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, 2023

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

Grove Collaborative Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**88-2840659**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1301 Sansome Street
San Francisco, California 94111
Tel.: (800) 231-8527
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Not Applicable
(Former name or former address, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.0001	**GROV**	**New York Stock Exchange**
Redeemable warrants, each whole warrant exercisable for one share of Class A common stock at an exercise price of $11.50 per share	**GROV.WS**	**New York Stock Exchange**

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 and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

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

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

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

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

The registrant had outstanding 128,876,248 shares of Class A common stock and 49,874,913 shares of Class B common stock as of May 5, 2023.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q (this "Form 10-Q”), including, without limitation, statements under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations," 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"). Generally, statements that are not historical facts, including statements concerning Grove Collaborative Holdings, Inc. (the “Company,” “we,” “us,” or “our”) possible or assumed future actions, business strategies, events, or results of operations, are forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the words "believes," "estimates," "anticipates," "expects," "intends," "plans," "may," "will," "potential," "projects," "predicts," "continue," or "should," or, in each case, their negative or other variations or comparable terminology. There can be no assurance that actual results will not materially differ from expectations.

The forward-looking statements contained in this Form 10-Q are based on our current expectations and beliefs concerning future developments and their potential effects on us. Future developments affecting us may not be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) and other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, without limitation, those factors described under Part II, Item 1A: "Risk Factors." Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required under applicable securities laws. These risks and others described under Part II, Item 1A: "Risk Factors" may not be exhaustive.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and developments in the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Form 10-Q. In addition, even if our results or operations, financial condition and liquidity, and developments in the industry in which we operate are consistent with the forward-looking statements contained in this Form 10-Q, those results or developments may not be indicative of results or developments in subsequent periods.

Part I - Financial Information

Item 1. Financial Statement

Grove Collaborative Holdings, Inc.

Condensed Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	March 31, 2023	December 31, 2022
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 81,653	$ 81,084
Restricted cash	5,850	11,950
Inventory, net	40,930	44,132
Prepaid expenses and other current assets	5,806	4,844
Total current assets	134,239	142,010
Restricted cash	2,951	2,951
Property and equipment, net	13,852	14,530
Operating lease right-of-use assets	11,721	12,362
Other long-term assets	2,817	2,192
Total assets	$ 165,580	$ 174,045
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 12,293	$ 10,712
Accrued expenses	13,967	31,354
Deferred revenue	9,152	10,878
Operating lease liabilities, current	3,762	3,705
Other current liabilities	565	249
Debt, current	340	575
Total current liabilities	40,079	57,473
Debt, noncurrent	69,049	60,620
Operating lease liabilities, noncurrent	15,233	16,192
Derivative liabilities	13,519	13,227
Total liabilities	137,880	147,512
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, $0.0001 par value - 100,000,000 shares authorized at March 31, 2023 and December 31, 2022;no shares outstanding at March 31, 2023 and December 31, 2022	—	—
Common stock - $0.0001 par value – 600,000,000 Class A shares authorized at March 31, 2023 and December 31, 2022; 128,870,368 and 125,617,015 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively; 200,000,000 Class B shares authorized at March 31, 2023 and December 31, 2022;49,874,913 and 52,240,311 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	18	18
Additional paid-in capital	618,609	604,373
Accumulated deficit	(590,927)	(577,858)
Total stockholders' equity	27,700	26,533
Total liabilities and stockholders' equity	$ 165,580	$ 174,045

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

Grove Collaborative Holdings, Inc.

Condensed Consolidated Statements of Operations

(Unaudited)

(In thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2023	**2022**
Revenue, net	$ 71,565	$ 90,479
Cost of goods sold	34,310	47,742
Gross profit	37,255	42,737
Operating expenses:		
Advertising	8,673	32,793
Product development	4,216	6,240
Selling, general and administrative	38,021	50,970
Operating loss	(13,655)	(47,266)
Interest expense	3,729	2,087
Change in fair value of Additional Shares liability	223	—
Change in fair value of Earn-Out liability	143	—
Change in fair value of Public and Private Placement Warrants liability	(674)	—
Change in fair value of Structural Derivative liability	600	—
Other income, net	(4,617)	(1,992)
Interest and other expense (income), net	(596)	95
Loss before provision for income taxes	(13,059)	(47,361)
Provision for income taxes	10	23
Net loss	$ (13,069)	$ (47,384)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.08)	$ (5.05)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	168,739,298	9,387,142

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

Grove Collaborative Holdings, Inc.

Condensed Consolidated Statements of Convertible Preferred Stock, Contingently Redeemable Convertible Common Stock and Stockholders' Equity (Deficit)

(Unaudited)

(In thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balances at December 31, 2022	177,857	$ 18	$ 604,373	$ (577,858)	$ 26,533
Issuance of common stock upon exercise of stock options	179	—	68	—	68
Cancellation of Earn-Out Shares	(986)	—	—	—	—
Issuance of common stock upon settlement of restricted stock units, net of tax withholdings	1,695	—	(356)	—	(356)
Reduction in transaction costs	—	—	9,609	—	9,609
Stock-based compensation	—	—	4,915	—	4,915
Net loss	—	—	—	(13,069)	(13,069)
Balances at March 31, 2023 (unaudited)	178,745	$ 18	$ 618,609	$ (590,927)	$ 27,700

	Convertible Preferred Stock [1]		Contingently Redeemable Convertible Common Stock [1]		Common Stock [1]		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances at December 31, 2021	114,795	$ 487,918	—	$ —	9,368	$ 1	$ 33,863	$ (490,143)	$ (456,279)
Issuance of common stock upon exercise of stock options	—	—	—	—	87	—	171	—	171
Issuance of convertible common stock	—	—	2,750	27,473	—	—	—	—	—
Vesting of early exercise of options	—	—	—	—	—	—	125	—	125
Stock-based compensation	—	—	—	—	—	—	4,501	—	4,501
Net loss	—	—	—	—	—	—	—	(47,384)	(47,384)
Balances at March 31, 2022 (unaudited)	114,795	$ 487,918	2,750	$ 27,473	9,455	$ 1	$ 38,660	$ (537,527)	$ (498,866)

[1] The shares of the Company's common and convertible preferred stock prior to the Closing of the Business Combination (as defined in Note 1) have been retroactively restated to reflect the exchange ratio of approximately 1.1760 established in the Merger Agreement

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

Grove Collaborative Holdings, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Three Months Ended March 31,	
	2023	**2022**
Cash Flows from Operating Activities		
Net loss	$ (13,069)	$ (47,384)
Adjustments to reconcile net loss to net cash used in operating activities:		
Remeasurement of convertible preferred stock warrant liability	—	(1,886)
Stock-based compensation	4,893	4,460
Depreciation and amortization	1,448	1,410
Changes in fair value of derivative liabilities	292	—
Reduction in transaction costs allocated to derivative liabilities upon Business Combination	(3,745)	—
Non-cash interest expense	948	195
Inventory reserve	124	856
Other non-cash expenses	77	8
Changes in operating assets and liabilities:		
Inventory	3,078	3,038
Prepaids and other assets	(828)	(3,312)
Accounts payable	1,554	10,287
Accrued expenses	162	2,917
Deferred revenue	(1,726)	159
Operating lease right-of-use assets and liabilities	(261)	(22)
Other liabilities	316	(229)
Net cash used in operating activities	(6,737)	(29,503)
Cash Flows from Investing Activities		
Purchase of property and equipment	(784)	(1,352)
Net cash used in investing activities	(784)	(1,352)
Cash Flows from Financing Activities		
Proceeds from issuance of contingently redeemable convertible common stock	—	27,500
Payment of transaction costs related to the Business Combination	(4,150)	(489)
Proceeds from issuance of debt	7,500	—
Payment of debt issuance costs	(837)	—
Repayment of debt	(235)	(275)
Proceeds from exercise of stock options and settlement of restricted stock units, net of withholding taxes paid related to common stock issued to employees	(288)	171
Net cash provided by financing activities	1,990	26,907
Net decrease in cash, cash equivalents and restricted cash	(5,531)	(3,948)
Cash, cash equivalents and restricted cash at beginning of period	95,985	78,376
Cash, cash equivalents and restricted cash at end of period	$ 90,454	$ 74,428

Grove Collaborative Holdings, Inc.

