerations in accordance with Financial Accounting Standard Board's Accounting Standards Update ("ASU") 2014-15, "Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern," the Company has until March 25, 2023, to consummate a Business Combination. It is uncertain that the Company will be able to consummate a Business Combination by this time. Additionally, the Company may not have sufficient liquidity to fund the working capital needs of the Company until one year from the issuance of these financial statements. If a Business Combination is not consummated by this date, there will be a mandatory liquidation and subsequent dissolution of the Company. Management has determined that the mandatory liquidation, should a Business Combination not occur, and potential subsequent dissolution, raises substantial doubt about the Company's ability to continue as a going concern. No adjustments have been made to the carrying amounts of assets or liabilities should the Company be required to liquidate after March 25, 2023. The Company intends to complete a Business Combination before the mandatory liquidation date.

Off-Balance Sheet Financing Arrangements

We have no obligations, assets or liabilities, which would be considered off-balance sheet arrangements as of March 31, 2022. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. We have not entered into any off-balance sheet financing arrangements, established any special purpose entities, guaranteed any debt or commitments of other entities, or purchased any non-financial assets.

Contractual Obligations

We do not have any long-term debt, capital lease obligations, operating lease obligations or long-term liabilities, other than an agreement to pay the Sponsor a monthly fee of \$10,000 for office space, utilities, secretarial and administrative support services, provided to us. We began incurring these fees on October 1, 2020 and will continue to incur these fees monthly until the earlier of the completion of a Business Combination and the Company's liquidation.

The underwriter is entitled to a deferred fee of \$0.35 per Unit, or \$14,087,500 in the aggregate. The deferred fee will become payable to the underwriter from the amounts held in the Trust Account solely in the event that we complete a Business Combination, subject to the terms of the underwriting agreement.

Recently Adopted Accounting Standards

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 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) ("ASU 2020-06") to simplify accounting for certain financial instruments. ASU 2020-06 eliminates the current models that require separation of beneficial conversion and cash conversion features from convertible instruments and simplifies the derivative scope exception guidance pertaining to equity classification of contracts in an entity's own equity. The new standard also introduces additional disclosures for convertible debt and freestanding instruments that are indexed to and settled in an entity's own equity. ASU 2020-06 amends the diluted earnings per share guidance, including the requirement to use the if-converted method for all convertible instruments. ASU 2020-06 is effective January 1, 2024 and should be applied on a full or modified retrospective basis, with early adoption permitted beginning on April 13, 2021. The Company is currently assessing the impact, if any, that ASU 2020-06 would have on its financial position, results of operations or cash flows.

Management does not believe that any other recently issued, but not effective, accounting pronouncements, if currently adopted, would have a material effect on the Company's unaudited condensed financial statements.

Critical Accounting Policies

The preparation of unaudited condensed financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the unaudited condensed financial statements, and income and expenses during the periods reported. Actual results could materially differ from those estimates. There have been no significant changes in our critical accounting policies as discussed in our Annual Report on Form 10-K for the year ended December 31 2021, filed by us with the SEC on February 24, 2022.

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Class A Ordinary Shares Subject to Possible Redemption

We account for our Class A ordinary shares subject to possible redemption in accordance with the guidance in Accounting Standards Codification (“ASC”) Topic 480 “Distinguishing Liabilities from Equity.” Class A ordinary shares subject to mandatory redemption is classified as a liability instrument and is measured at fair value. Conditionally redeemable ordinary shares (including ordinary shares that features redemption rights that is either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within our control) is classified as temporary equity. At all other times, ordinary shares are classified as shareholders’ equity. Our Class A ordinary shares feature certain redemption rights that are considered to be outside of our control and subject to occurrence of uncertain future events. Accordingly, Class A ordinary shares subject to possible redemption is presented as temporary equity, outside of the shareholders’ deficit section of our condensed balance sheets.