Condensed Consolidated Statements of Cash Flows - Continued

(Unaudited)

(In thousands)

Supplemental Disclosure		
Cash paid for taxes	$ 9	$ 21
Cash paid for interest	2,734	1,461
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Purchase of property and equipment in accounts payable and accrued liabilities	$ 113	$ 286
Reduction in transaction costs allocated to equity instruments	9,609	—
Transaction and contingently redeemable convertible common stock issuance costs in accounts payable and accrued liabilities	—	2,582
Vesting of early exercised stock options	—	125

Reconciliation of cash, cash equivalents, and restricted cash:

	March 31,	
	2023	2022
Cash and cash equivalents	$ 81,653	$ 74,428
Restricted cash	8,801	—
Total cash, cash equivalents and restricted cash	$ 90,454	$ 74,428

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

Grove Collaborative Holdings, Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Description of Business

Grove Collaborative Holdings, Inc., a public benefit corporation, (formerly known as Virgin Group Acquisition Corp. II, or “VGAC II”) and its wholly owned subsidiaries (collectively, the “Company” or “Grove”) is a digital-first, sustainability-oriented consumer products innovator specializing in the development and sale of household, personal care, beauty and other consumer products with an environmental focus and headquartered in San Francisco, California. In the United States, the Company sells its products through two channels: a direct-to-consumer (“DTC”) platform at www.grove.co and the Company’s mobile applications, where the Company sells products from Grove-owned brands (“Grove Brands”) and third-parties, and the retail channel into which the Company sell products from Grove-owned brands at wholesale. The Company develops and sells natural products that are free from the harmful chemicals identified in the Company’s “anti-ingredient” list and designs form factors and product packaging that reduces plastic waste and improves the environmental impact of the categories in which the Company operates. The Company also purchases environmental offsets that have made it the first plastic neutral retailer in the world. Grove Collaborative, Inc. (herein referred to as “Legacy Grove”), the Company’s accounting predecessor, was incorporated in Delaware in 2016.

On June 16, 2022 (the “Closing Date”), the Company consummated the previously-announced transactions contemplated by the Agreement and Plan of Merger, dated December 7, 2021, amended and restated on March 31, 2022 (the “Merger Agreement”), among Virgin Group Acquisition Corp. II, a blank check company incorporated as a Cayman Islands exempt company in 2020 (“VGAC II”), Treehouse Merger Sub, Inc. (“VGAC II Merger Sub I”), Treehouse Merger Sub II, LLC (“VGAC II Merger Sub II”), and Legacy Grove (“the Merger”). In connection with the Merger, VGAC II changed its jurisdiction of incorporation from the Cayman Islands to the State of Delaware and changed its name to Grove Collaborative Holdings, Inc (the “Domestication”), a public benefit corporation. On the Closing Date, VGAC Merger Sub II merged with and into Legacy Grove with Legacy Grove being the surviving corporation and a wholly-owned subsidiary of the Company (the “Initial Merger”), and, immediately following the Initial Merger, and as part of the same overall transaction as the Initial Merger, Legacy Grove merged with and into VGAC Merger Sub II, the separate corporate existence of Legacy Grove ceased, and Merger Sub II continued as the surviving company and a wholly-owned subsidiary of the Company and changed its name to Grove Collaborative, Inc.(together with the Merger and the Domestication, the “Business Combination”).

The Business Combination is accounted for as a reverse recapitalization with Legacy Grove being the accounting acquirer and VGAC II as the acquired company for accounting purposes. Accordingly, all historical financial information presented in the unaudited condensed consolidated financial statements represents the accounts of Legacy Grove. The shares and net loss per common share prior to the Closing have been retroactively restated as shares reflecting the exchange ratio established in the Closing.

Prior to the Business Combination, VGAC II’s public shares, and public warrants were listed on the New York Stock Exchange (“NYSE”) under the symbols “VGII” and “VGII.WS,” respectively. On June 17, 2022, the Company's Class A common stock and public warrants began trading on (“NYSE”), under the symbols “GROV” and “GROV.WS,” respectively. See Note 7, *Common Stock and Warrants* for additional details.

2. Summary of Significant Accounting Policies

Basis of Presentation and Liquidity

The Company’s unaudited condensed consolidated financial statements (the “condensed consolidated financial statements”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of the Company and its wholly owned subsidiary in which it holds controlling financial interest. All intercompany accounts and transactions have been eliminated in consolidation.

These condensed consolidated financial statements have been prepared in accordance with GAAP applicable to interim financial statements. These financial statements are presented in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) and do not include all disclosures normally required in annual consolidated financial statements prepared in accordance with GAAP. As such, the information included herein should be read in conjunction with the Company’s financial statements and accompanying notes as of and for the year ended

December 31, 2022 (the "audited financial statements") that were included in the Company's Form 10-K filed with the SEC on March 16, 2023. In management's opinion, these unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include normal recurring adjustments, necessary for the fair statement of the Company's financial position as of March 31, 2023 and the results of operations for the three months ended March 31, 2023 and 2022. The results of operations for the three months ended March 31, 2023 are not necessarily indicative of the results to be expected for the full year ending December 31, 2023 or any other future interim or annual period.

The Company has historically incurred losses and negative cash flows from operations and had an accumulated deficit of $590.9 million as of March 31, 2023. The Company's existing sources of liquidity as of March 31, 2023 include cash and cash equivalents of $81.7 million and availability of debt from the Siena Revolver (defined in Note 5, *Debt*). Prior to the Business Combination, the Company historically funded operations primarily with issuances of convertible preferred stock, contingently redeemable convertible common stock and the incurrence of debt. The Company believes its existing cash and cash equivalents will be sufficient to fund its operations for a period of at least one year from the date of issuance of this quarterly report on Form 10-Q (the "Quarterly Report"). Over the longer-term, the Company will need to raise additional capital through debt or equity financing to fund future operations until it generates positive cash flows from profitable operations. There can be no assurance that such additional debt or equity financing will be available on terms acceptable to the Company, or at all.

Emerging Growth Company

The Company is an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. The JOBS Act permits companies with emerging growth company status to take advantage of an extended transition period to comply with new or revised accounting standards, delaying the adoption of these accounting standards until they would apply to private companies. Following the closing of the Business Combination, the Company uses this extended transition period to enable it to comply with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date the Company (1) is no longer an emerging growth company or (2) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, the Company's condensed consolidated financial statements may not be comparable to companies that comply with the new or revised accounting standards as of public company effective dates.

Comprehensive Loss

Comprehensive loss represents all changes in stockholders' deficit. The Company's net loss was equal to its comprehensive loss for all periods presented.

Significant Accounting Policies

There have been no significant changes in the Company's significant accounting policies from those that were disclosed in Note 2, *Summary of Significant Accounting Policies*, included in the Company's audited financial statements and the notes thereto for the year ended December 31, 2022.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting period. These estimates made by management include the determination of reserves amounts for the Company's inventories on hand, useful life of intangible assets, sales returns and allowances and certain assumptions used in the valuation of equity awards, the estimated fair value of common stock liability classified Public and Private Placement Warrants, the fair value of Earn-Out liabilities, the fair value of Additional Shares liabilities, the fair value of the Structural Derivative Liability and stock based compensation expense. Actual results could differ from those estimates, and such estimates could be material to the Company's financial position and the results of operations.

Restricted Cash

Short-term restricted cash primarily represents cash on deposit with a financial institution to collateralize short-term obligations related to company credit cards. Long-term restricted cash primarily represents cash on deposit with a financial institution to collateralize letters of credit related to the Company's non-cancellable operating leases for its corporate headquarters. Restricted cash is stated at cost, which approximates fair value.

Concentration of Risks

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, cash equivalents and restricted cash. The Company maintains the majority of its cash, cash equivalents and restricted cash in accounts with one financial institution within the United States, generally in the form of demand accounts. Deposits in this institution may exceed federally insured limits. Management believes minimal credit risk exists with respect to this financial institution and the Company has not experienced any losses on such amounts.

The Company depends on a limited number of vendors to supply products sold by the Company. For the three months ended March 31, 2023 and 2022, the Company's top five suppliers combined represented approximately 50% of the Company's total inventory purchases.

Revenue Recognition

The Company primarily generates revenue from the sale of both third-party and Grove Brands products through its DTC platform. Customers purchase products through the website or mobile application through a combination of directly selecting items from the catalog, items that are suggested by the Company's recurring shipment recommendation engine, and features that appear in marketing on-site, in emails and on the Company's mobile application. Most customers purchase a combination of products recommended by the Company based on previous purchases and new products discovered through marketing or catalog browsing. Customers can have orders auto-shipped to them on a specified date or shipped immediately through an option available on the website and mobile application. In order to reduce the environmental impact of each shipment, the Company has a minimum total sales order value threshold policy which is required to be met before the order qualifies for shipment. Payment is collected upon finalizing the order. The products are subsequently packaged and shipped to fill the order. Customers can customize future purchases by selecting products they want to receive on a specified cadence or by selecting products for immediate shipment.

The Company also offers a VIP membership to its customers for an annual fee which includes the rights to free shipping, free gifts and early access to exclusive sales, all of which are available at the customers' option, should they elect to make future purchases of the Company's products within their annual VIP membership benefit period. Many customers receive a free 60-day VIP membership for trial purposes, typically upon their first qualifying order. After the expiration of this free trial VIP membership period, customers will be charged their annual VIP membership fee, which automatically renews annually, until cancelled. The customer is alerted before any VIP membership renews.

In accordance with Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC 606"), the Company recognizes revenue when the customer obtains control of promised goods, in an amount that reflects the consideration that it expects to receive in exchange for those goods. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identify the contract with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration, if any, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that it will collect the consideration to which it is entitled in exchange for the goods it transfers to a customer.

A contract with a customer exists when the customer submits an order online for the Company's products. Under this arrangement, there is one performance obligation which is the obligation for the Company to fulfill the order. Product revenue is recognized when control of the goods is transferred to the customer, which occurs upon the Company's delivery to a third-party carrier.

The VIP membership provides customers with a suite of benefits that are only accessible to them at their option, upon making a future qualifying order of the Company's products. The VIP membership includes free shipping, a

Grove Collaborative Holdings, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(Unaudited)

select number of free products and early access to exclusive sales. Under ASC 606, sales arrangements that include rights to additional goods or services that are exercisable at a customer's discretion are generally considered options; therefore, the Company must assess whether these options provide a material right to the customer and if so, they are considered a performance obligation. The Company concluded that its VIP membership benefits include two material rights, one related to the future discount (i.e., free shipping) on the price of the customer's qualifying order(s) over the membership period and the second one relating to a certain number of free products provided at pre-set intervals within the VIP membership benefit period, that will only ship with a customer's next qualifying order (i.e., bundled).

At inception of the VIP membership benefit period, the Company allocates the VIP membership fee to each of the two material rights using a relative standalone selling price basis. Generally, standalone selling prices are determined based on the observable price of the good or service when sold separately to non-VIP customers and the estimated number of shipments and free products per benefit period. The Company also considers the likelihood of redemption when determining the standalone selling price for free products and then recognize these allocated amounts upon the shipment of a qualifying customer order. To date, customers buying patterns closely approximate a ratable revenue attribution method over the customers VIP Membership period.

The Company deducts discounts, sales tax, customer service credits and estimated refunds to arrive at net revenue. Sales tax collected from customers is not considered revenue and is included in accrued liabilities until remitted to the taxing authorities. The Company has made the policy election to account for shipping and handling as activities to fulfill the promise to transfer the good. Shipping, handling and packaging expenses are recognized upon shipment and classified within selling, general and administrative expenses. Discounts are recorded as a reduction to revenue when revenue is recognized. The Company records a refund reserve based on historical refund patterns. As of March 31, 2023 and December 31, 2022 the refund reserve, which is included in accrued liabilities in the condensed consolidated balance sheets, was not material.

Disaggregation of Revenue

The following table sets forth revenue by product type (in thousands):

	Three Months Ended March 31,	
	2023	2022
Revenue, net:		
Grove Brands	$ 34,976	$ 46,796
Third-party products	36,589	43,683
Total revenue, net	$ 71,565	$ 90,479

Contractual Liabilities

The Company has three types of contractual liabilities from transactions with customers: (i) cash collections for products which have not yet shipped, which are included in deferred revenue and are recognized as revenue upon the Company's delivery to a third-party carrier, (ii) cash collections of VIP membership fees, which are included in deferred revenue and (iii) customer service credits, which are included in other current liabilities and are recognized as a reduction in revenue when provided to the customer. Contractual liabilities included in deferred revenue and other current liabilities were $9.2 million and $0.2 million, respectively, as of March 31, 2023 and $10.9 million and $0.2 million, respectively, as of December 31, 2022. The contractual liabilities included in deferred revenue are generally recognized as revenue within twelve months from the end of each reporting period. Revenue recognized during the three months ended March 31, 2023 that was previously included in deferred revenue and other current liabilities as of December 31, 2022 was $6.6 million and $0.2 million, respectively.

Fulfillment Costs

Fulfillment costs represent those costs incurred in operating and staffing the Company's fulfillment centers, including costs attributable to receiving, inspecting and warehousing inventories, picking, packaging, and preparing customer orders for shipment ("Fulfillment Labor"), shipping and handling expenses, packaging materials costs and payment processing and related transaction costs. These costs are included within selling, general and administrative

Grove Collaborative Holdings, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(Unaudited)

expenses in the condensed consolidated statements of operations. For the three months ended March 31, 2023 and 2022, the Company recorded fulfillment costs of $17.0 million and $24.4 million, respectively, which included $10.4 million and $14.3 million in shipping and handling expenses, respectively, and $3.9 million and $6.6 million in Fulfillment Labor, respectively. The Company's gross profit may not be comparable to other retailers or distributors.

3. Fair Value Measurements and Fair Value of Financial Instruments

The Company measures certain financial assets and liabilities at fair value on a recurring basis. The Company determines fair value based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as determined by either the principal market or the most advantageous market. Inputs used in the valuation techniques to derive fair values are classified based on a three-level hierarchy. These levels are:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 – Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and

Level 3 – Unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

Financial instruments consist of cash equivalents, accounts payable, accrued liabilities, debt, Additional Shares, Earn-Out Shares Public and Private Placement Warrants and Structural Derivative. Cash equivalents, Earn-Out Shares, Public and Private Placement Warrants and Structural Derivative are stated at fair value on a recurring basis. Accounts payable and accrued liabilities are stated at their carrying value, which approximates fair value due to the short period time to the expected receipt or payment. The carrying amount of the Company's outstanding debt approximates the fair value as the debt bears interest at a rate that approximates prevailing market rate.

The Public Warrants are classified as Level 1 due to the use of an observable market quote in an active market. Private Placement Warrants are classified as Level 2 as the fair value approximates the fair value of the Public Warrants. The Private Placement Warrants are identical to the Public Warrants, with certain exceptions as defined in Note 7, *Common Stock and Warrants*. The Additional Shares and Earn-Out Shares are classified as Level 3 and their fair values were estimated using a Monte Carlo options pricing model utilizing assumptions related to expected stock-price volatility, expected life, risk-free interest rate and dividend yield. The Company estimated the expected volatility assumption using an average of the implied volatility of its publicly traded warrants and an implied volatility based on its peer companies.

The Structural Derivative Liability is a compound embedded derivative related to features within the Structural Debt Facility, including an increase in interest rate upon an event of default and the contingent issuance of the Structural Subsequent Shares as defined in Note 5, *Debt*. This liability is classified as Level 3 and is valued using a risk-neutral income approach related to an event of default occurring and expected cash flows in such a scenario and an income and Black-Scholes pricing model for the contingent issuance of the Structural Subsequent Shares utilizing assumptions related to expected stock price volatility, expected life, risk-free interest rate and dividend yield. The Company estimated the expected volatility assumption using an average of the implied volatility of its publicly traded warrants and an implied volatility based on its peer companies.

Grove Collaborative Holdings, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(Unaudited)

The following table sets forth the Company's financial instruments that were measured at fair value on a recurring basis as of March 31, 2023 and December 31, 2022 by level within the fair value hierarchy (in thousands):

	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash equivalents:				
Money market funds	$ 78,213	$ —	$ —	$ 78,213
Total	$ 78,213	$ —	$ —	$ 78,213
Financial Liabilities:				
Additional Shares	—	—	803	803
Earn-Out Shares	—	—	4,265	4,265
Private Placement Warrants	—	364	—	364
Public Warrants	437	—	—	437
Structural Derivative Liability	—	—	7,650	7,650
Total	$ 437	$ 364	$ 12,718	$ 13,519

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash equivalents:				
Money market funds	$ 74,990	$ —	$ —	$ 74,990
Total	$ 74,990	$ —	$ —	$ 74,990
Financial Liabilities:				
Additional Shares	—	—	580	580
Earn-Out Shares	—	—	4,122	4,122
Private Placement Warrants	—	670	—	670
Public Warrants	805	—	—	805
Structural Derivative Liability	—	—	7,050	7,050
Total	$ 805	$ 670	$ 11,752	$ 13,227

There were no transfers of financial assets or liabilities into or out of Level 1, Level 2, or Level 3 during the periods presented.

Additional Shares Liability

At the closing of the HGI Subscription Agreement defined in Note 7, *Common Stock and Warrants*, the Company recorded a liability related to the potential issuance of Additional Shares. Subsequent changes in fair value of the Additional Shares liability until settlement is recognized in the statements of operations.

The following table provides a summary of changes in the estimated fair value of the Additional Shares liability (in thousands):

Balance at December 31, 2022	$ 580
Change in fair value of Additional Shares Liability	223
Balance at March 31, 2023	$ 803

Earn-Out Shares

At Closing of the Business Combination, certain Earn-Out Shares were accounted for as a liability. Subsequent changes in fair value, until settlement or until equity classification is met, is recognized in the statements of operations.

The following table provides a summary of changes in the estimated fair value of the Earn-Out liability (in thousands):

Balance at December 31, 2022	$	4,122
Cancellation of Earn-Out Shares	$	(347)
Change in fair value		490
Balance at March 31, 2023	$	4,265

Private Placement and Public Warrant Liabilities

As of March 31, 2023, the Company has Private Placement and Public Warrants. Such warrants are measured at fair value on a recurring basis.

The following table provides a summary of changes in the estimated fair value of the Private Placement Warrants and Public Warrants (in thousands):

	Private Placement Warrants		Public Warrants	
Balance at December 31, 2022	$	670	$	805
Changes in fair value		(306)		(368)
Balance at March 31, 2023	$	364	$	437

Structural Derivative Liability

At closing of the Structural Debt Facility, the Company recorded a liability related to the features that are required to be bifurcated and accounted for as a compound derivative at fair value. Subsequent changes in fair value of the Structural Derivative Liability until settlement is recognized in the statement of operations.