Net Loss per Ordinary Share

We have two classes of shares, which are referred to as Class A ordinary shares and Class B ordinary shares. Earnings and losses are shared pro rata between the two classes of shares. The 14,750,000 potential ordinary shares and 13,000,000 potential ordinary shares for outstanding warrants to purchase our shares were excluded from diluted earnings per share for the three months ended March 31, 2022 and March 31, 2021, respectively because the warrants are contingently exercisable, and the contingencies have not yet been met. As a result, diluted loss per ordinary share is the same as basic net loss per ordinary share for the period.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this Report, is recorded, processed, summarized, and reported within the time period specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. Our management evaluated, with the participation of our current chief executive officer and chief financial officer (our "Certifying Officers"), the effectiveness of our disclosure controls and procedures as of March 31, 2022, pursuant to Rule 13a-15(b) under the Exchange Act. Due to a material weakness in our internal control over financial reporting related to the Company's accounting and reporting of complex financial instruments, including application of ASC 480-10-S99-3A to its accounting classification of public shares, the Certifying Officers concluded that our disclosure controls and procedures were not effective as of March 31, 2022.

We do not expect that our disclosure controls and procedures will prevent all errors and all instances of fraud. Disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Further, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and the benefits must be considered relative to their costs. Because of the inherent limitations in all disclosure controls and procedures, no evaluation of disclosure controls and procedures can provide absolute assurance that we have detected all our control deficiencies and instances of fraud, if any. The design of disclosure controls and procedures also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Management's Report on Internal Controls Over Financial Reporting

This Quarterly Report on Form 10-Q does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our independent registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

Changes in Internal Control over Financial Reporting

We have commenced our remediation efforts in connection with the identification of the material weakness surrounding internal controls over financial reporting for complex financial instruments discussed above and have taken the following steps subsequent to the quarter ended September 30, 2021, when the material weakness was first identified:

- We have implemented procedures intended to ensure that we identify and apply the applicable accounting guidance to all complex transactions.
- We are establishing additional monitoring and oversight controls designed to ensure the accuracy and completeness of our consolidated financial statements and related disclosures.

Other than the above, 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) of the Exchange Act) during the most recent fiscal quarter 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.

None.

Item 1A. Risk Factors.

Factors that could cause our actual results to differ materially from those in this Quarterly Report include any of the risks described below as well as those described in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 24, 2022. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

We have identified a material weakness in our internal control over financial reporting as of March 31, 2022. If we are unable to develop and maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in us and materially and adversely affect our business and operating results.

As first reported in our Quarterly Report on Form 10-Q/A filed on December 7, 2021 (File No. 001-40263), we have identified a material weakness in our internal control over financial reporting related to the Company's accounting and reporting of complex financial instruments, including application of ASC 480-10- S99-3A to its accounting classification of public shares. As a result of this material weakness, our management has concluded that our disclosure controls and procedures were not effective as of March 31, 2022. We have taken a number of measures to remediate the material weaknesses described herein. However, if we are unable to remediate our material weaknesses in a timely manner or we identify additional material weaknesses, we may be unable to provide required financial information in a timely and reliable manner and we may incorrectly report financial information. Likewise, if our financial statements are not filed on a timely basis, we could be subject to sanctions or investigations by the stock exchange on which our ordinary shares are listed, the SEC or other regulatory authorities. The existence of material weaknesses in internal control over financial reporting could adversely affect our reputation or investor perceptions of us, which could have a negative effect on the trading price of our shares. We can give no assurance that the measures we have taken and plan to take in the future will remediate the material weakness identified or that any additional material weaknesses or restatements of financial results will not arise in the future due to a failure to implement and maintain adequate internal control over financial reporting or circumvention of these controls. Even if we are successful in strengthening our controls and procedures, in the future those controls and procedures may not be adequate to prevent or identify irregularities or errors or to facilitate the fair presentation of our financial statements.

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 annual or interim financial statements will not be prevented, or detected and corrected on a timely basis.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. We continue to evaluate steps to remediate the material weakness. These remediation measures may be time consuming and costly and there is no assurance that these initiatives will ultimately have the intended effects.

If we identify any new material weaknesses in the future, any such newly identified material weakness could limit our ability to prevent or detect a misstatement of our accounts or disclosures that could result in a material misstatement of our annual or interim financial statements. In such case, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, investors may lose confidence in our financial reporting and our stock price may decline as a result. We cannot assure you that any measures we may take in the future, will be sufficient to avoid potential future material weaknesses.

Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect our business, including our ability to negotiate and complete our Business Combination and results of operations.

We are subject to laws and regulations enacted by national, regional and local governments. In particular, we are required to comply with certain SEC and other legal requirements. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application may also change from time to time and those changes could have a material adverse effect on the business, investments and results of our operations. In addition, a failure to comply with applicable laws or regulations, as interpreted and applied, could have a material adverse effect on our business, including our ability to negotiate and complete our Business Combination and results of operations.

On March 30, 2022, the SEC issued proposed rules (the "2022 Proposed Rules") relating to, among other items, enhancing disclosures in business combination transactions involving SPACs and private operating companies; amending the financial statement requirements applicable to transactions involving shell companies; effectively limiting the use of projections in SEC filings in connection with proposed business combination transactions; increasing the potential liability of certain participants in proposed business combination transactions; and the extent to which SPACs could become subject to regulation under the Investment Company Act of 1940. These 2022 Proposed Rules, if adopted, whether in the form proposed or in revised form, and certain positions and legal conclusions expressed by the SEC in connection with the 2022 Proposed Rules may materially adversely affect our ability to negotiate and complete our Business Combination and may increase the costs and time related thereto.

Our search for a Business Combination, and any target business with which we may ultimately consummate a Business Combination, may be materially adversely affected by the geopolitical conditions resulting from the recent invasion of Ukraine by Russia and subsequent sanctions against Russia, Belarus and related individuals and entities and the status of debt and equity markets, as well as protectionist legislation in our target markets.

United States and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the recent invasion of Ukraine by Russia in February 2022. In response to such invasion, the North Atlantic Treaty Organization (“NATO”) deployed additional military forces to eastern Europe, and the United States, the United Kingdom, the European Union and other countries have announced various sanctions and restrictive actions against Russia, Belarus and related individuals and entities, including the removal of certain financial institutions from the Society for Worldwide Interbank Financial Telecommunication (“SWIFT”) payment system. Certain countries, including the United States, have also provided and may continue to provide military aid or other assistance to Ukraine during the ongoing military conflict, increasing geopolitical tensions with Russia. The invasion of Ukraine by Russia and the resulting measures that have been taken, and could be taken in the future, by NATO, the United States, the United Kingdom, the European Union and other countries have created global security concerns that could have a lasting impact on regional and global economies. Although the length and impact of the ongoing military conflict in Ukraine is highly unpredictable, the conflict could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions. Additionally, Russian military actions and the resulting sanctions could adversely affect the global economy and financial markets and lead to instability and lack of liquidity in capital markets.

Any of the abovementioned factors, or any other negative impact on the global economy, capital markets or other geopolitical conditions resulting from the Russian invasion of Ukraine and subsequent sanctions, could adversely affect our search for a Business Combination and any target business with which we may ultimately consummate a Business Combination. The extent and duration of the Russian invasion of Ukraine, resulting sanctions and any related market disruptions are impossible to predict, but could be substantial, particularly if current or new sanctions continue for an extended period of time or if geopolitical tensions result in expanded military operations on a global scale. Any such disruptions may also have the effect of heightening many of the other risks described in the “Risk Factors” section of our Annual Report on Form 10-K. If these disruptions or other matters of global concern continue for an extensive period of time, our ability to consummate a Business Combination, or the operations of a target business with which we may ultimately consummate a Business Combination, may be materially adversely affected.

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In addition, the recent invasion of Ukraine by Russia, and the impact of sanctions against Russia and the potential for retaliatory acts from Russia, could result in increased cyber-attacks against U.S. companies.

Cyber incidents or attacks directed at us could result in information theft, data corruption, operational disruption and/or financial loss.

We depend on digital technologies, including information systems, infrastructure and cloud applications and services, including those of third parties with which we may deal. Sophisticated and deliberate attacks on, or security breaches in, our systems or infrastructure, or the systems or infrastructure of third parties or the cloud, could lead to corruption or misappropriation of our assets, proprietary information and sensitive or confidential data. Due to the political uncertainty involving Russia and Ukraine, there is an increased likelihood that escalation of tensions could result in cyber-attacks or cybersecurity incidents that could either directly or indirectly impact our operations. As an early stage company without significant investments in data security protection, we may not be sufficiently protected against such occurrences. We may not have sufficient resources to adequately protect against, or to investigate and remediate any vulnerability to, cyber incidents. It is possible that any of these occurrences, or a combination of them, could have adverse consequences on our business and lead to financial loss.