The following table provides a summary of changes in the estimated fair value of the Structural Derivative Liability (in thousands):

Balance at December 31, 2022	$	7,050
Change in fair value		600
Balance at March 31, 2023	$	7,650

4. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	March 31, 2023	December 31, 2022
Inventory purchases	$ 2,530	$ 2,757
Compensation and benefits	2,861	1,714
Advertising costs	1,020	1,203
Fulfillment costs	1,335	1,725
Sales taxes	1,509	1,374
Transaction costs	—	17,500
Other accrued expenses	4,712	5,081
Total accrued expenses	$ 13,967	$ 31,354

5. Debt

The Company's outstanding debt, net of debt discounts, consisted of the following (in thousands):

	March 31, 2023	December 31, 2022
Structural Debt Facility	$ 61,549	$ 60,620
Siena Revolver	7,500	—
Atel Loan Facility Draw 3	292	480
Atel Loan Facility Draw 4	48	95
Total debt	69,389	61,195
Less: debt, current	(340)	(575)
Total debt, noncurrent	$ 69,049	$ 60,620

Structural Debt Facility

In December 2022, the Company entered into a Loan and Security Agreement ("Structural Debt Facility") with Structural Capital Investments III, LP, Structural Capital Investments IV, LP and Series PCI Grove series of Structural Capital Primary Co-Investment Fund, LLC (collectively, "Structural Funds") and Avenue Sustainable Solutions Fund, L.P. ("Avenue") (collectively "Structural Lenders") to borrow $ 72.0 million which was used primarily to settle previously outstanding obligations with a prior lender. The Structural Debt Facility bears an annual rate of interest at the greater of 15.00% or 7.50% plus the prime rate, payable monthly. The principal repayment period commences on July 1, 2025 and continues until the maturity date of December 21, 2026. The Company may prepay all outstanding amounts under this facility at anytime. Under the agreement, when amounts are prepaid or repaid in full at the Maturity Date, the Company may be obligated to pay additional fees which would allow for Structural Funds and Avenue to reach a Minimum Return, as defined by the agreement.

The Structural Debt Facility is collateralized by the assets of the Company and includes financial covenants the Company must meet in order to avoid an Event of Default, as defined by the agreement. Such covenants include (i) maintaining a minimum of $57.0 million in unrestricted cash at all times and (ii) achieving certain revenue targets for the trailing four quarter period beginning with this fiscal quarter ended March 31, 2023. The Structural Debt Facility contains a subjective acceleration clause in the event that lenders determine that a material adverse change has or will occur within the business, operations, or financial condition of the Company or a material impairment of the prospect of repaying any portion of this financial obligation. In accordance with the loan agreement, Structural has been provided with the Company's periodic financial statements and updated projections to facilitate their ongoing assessment of the Company. The Company believes the likelihood that Structural Lenders would exercise the subjective acceleration clause is remote. As of March 31, 2023, the Company was in compliance with these debt covenants.

Grove Collaborative Holdings, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(Unaudited)

On December 21, 2022, in connection with the closing of the Structural Debt Facility, the Company issued to Structural Funds, including certain affiliates, and to Avenue a total of 4,950,000 shares of the Company's Class A common stock (the "Structural Closing Shares"). The Company recorded a debt discount of $1.1 million related to the issuance of these shares, with a corresponding offset to the Company's Class A common stock and additional paid-in capital. Further, if there are outstanding obligations relating to the Structural Debt Facility on July 21, 2025, representing the thirty-month anniversary of such closing, the Company agrees to issue to Structural Funds, including certain affiliates, and to Avenue, the aggregate number of shares of the Company's Class A common stock equal to $ 9,900,000, divided by the lower of (i) $2.00 and (ii) the volume weighted average price of the Company's Class A common stock for the sixty trading days prior to such date, as further described in the related issuance agreements (the "Structural Subsequent Shares").

The Company has identified several features within the Structural Debt Facility consisting of the contingent obligation to issue the Structural Subsequent Shares, mandatory and voluntary prepayment features and default interest rate ("Structural Derivative Liability"), which are required to be bifurcated and accounted for as a compound embedded derivative at fair value. Changes in fair value of the Structural Derivative Liability are recognized through the statements of operations and was $0.6 million for the three months ended March 31, 2023.

Closing costs consisted of $3.3 million in costs directly related to the issuance of the Structural Facility to third parties, issuance of certain Structural Closing Shares amounting to $1.1 million and incurrence of an additional Structural Derivative Liability amount of $7.1 million. At March 31, 2023, the Company had $72.0 million in principal outstanding under the Structural Debt Facility with an effective interest rate of 20.34%.

Siena Revolver

In March 2023, the Company entered into a Loan and Security Agreement (the "Siena Revolver") with Siena Lending Group, LLC ("Siena") which permits the Company to receive funding through a revolving line of credit with an initial commitment of $35.0 million. The Company's borrowing capacity under the Siena Revolver is subject to certain conditions, including the Company's eligible inventory and accounts receivable balances among other limitations as specified in the agreement. In connection with this facility the Company incurred $1.0 million of debt issuance costs which have been included in other assets on the Company's balance sheet and being amortized through the Revolver's scheduled maturity date. Additional borrowing capacity from the Siena Revolver was $10.2 million as of March 31, 2023.

The interest rates applicable to borrowings under the Siena Revolver are based on a fluctuating rate of interest measured by reference to either, at the Company's option, (i) a Base Rate, plus an applicable margin, or (ii) the Term SOFR rate then in effect, plus 0.10% and an applicable margin. The Base Rate is defined as the greatest of: (1) Prime Rate as published in the Wall Street Journal, (2) Federal Funds Rate plus 0.5% and (3) 5.0% per annum. The applicable margin for Siena Revolver borrowings is based on the Company's monthly average principal balance outstanding and ranges from 2.75% to 4.50% per annum in the case of Base Rate Borrowings and3.75% to 5.50% per annum in the case of Term SOFR borrowings. The Siena Revolver also contains various financial covenants the Company must maintain to avoid an Event of Default, as defined by the agreement, including a subjective acceleration clause in the event that Siena determines that a material adverse change has or will occur within the business, operations, or financial condition of the Company or a material impairment of the prospect of repaying any portion of this financial obligation. In accordance with the agreement, Siena has been provided with the Company's periodic financial statements and updated projections to facilitate their ongoing assessment of the Company. The Company believes the likelihood that Siena would exercise the subjective acceleration clause is remote. As of March 31, 2023, the Company was in compliance with these debt covenants.

The Siena Revolver matures at the earlier of March 10, 2026 or the maturity date of the Structural Debt Facility. As of March 31, 2023, the Company has an outstanding principal balance of $7.5 million under the Siena Revolver. The interest rate on the outstanding balance at March 31, 2023 is8.52%.

Atel Loan Facility

In July 2018, the Company entered into an equipment financing arrangement (the "Atel Loan Facility") with Atel Ventures, Inc. ("Atel") for funding of machinery and warehouse equipment that will become collateral. The loan agreement contains customary events of default.

Grove Collaborative Holdings, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(Unaudited)

As of March 31, 2023, the Company had $0.3 million outstanding on its third draw and less than $0.1 million outstanding on its fourth draw, which mature in April 2023 and May 2023, respectively. The effective interest rates on the loans are 19.23%. By the end of the equal monthly installments of principal and interest, the principal under each loan will be fully repaid.

6. Commitments and Contingencies

Merchandise Purchase Commitments

As of March 31, 2023 and December 31, 2022, the Company had obligations to purchase $15.3 million and $18.7 million, respectively, of merchandise.

Letters of Credit

The Company had irrevocable standby letters of credit in the amount of $3.5 million and $3.1 million as of March 31, 2023 and December 31, 2022, respectively, primarily related to the Company's operating leases. The letters of credit have expiration dates through January 2029.

Contingencies

The Company records loss contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Company also discloses material contingencies when a loss is not probable but reasonably possible. Accounting for contingencies requires the Company to use judgment related to both the likelihood of a loss and the estimate of the amount or range of loss. Although the Company cannot predict with assurance the outcome of any litigation or non-income-based tax matters, the Company does not believe there are currently any such actions that, if resolved unfavorably, would have a material impact on the Company's financial position, operating results or cash flows.

7. Common Stock and Warrants

As discussed in Note 1, *Description of the Business*, VGAC II completed the acquisition of Legacy Grove and acquired 100% of Legacy Grove's shares and Legacy Grove received gross proceeds of $97.1 million, which includes proceeds from issuance of common stock upon the consummation of the Business Combination. During the year ended December 31, 2022, the Company recorded $24.4 million of transaction costs, which consisted of legal, accounting, and other professional services directly related to the Business Combination. Transaction costs were allocated on a relative fair value basis between the issuance of equity and liability instruments.

Direct and incremental transaction costs allocated to equity-classified instruments were recorded within equity as an offset against proceeds upon accounting for the consummation of the Business Combination in the condensed consolidated financial statements. Direct and incremental transaction costs allocated to liability-classified equity instruments were expensed in the condensed consolidated financial statements and included in other expense, net in the condensed consolidated statements of operations. The cash outflows related to these costs were presented as financing activities on the Company's condensed consolidated statement of cash flows.

As per the original agreement, the Company had $17.5 million of transaction costs accrued as of December 31, 2022. In March 2023, the Company entered into an amended agreement with a vendor to reduce this liability by $13.4 million. This reduction of costs was allocated between the liability and equity instruments with $3.8 million being recorded to other income, net on the Company's statement of operations and $9.6 million recorded to additional paid-in capital, within equity.

On the Closing Date and in accordance with the terms and subject to the conditions of the Business Combination, each holder of Legacy Grove common stock received approximately 1.1760 shares of the Company's Class B common stock, par value $0.0001 per share. All equity awards of Legacy Grove were assumed by the Company and converted into comparable equity awards that are settled or exercisable for shares of the Company's Class B common stock. As a result, each outstanding stock option was converted into an option exercisable for the Company's Class B common stock based on an exchange ratio of approximately 1.1760, each outstanding restricted stock unit was converted into restricted stock units of the Company that, upon vesting and issued, will be settled for shares of the Company's Class B common stock based on an exchange ratio of approximately 1.1760 and each outstanding warrant to purchase Legacy Grove common stock or preferred stock was converted into a warrant to purchase shares of the Company's Class B common stock based on an exchange ratio of approximately 1.1760.

Each public and private warrant of VGAC II that was unexercised at the time of the business combination was assumed by the Company and represents the right to purchase one share of the Company's Class A common stock upon exercise of such warrant.

Earn-Out

At the closing of the Business Combination, Class B common stock shareholders (including Grove stock option, restricted stock unit, and warrant holders) were issued 13,999,960 shares of the Company's Class B Common Stock ("Earn-Out Shares"). During the three months ended March 31, 2023, certain shareholders surrendered an aggregate 985,722 Earn-Out Shares which, per terms of the Merger Agreement, were cancelled by the Company and not reallocated among the remaining holders. The remaining 13,014,238 Earn-Out Shares will vest (i) with respect to 6,507,310 of the Earn-Out Shares, upon the closing price of the Company's Class A common stock equaling or exceeding $12.50 per share for any 20 trading days within any 30-trading-day period and (ii) with respect to 6,506,928 of the Earn-Out Shares, upon the closing price of the Company's Class A common stock equaling or exceeding $ 15.00 per share for any 20 trading days within any 30-trading-day period. Such events can occur during a period of ten years following the Business Combination (the "Earn-Out Period").

If, during the Earn-Out Period, there is a Change of Control Transaction (as defined in the Merger Agreement), then all remaining triggering events that have not previously occurred and the related vesting conditions shall be deemed to have occurred.

If, upon the expiration of the Earn-Out Period, any Earn-Out Shares shall have not vested, then such Earn-Out Shares shall be automatically forfeited by the holders thereof and canceled by the Company. The settlement amount to be paid to the selling shareholders of the Earn-Out Shares can change and is not indexed to the Company's stock. Due to the change in control event contingency and variable number of Earn-Out shares to be settled to the holders, the Earn-Out Shares fail the equity scope exception and are accounted for as a derivative in accordance with ASC 815 and will be remeasured on a recurring basis at fair value, with changes in fair value recorded in the condensed consolidated statements of operations. As of March 31, 2023, the Company did not meet any Earn-Out thresholds.

Class A Common Stock Warrants

As the accounting acquirer, Grove Collaborative, Inc. is deemed to have assumed 6,700,000 Private Placement Warrants for the Company's Class A common stock that were held by Virgin Group Acquisition Sponsor II LLC (the "Sponsor") at an exercise price of $ 11.50 and 8,050,000 of the Company's Class A common stock Public Warrants that were held by VGAC II's shareholders at an exercise price of $11.50. The warrants will expire on July 16, 2027, or earlier upon redemption or liquidation.

Subsequent to the Closing of the Business Combination, the Private Placement and Public Warrants for shares of the Company's Class A common stock meet liability classification requirements since the warrants may be required to be settled in cash under a tender offer. In addition, Private Placement warrants are potentially subject to a different settlement amount as a result of being held by the Sponsor which precludes the private placement warrants from being considered indexed to the entity's own stock, and therefore classified as liabilities on the condensed consolidated balance sheets. As of March 31, 2023, the following Warrants were outstanding:

Warrant Type	Shares	Exercise Price
Public Warrants	8,050,000	$ 11.50
Private Placement Warrants	6,700,000	$ 11.50

Public Warrants

The Public Warrants become exercisable into shares of the Company's Class A common stock commencing on July 16, 2022 and expire on July 16, 2027, or earlier upon redemption or liquidation. At closing, the Company assumed 8,050,000 public warrants. Each warrant entitles the holder to purchase one share of the Company's Class A common stock at a price of $11.50 per share, subject to certain adjustments.

The Company may redeem, with 30 days written notice, each whole outstanding Public Warrant for cash at a price of $0.01 per warrant if the Reference Value equals or exceeds $18.00 per share, subject to certain adjustments. The warrant holders have the right to exercise their outstanding warrants prior to the scheduled redemption date during the Redemption Period at $11.50 per share, subject to certain adjustments. If the Company calls the Public Warrants for redemption, the Company will have the option to require all holders that wish to exercise the Public Warrants to do so on a "cashless basis", as described in the warrant agreement. For purposes of the redemption, "Reference Value" shall mean the last reported sales price of the Company's Class A common stock for any twenty trading days within the thirty trading-day period ending on the third trading day prior to the date on which notice of the redemption is given.

Private Placement Warrants

The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants were not transferable, assignable or salable until 30 days after the completion of a Business Combination, subject to certain limited exceptions. Additionally, the Private Warrants are exercisable on a cashless basis and are non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Warrants are held by someone other than the initial purchasers or their permitted transferees, then such warrants will be redeemable by the Company and exercisable by the warrant holders on the same basis as the Public Warrants. At Closing, the Company assumed 6,700,000 Private Placement Warrants.

Backstop Warrants

In connection with the Business Combination, the Company issued to the Corvina Holdings limited 3,875,028 warrants to purchase the Company's Class A common stock (each warrant exercisable to purchase one share of the Company's Class A common stock for $0.01) (such warrants, the "Backstop Warrants"). The Backstop Warrants are exercisable by the Backstop Investor at any time on or before June 16, 2027, and are on terms customary for warrants of such nature. None of these warrants have been exercised as of March 31, 2023.

Standby Equity Purchase Agreement

On July 18, 2022, the Company entered into a Standby Equity Purchase Agreement (the "SEPA") with YA II PN, LTD ("Yorkville" or "SEPA Investor"), pursuant to which Yorkville has agreed to purchase up to $100 million of common stock from time to time over a period of 36 months, subject to certain conditions. The shares of the Company's common stock that may be issued under the SEPA may be sold by us to Yorkville at our discretion from time to time and sales of the Company's common stock under the SEPA will depend upon market conditions and other factors. Additionally, in no event may the Company sell more than 32,557,664 shares of common stock to Yorkville under the SEPA, which number of shares is equal to 19.99% of the shares of the Company's common stock outstanding immediately prior to the execution of the Equity Purchase Agreement (the "Exchange Cap"), unless stockholder approval is obtained to issue shares of common stock in excess of the Exchange Cap in accordance with applicable NYSE rules or comply with certain other requirements as described in the Equity Purchase Agreement. As a result, unless the Company's stock price exceeds $3.07, the Company will be unable to sell the full $100.0 million commitment to Yorkville without seeking stockholder approval to issue additional shares in excess of the Exchange Cap. The purchase price per share for Class A common stock will be 97.55% of the Volume-Weighted Average Price ("VWAP") of the Company's Class A common stock over the Pricing Period, as defined by the agreement. The Company deferred $0.7 million of transaction costs related to the SEPA and will offset these costs against proceeds of any sales under the SEPA. As of March 31, 2023, the Company has sold 739,825 shares under the SEPA for total gross proceeds of $2.4 million. Issuance costs related to these shares are not material. As of March 31, 2023, there were 31,817,839 shares available to be sold to Yorkville under the Exchange Cap.

HGI Subscription Agreement

On November 10, 2022, the Company entered into a subscription agreement (the “HGI Subscription Agreement”) with HCI Grove LLC (“HGI”), pursuant to which, among other things, the Company issued to HGI 1,984,126 shares of the Company’s Class A common stock (“Subscribed Shares”) for aggregate proceeds of $2.5 million. Under the terms of the HGI Subscription Agreement, the Company is required to file a registration statement for the Subscribed Shares upon the Company becoming eligible to file a registration statement on Form S-3 and in any event prior to July 15, 2023 (the “Subscribed Shares Registration Statement”).

The HGI Subscription Agreement also provides that the Company will issue additional shares (the “HGI Additional Shares”) of the Company’s Class A common stock to HGI in the event that the volume weighted average price of the Company’s Class A common stock is less than $ 1.26 during the three trading days commencing on the first trading day after (i) the Company files the Subscribed Shares Registration Statement (the “Registration Date”), (ii) the three-month anniversary of the Registration Date, (iii) the six-month anniversary of the Registration Date, or (iv) the nine-month anniversary of the Registration Date (“Measurement Periods” and each “Measurement Period”) upon HGI’s election to receive such additional shares. HGI may use all or a portion of each Subscribed Share once to determine the amount of any issuance of Additional Shares in connection with the Measurement Periods such that HGI may utilize, for example, half of the Subscribed Shares to receive further Additional Shares, and leave the remaining half of the Subscribed Shares available to utilize in connection with the remaining Measurement Periods. HGI must elect to receive HGI Additional Shares for one Measurement Period, or the right lapses or is superseded by the next measurement period. There have been no shares have been issued related to the HGI Additional shares as of March 31, 2023.