If we effect our initial business combination with a company located outside of the United States, we would be subject to a variety of additional risks that may adversely affect us.

If we pursue a target company with operations or opportunities outside of the United States for our initial business combination, we may face additional burdens in connection with investigating, agreeing to and completing such initial business combination, and if we effect such initial business combination, we would be subject to a variety of additional risks that may negatively impact our operations.

If we pursue a target a company with operations or opportunities outside of the United States for our initial business combination, we would be subject to risks associated with cross-border business combinations, including in connection with investigating, agreeing to and completing our initial business combination, conducting due diligence in a foreign jurisdiction, having such transaction approved by any local governments, regulators or agencies and changes in the purchase price based on fluctuations in foreign exchange rates.

If we effect our initial business combination with such a company, we would be subject to any special considerations or risks associated with companies operating in an international setting, including any of the following:

- costs and difficulties inherent in managing cross-border business operations;
- rules and regulations regarding currency redemption;
- complex corporate withholding taxes on individuals;
- laws governing the manner in which future business combinations may be effected;
- exchange listing and/or delisting requirements;
- tariffs and trade barriers;
- regulations related to customs and import/export matters;
- local or regional economic policies and market conditions;
- unexpected changes in regulatory requirements;
- challenges in managing and staffing international operations;
- longer payment cycles;
- tax issues, such as tax law changes and variations in tax laws as compared to the United States;
- currency fluctuations and exchange controls;

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- rates of inflation;
- challenges in collecting accounts receivable;
- cultural and language differences;
- employment regulations;
- underdeveloped or unpredictable legal or regulatory systems;
- corruption;
- protection of intellectual property;
- social unrest, crime, strikes, riots and civil disturbances;
- regime changes and political upheaval;
- terrorist attacks and wars, including the conflict involving Russia and Ukraine and resulting economic sanctions; and
- deterioration of political relations with the United States.

We may not be able to adequately address these additional risks. If we were unable to do so, we may be unable to complete such initial business combination, or, if we complete such initial business combination, our operations might suffer, either of which may adversely impact our business, financial condition and results of operations.

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

None

Item 3. Defaults upon Senior Securities.

None.

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Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
10.1	Amendment dated April 8, 2022, to Promissory Note dated September 28, 2021, issued by Virgin Group Acquisition Corp. II to Virgin Group Acquisition Sponsor II LLC (incorporated by reference to Exhibit 10.2 to Virgin Group Acquisition Corp. II's Current Report on Form 8-K filed on April 14, 2022).
31.1*	Certification of Chief Executive Officer (Principal Executive Officer) Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer (Principal Financial and Accounting Officer) Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer (Principal Executive Officer) Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer (Principal Financial and Accounting Officer) Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith.

** These certifications are furnished to the SEC pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

SIGNATURE

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

By: /s/ Evan Lovell
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: May 16, 2022

CERTIFICATION
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Josh Bayliss, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 of Virgin Group Acquisition Corp. II;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313];
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 16, 2022

By: /s/ Josh Bayliss
Name: Josh Bayliss
Title: Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Evan Lovell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 of Virgin Group Acquisition Corp. II;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313];
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 16, 2022

By: /s/ Evan Lovell

Name: Evan Lovell

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report of Virgin Group Acquisition Corp. II (the “Company”) on Form10-Q for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Josh Bayliss, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: May 16, 2022

By: /s/ Josh Bayliss
Name: Josh Bayliss
Title: Chief Executive Officer (Principal Executive Officer)

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

In connection with the Quarterly Report of Virgin Group Acquisition Corp. II (the "Company") on Form10-Q for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Evan Lovell, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: May 16, 2022

By: /s/ Evan Lovell
Name: Evan Lovell
Title: Chief Financial Officer (Principal Financial and Accounting Officer)