Concurrent with the HGI Subscription Agreement, the Company also entered into a consulting services agreement (the “Consulting Agreement”) with HCI Grove Management LLC (the “Consultant”). In consideration for the services under the Consulting Agreement, the Company (i) paid the Consultant an upfront fee of $150,000 and (ii) issued the Consultant 4,525,000 warrants (the “HGI Warrant Shares”) to purchase shares of the Company’s Class A common stock (the “HGI Warrants”), at an exercise price per share of $1.26 (the “Exercise Price”). On November 10, 2022,40% of the HGI Warrant Shares vested and became issuable (the “Vested Warrants”), and the remaining HGI Warrant Shares (the “Unvested Warrants”) shall vest and become exercisable if, prior to December 31, 2024, the Company achieves at least $ 100.0 million in quarterly net revenue on a consolidated basis or if the Company consummates a Change of Control, as defined in HGI Warrants. If, as a result of the Change of Control, the Company’s equity holders own less than 25% of the equity securities of the surviving entity in such Change of Control, the Exercise Price shall be increased by50%.

The Company determined the Vested Warrants and Unvested Warrants qualify as stock based compensation to a nonemployee. The Company recorded $1.2 million in stock based compensation expense on the execution date of the HGI Subscription Agreement. The Company performs a probability reassessment related to the Unvested Warrants each reporting period and will recognize the cumulative catch-up adjustment based on the grant-date fair value when the vesting conditions are probable of being achieved. Any remaining expense will continue to ratably recognized until the date the revenue target is achieved, and the Unvested Warrants are fully vested.

The fair value of Vested Warrants and Unvested Warrants granted to HGI was estimated at the date of grant using the Black-Scholes option-pricing model, with the following assumptions:

Fair value of common stock	$1.26
Expected term (in years)	4.5
Volatility	62.50%
Risk-free interest rate	4.00%
Dividend yield	—

Reserved for Issuance

The Company has the following shares of common stock reserved for future issuance, on an as-if converted basis:

Grove Collaborative Holdings, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(Unaudited)

	March 31, 2023		December 31, 2022	
	Class A Common Stock	Class B Common Stock	Class A Common Stock	Class B Common Stock
Private Placement Warrants	6,700,000	—	6,700,000	—
Public Warrants	8,050,000	—	8,050,000	—
Backstop Warrants	3,875,028	—	3,875,028	—
Common Stock Warrants	4,525,000	568,905	4,525,000	568,905
Outstanding Stock Options	5,969,813	4,202,678	6,318,978	4,198,917
Outstanding Restricted Stock Units	29,238,710	175,184	19,322,240	263,052
Remaining Shares available for issuance under 2022 Equity Incentive Plan	9,338,297	—	20,794,363	—
Shares available for issuance under 2022 Employee Stock Purchase Plan	5,052,643	—	3,274,070	—
Total shares of common stock reserved	72,749,491	4,946,767	72,859,679	5,030,874

8. Stock-Based Compensation

Stock Options

Stock option activity under the Company’s incentive plan is as follows (in thousands, except share and per share amounts):

	Options Outstanding			
	Number of Options	Weighted–Average Exercise Price	Weighted-Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
Balance – December 31, 2022	10,521,571	$ 1.59	4.87	$ 61
Exercised	(178,564)	0.38		
Cancelled/forfeited	(170,516)	2.82		
Balance – March 31, 2023	10,172,491	1.59	4.05	98
Options vested and exercisable – March 31, 2023	9,040,393	$ 1.32	3.58	$ 98

No options were granted during three months ended March 31, 2023 and 2022. The total grant date fair value of options that vested during three months ended March 31, 2023 and 2022 was $0.1 million and $4.4 million, respectively. The aggregate intrinsic value of options exercised during the three months ended March 31, 2023 and 2022 was nominal and $0.4 million, respectively. The aggregate intrinsic value is the difference between the current fair value of the underlying common stock and the exercise price for in-the-money stock options.

Market-Based Stock Options

In February 2021, the Company granted 1,017,170 stock options with market and liquidity event-related performance-based vesting criteria with an exercise price of $3.77 per share. 100% of the stock options vest upon valuation of the Company's stock at a stated price upon occurrence of specified transactions. Fair value was determined using the probability weighted expected term method ("PWERM"), which involves the estimation of future potential outcomes as well as values and probabilities associated with each potential outcome. Two potential scenarios were used in the PWERM that utilized 1) the value of the Company's common equity, and 2) a Monte Carlo simulation to specifically value the award. The total grant date fair value of the award was determined to be $5.5 million. Since a liquidity event is not deemed probable until such event occurs, no compensation cost related to the performance condition was recognized prior to the Business Combination on June 16, 2022. Subsequently, the Company recorded stock-based compensation expense of $4.6 million for service periods completed prior to the Business Combination. As of March 31, 2023, the market-based vesting criteria had not been met.

Restricted Stock Units

The following table summarizes the activity for all RSU's under all of the Company's equity incentive plans for the three months ended March 31, 2023:

	Number of shares	Weighted–Average Grant Date Fair Value Per Share
Unvested – December 31, 2022	19,482,427	$ 1.75
Granted	13,314,042	0.43
Vested	(2,549,326)	2.28
Cancelled/forfeited	(833,249)	2.69
Balance – March 31, 2023	29,413,894	1.08

Employee Stock Purchase Plan

In May 2022, the Company's board of directors adopted the 2022 Employee Stock Purchase Plan (the "ESPP"), which was subsequently approved by the Company's stockholders. The ESPP went into effect on November 16, 2022. Subject to certain limitations contained therein, the ESPP allows eligible employees to contribute, through payroll deductions, up to 20% of their eligible compensation to purchase the Company's Class A common stock at a discounted price per share. As of March 31, 2023,no shares of Class A common stock had been purchased under the ESPP.

Stock-Based Compensation Expense

For the three months ended March 31, 2023and 2022, the Company recognized a total of $4.9 million and $4.5 million of stock-based compensation expense, respectively, related to stock options and RSUs granted to employees and non-employees. Stock-based compensation expense was predominately recorded in selling, general and administrative expenses in the statements of operations for each period presented. As of March 31, 2023, the total unrecognized compensation expense related to unvested options and RSUs was $28.6 million, which the Company expects to recognize over an estimated weighted average period of2.3 years.

9. Net loss Per Share Attributable to Common Stockholders

The following potentially dilutive shares were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented, because including them would have been anti-dilutive (on an as-converted basis):

	Three Months Ended March 31,	
	2023	2022
Convertible preferred stock	—	115,287,015
Contingently redeemable convertible common stock	—	2,750,000
Common stock options	10,172,491	25,691,329
Restricted stock units	29,413,894	3,224,181
Convertible preferred stock warrants	—	735,763
Common stock warrants	5,093,905	688,362
Private and Public Placement Warrants	14,750,000	—
Earn-Out Shares	13,005,238	—
Shares subject to repurchase	—	16,539
Total	72,435,528	148,393,189

10. Subsequent Events

On April 19, 2023, the Company entered into an amendment to the lease agreement for its warehousing facility located in St. Peters, Missouri to provide for, among other things, an extension of the lease term to September 2028. At the option of the Company, the lease may be extended an additional 5 years. The amendment requires the Company to make escalating undiscounted annual payments of up to $0.7 million, payable monthly. The Company is currently evaluating all the terms of this lease modification and its impact on the consolidated financial statements.

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

The following discussion and analysis of the financial condition and results of operations of Grove Collaborative Holdings, Inc. ("Grove," "we," "us," and "our") should be read with the condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2022. This discussion and analysis contains forward-looking statements based upon current expectations that involve risks and uncertainties. Grove's actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section entitled "Risk Factors" herein or in our Annual Report on Form 10-K for the year ended December 31, 2022 or in other parts of this Quarterly Report on Form 10-Q. Grove's historical results are not necessarily indicative of the results that may be expected for any period in the future. Except as otherwise noted, all references to 2022 refer to the year ended December 31, 2022.

References to Virgin Group Acquisition Corp. II. or "VGAC II" refer to the Company prior to the consummation of the Business Combination (described below).

OVERVIEW

Grove Collaborative Holdings, Inc., formerly Virgin Group Acquisition Corp. II, is a digital-first, sustainability-oriented consumer products innovator. We use our connection with consumers to create and curate authentic, disruptive brands and products. We build natural products that perform as well as or better than many leading CPG brands (both conventional and natural), while being healthier for consumers and the planet.

Our omnichannel distribution strategy enables us to reach consumers where they want to shop. We operate an online direct-to-consumer website and mobile application ("DTC platform") where we both sell our Grove-owned brands ("Grove Brands") and partner with other leading natural and mission-based CPG brands, providing consumers the best selection of curated products across many categories and brands.

Grove is a public benefit corporation and a Certified B Corporation, meaning we adhere to third party standards for prioritizing social, environmental, and community well-being. We have a history of doing well by doing good, which is supported by our flywheel: as we have grown, our product development capabilities and data have improved. Over the long term, we believe that improved innovation will fuel both topline growth and margin expansion as our innovation has historically tended to be both market expanding and margin accretive. Since inception, we have grown and invested heavily in building out both our e-commerce platform and Grove Brands, and over this period we have operated at a loss and have an accumulated deficit of $590.9 million as of March 31, 2023. Beginning in the second half of 2022, we have moved to substantially reduce our operating expenses across the business in support of our drive toward profitability. These expense reductions, particularly in advertising, have resulted in a substantial decline in our revenue. While we have made significant progress, we anticipate that we will continue to incur losses in the future unless and until we can rekindle revenue growth to the point where our revenue exceeds our operating expenses. Refer to Liquidity, Capital Resources and Requirements below for more information.

Business Combination

On June 16, 2022 (the "Closing Date"), we became a publicly traded company as a result of the consummation of Grove Collaborative, Inc.'s ("Legacy Grove") merger with Virgin Group Acquisition Corp. II, a Cayman-domiciled blank check company ("VGAC II"), which we refer to herein as the "Business Combination". Prior to the Business Combination, VGAC II's public shares, and public warrants were listed on the New York Stock Exchange ("NYSE") under the symbols "VGII" and "VGII.WS," respectively. On June 17, 2022, the Company's Class A common stock and public warrants began trading on ("NYSE"), under the symbols "GROV" and "GROV.WS," respectively.

Key Factors Affecting Our Operating Performance

We believe that the growth of our business and our future success are dependent on many factors. While each of these factors presents significant opportunities for us, they also pose important challenges that we must successfully address to enable us to sustain the growth of our business and improve our operations while staying true to our mission, including those discussed below and in the section entitled "Risk Factors".

Ability To Grow our Brand Awareness

Our brand is integral to the growth of our business and is essential to our ability to engage with our community. Our performance will depend on our ability to attract new customers and encourage consumer spending across our product portfolio. We believe the core elements of continuing to grow our awareness, and thus increase our penetration, are highlighting our products' qualities of being natural, sustainable and effective, the efficacy of our marketing efforts and the success of our continued retail rollout. Beyond preserving the integrity of our brand, our performance will depend on our ability to augment our reach and increase the number of consumers aware of Grove and our product portfolio.

Ability to Continue to Innovate in Products and Packaging

Our continued product innovation is integral to our future growth. We have successfully developed and launched over 500 individual products in recent years. The research, development, testing and improvement has been led by our R&D team, which includes experienced chemists and formulators, who work closely with our Sustainability team. These new and innovative products, as well as our focus on environmentally responsible packaging, have been key drivers of our value proposition to date. An important element of our product development strategy is our ability to engage directly with customers through our DTC platform to assess demand and market preferences. To the extent our customers increasingly access our products through retail channels, we will need to innovate our modalities of customer engagement to maintain this important feedback loop. Our continued success in research and development and ability to assess customer needs and develop sustainable and effective products will be central to attracting and retaining consumers in the future and to growing our market penetration and our impact on human and environmental health.

Ability to Expand our Retail Distribution

We have a significant opportunity to expand our distribution in retail channels, both broadening our partner reach and introducing our products across more doors, as well as deepening our retail distribution in terms of the number of individual products. Our success and speed of doing so will impact our financial performance. We are pursuing partnerships with a wide variety of retailers, including big-box retailers, online retailers, grocery stores, drugstores and specialty retailers. Our ability to execute this strategy will depend on a number of factors, such as retailers' satisfaction with the sales and profitability of our products. In the near-term, retail expansion will require partnerships with retailers on launches and we may choose to invest in promotions to drive sales and awareness over time. To the extent we are successful in retail expansion over the next several years, we expect to see potential negative effects on gross margins resulting from the retail cost structure to be approximately offset by savings in fulfillment costs driven by bulk shipping to retailers versus individualized fulfillment to consumers, through our fulfillment centers.

Cost-Efficient Acquisition of New Customers and Retention of Existing Customers on our DTC Platform

Our ability to attract new customers is a key factor for our future growth. To date we have successfully acquired new customers through many online and offline marketing channels. In recent periods, changes in the algorithms used for targeting and purchasing online advertising, changes to privacy and online tracking, supply and demand dynamics in the market, and other factors have caused the cost of marketing on these channels to increase consistently. Failure to effectively adapt to changes in online marketing dynamics or otherwise to attract customers on a cost- efficient basis would adversely impact our path to profitability and operating results. Recently, we have implemented a lower-spend strategy to optimize the cost of acquiring new customers. Our ability to balance cost-efficient acquisitions while driving consumer awareness may impact the cost of acquiring new customers, profitability and operating results.

The future activity level and profitability of our DTC customer base will depend on our ability to continue to offer a compelling value proposition to consumers including strong selection, pricing, customer service, smooth and compelling web and mobile app experience, fast and reliable fulfillment, and curation within natural and sustainable products. Our success is also dependent on our ability to maintain relevance with our consumers on a regular basis through high performing products and a consumer-friendly refill and fulfillment process, and most importantly to provide consumers with products that consistently outperform their expectations. Our ability to execute on these key value-driving areas for consumers, and to remain competitive and compelling in a post-pandemic landscape, are necessary for our future growth. Failure to achieve these things would materially impact our operating results and financial performance.

Ability to Drive Operating Efficiency and Leverage as We Scale

We believe we are in the early stages of realizing a substantial opportunity to transform the consumer products industry into a force for human and environmental good by relentlessly creating and curating planet-first, high-performance brands and products. We have made substantial operating and capital expenditures to build our operations for this opportunity and believe that realization will require sustained levels of investment for the foreseeable future. To achieve profitability over the longer term, we will need to leverage economies of scale in sourcing our products, generating brand awareness, acquiring customers, creating operating leverage over headcount and other overhead, and fulfilling orders. Our retail strategy is designed, in part, to help accelerate achievement of this scale, as we leverage the retail presence of our partners and minimize the fulfillment costs associated with our DTC platform and create new revenue streams for our product development efforts. However, we believe that maintaining our DTC presence will remain a key driver of our product innovation and customer satisfaction strategies and serves the needs of an important and growing group of consumers that want to shop online. If we are unable to achieve sufficient operating leverage in our business, we may need to curtail our expenditures, which would in turn compromise our prospects for growth and or negatively impact our ability to operate profitably.

Key Operating and Financial Metrics

In addition to our condensed consolidated financial statements, included elsewhere in this Form 10-Q, we assess the performance of our overall business based on the following metrics and measures, including identifying trends, formulating financial projections, making strategic decisions, assessing operational efficiencies and monitoring our business.

Over the coming years, we expect to grow our omnichannel presence both in core assortment, adjacent categories and sales channels.

We believe that the future of CPG brand building and consumer demand is omnichannel. Our DTC platform remains a core part of our strategy and customer value proposition in addition to providing key data and customer feedback driving our innovation process. We kicked off our expansion into brick and mortar retail in April 2021 with the launch of a curated assortment of Grove Co. products at Target. We continued to expand into other retailers, including Amazon, CVS, Walmart, Kohl's, Meijer, and Giant Eagle. As we aim to continue our leadership in both omnichannel and sustainability, we will aggressively expand our presence into physical retail over the next few years to reach more consumers no matter where they shop.

Our current operating metrics reflect our core strategic focus on growing Grove Brands' omnichannel presence and revenue, as well as our key DTC platform metrics.

	Three Months Ended March 31,	
(in thousands, except DTC Net Revenue Per Order and percentages)	**2023**	**2022**
Financial and Operating Data		
Grove Brands % Net Revenue	49 %	52 %
DTC Total Orders	1,097	1,558
DTC Active Customers	1,241	1,653
DTC Net Revenue Per Order	$ 62	$ 55

Grove Brands % Net Revenue

We define Grove Brands % Net Revenue as total net revenue across all channels attributable to Grove Brands, including: Grove Co., Honu, Peach, Rooted Beauty, Grove Co. Paper (previously named "Seedling") and Superbloom divided by our total net revenue. On our DTC Platform, our total net revenue includes revenue from both Grove Brands and third-party brands that we carry, whereas for our retail sales total net revenues is comprised exclusively of revenue from Grove Brand products. We view Grove Brands % Net Revenue as a key indicator of the success of our product innovation and growth strategy, and customers' acceptance of our products. In the three months ended March 31, 2023, Grove Brands % Net Revenue declined due to fewer new customer orders, which include more Grove branded products.

DTC Total Orders

We determine our number of DTC Total Orders by counting the number of customer orders submitted through our website and mobile application that have been shipped within the period. The metric includes orders that have been refunded, excludes reshipments of customer orders for any reason including damaged and missing products, and excludes retail orders. Refunded orders are included in DTC Total Orders as we believe this provides more meaningful order management performance metrics, including fulfillment cost efficacy and refund rates. Changes in DTC Total Orders in a reporting period capture both the inflow of new customers, changes in order frequency of existing customers and customer attrition. We view the number of Total DTC Orders as a key indicator of trends in our DTC platform, and our future success in this channel will depend in part on our ability to drive growth through new customer acquisition and by increasing existing customer engagement. In the three months ended March 31, 2023, DTC Total Orders declined primarily due to our reduction in advertising spend, resulting in fewer new customers and therefore fewer overall orders. We expect this trend to continue through 2023 as advertising remains at current levels.

DTC Active Customers

As of the last day of each reporting period, we determine our number of DTC Active Customers by counting the number of individual customers who submitted orders through our DTC platform, and for whom an order has shipped, at least once during the preceding 364-day period. The change in active customers in a reporting period captures both the inflow of new customers as well as the outflow of customers who have not made a purchase in the last 364 days. We view the number of active customers as one of the key indicators of growth in our DTC channel. In the three months ended March 31, 2023, DTC Active Customers declined primarily due to our reduction in advertising spend resulting in fewer new customers.

DTC Net Revenue Per Order

We define DTC Net Revenue Per Order as our DTC Total Net Revenue in a given reporting period, divided by the DTC Total Orders in that period. We view DTC Net Revenue per Order as a key indicator of the performance of our DTC business. DTC Net Revenue Per Order increased in the three months ended March 31, 2023 compared to the prior year comparative periods as a result of net revenue management initiatives including the introduction of strategic price increases on Grove Brands and third party products, as well as the launch of the Supply Chain Fee, which allows us to continue prioritizing sustainability and maintain our commitment to fair wages.

Non-GAAP Financial Measures: Adjusted EBITDA and Adjusted EBITDA Margin

We prepare and present our financial statements in accordance with U.S. GAAP ("GAAP"). In addition, we believe that Adjusted EBITDA, when taken together with our financial results presented in accordance with GAAP, provides meaningful supplemental information regarding our operating performance and facilitates internal comparisons of our historical operating performance on a more consistent basis by excluding certain items that may not be indicative of our business, results of operations or outlook. For these reasons, management uses Adjusted EBITDA in evaluating our operating performance and resource allocation and forecasting. As such, we believe Adjusted EBITDA provides investors with additional useful information in evaluating our performance.

We calculate Adjusted EBITDA as net loss, adjusted to exclude: (1) stock-based compensation expense; (2) depreciation and amortization; (3) remeasurement of convertible preferred stock warrant liability; (4) changes in fair values of Additional Shares, Earn-out Shares, Public Private Placement Warrant, Structural Derivative liabilities; (5) transaction costs allocated to derivative liabilities upon Business Combination; (6) interest income; (7) interest expense; (8) restructuring costs and (9) provision for income taxes. We define Adjusted EBITDA Margin as Adjusted EBITDA divided by revenue. Because Adjusted EBITDA excludes these elements that are otherwise included in our GAAP financial results, this measure has limitations when compared to net loss determined in accordance with GAAP. Further, Adjusted EBITDA is not necessarily comparable to similarly titled measures used by other companies. For these reasons, investors should not consider Adjusted EBITDA in isolation from, or as a substitute for, net loss determined in accordance with GAAP.

The following table presents a reconciliation of net loss, the most directly comparable financial measure stated in accordance with GAAP, to Adjusted EBITDA, for each of the periods presented.

	Three Months Ended March 31,	
	2023	2022
Reconciliation of Net Loss to Adjusted EBITDA	(in thousands)	
Net loss	$ (13,069)	$ (47,384)
Stock-based compensation	4,893	4,460
Depreciation and amortization	1,448	1,410
Remeasurement of convertible preferred stock warrant liability	—	(1,886)
Change in fair value of Additional Shares liability	223	—
Change in fair value of Earn-Out liability	143	—
Change in fair value of Public and Private Placement Warrants liability	(674)	—
Change in fair value of Structural Derivative liability	600	—
Reduction in transaction costs allocated to derivative liabilities upon Business Combination	(3,745)	—
Interest income	(424)	—
Interest expense	3,729	2,087
Restructuring costs	—	1,636
Provision for income taxes	10	23
Total Adjusted EBITDA	$ (6,866)	$ (39,654)
Net loss margin	(18.3)%	(52.4)%
Adjusted EBITDA margin	(9.6)%	(43.8)%

Components of Results of Operations

Revenue, Net

We generate revenue primarily from the sale of both third-party and our Grove Brands products through our DTC platform. Customers purchase products through the website or mobile application through a combination of directly selecting items from the catalog, items that are suggested by our recurring shipment recommendation engine, and featured products that appear in marketing on-site, in emails and on our mobile app. Most customers purchase a combination of products recommended by us based on previous purchases and new products discovered through marketing or catalog browsing. Customers can have orders auto-shipped to them on a specified date or shipped immediately through an option available on the website and mobile application. We also generate revenue from the sale of our Grove Brands products to the retail channel.

We recognize revenue from the sale of our products through our DTC platform net of discounts, sales tax, customer service credits and estimated refunds. Sales tax collected from customers is not considered revenue and is included in accrued liabilities until remitted to the taxing authorities.

Cost of Goods Sold

Cost of goods sold consists of the product costs of merchandise, inbound freight costs, vendor allowances, costs associated with inventory shrinkage and damages and inventory write-offs and related reserves.

Gross Profit and Gross Margin

Gross profit represents revenue less cost of goods sold. Gross margin is gross profit expressed as a percentage of revenue. We generally record higher gross margins associated with sales of Grove Brands products compared to sales of third-party products. To help induce first-time customers to purchase on our DTC platform, we generally offer higher discounts and free product offerings, and as a result our overall margins can be adversely affected in periods of rapid new customer acquisition. Our gross margin also fluctuates from period to period based on promotional activity, product and channel mix, the timing of promotions and launches, and inbound transportation rates, among other factors. Our gross profit and gross margin may not be comparable with that of other retailers because we include certain fulfillment related costs in selling, general, and administrative expenses while other retailers may include these expenses in cost of merchandise sold.

Operating Expenses

Our operating expenses consist of advertising, product development, and selling, general and administrative expenses.

Advertising

Advertising expenses are expensed as incurred and consist primarily of our customer acquisition costs associated with online advertising, as well as advertising on television, direct mail campaigns and other media. Costs associated with the production of advertising are expensed when the first advertisement is shown. We expect advertising costs to continue to decrease from the 2022 fiscal year as we implement a lower-spend strategy which optimizes the cost of acquiring new customers, while balancing driving consumer awareness and cash flow management.

Product Development

Product development expenses are related to the ongoing support and maintenance of our proprietary technology, including our DTC platform, as well as amortization of capitalized, internally developed software, and related to the product and packaging innovation in our Grove Brands products. Product development expenses consist primarily of personnel-related expenses, including salaries, bonuses, benefits and stock-based compensation expenses. Product development costs also include allocated facilities, equipment, depreciation and overhead costs. We expect product development costs as a percentage of revenue to be consistent with 2022 as we balance our investments in our proprietary technology, the expansion of our product line, innovative packaging and product improvements with revenue growth.

Selling, General and Administrative

Selling, general and administrative expenses consist primarily of compensation and benefit costs for personnel involved in general corporate functions, including stock-based compensation expense, and certain fulfillment costs, as further outlined below. Selling, general and administrative expenses also include the allocated facilities, equipment, depreciation and overhead costs, marketing costs including qualified cost of credits issued through our referral program, costs associated with our customer service operation, and costs of environmental offsets. While selling, general and administrative expenses increased as a result of activities related to the Business Combination and becoming a public company, we expect them to continue decreasing as part of our cost management initiatives offsetting inflationary pressures.

Fulfillment costs represent those costs incurred in operating and staffing our fulfillment centers, including costs attributable to receiving, inspecting and warehousing inventories, picking, packing and preparing customer orders for shipment (“Fulfillment Labor”), shipping and handling expenses, packing materials costs and payment processing and related transaction costs. These costs are included within selling, general and administrative expenses in the statements of operations. We expect fulfillment costs to continue improving in the future on a per order basis, compared to the 2022 fiscal year.

Interest and Other Income, Net

Interest expense consists primarily of interest expense associated with our debt financing arrangements. Due to higher interest rates on our Structural Debt Facility (as defined below) and increases in the prime rate, we anticipate cash payments for interest and interest expense to increase in the future.

Other income, net consists primarily of losses or gains on remeasurement of our convertible preferred stock warrant liabilities, changes in fair values of Additional Shares, Earn-Out Shares, Public and Private Placement Warrant and Structural Derivative liabilities, and transaction costs allocated to derivative liabilities upon Business Combination. These changes in fair value may fluctuate significantly in future periods primarily due to fluctuations in the fair value of our common stock.

Provision for Income Taxes

We account for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statements and income tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. We recognize the benefits of tax-return positions in the financial statements when they are more likely than not to be sustained by the taxing authority, based on the technical merits at the reporting date. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments, and which may not accurately forecast actual outcomes. We recognize interest and penalties related to unrecognized tax benefits, if any, as income tax expense.

Results of Operations

The following table sets forth our results of operations for each period presented:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Revenue, net	$ 71,565	$ 90,479
Cost of goods sold	34,310	47,742
Gross profit	37,255	42,737
Operating expenses:		
Advertising	8,673	32,793
Product development	4,216	6,240
Selling, general and administrative	38,021	50,970
Operating loss	(13,655)	(47,266)
Interest expense	3,729	2,087
Change in fair value of Additional Shares liability	223	—
Change in fair value of Earn-Out liability	143	—
Change in fair value of Public and Private Placement Warrants liability	(674)	—
Change in fair value of Structural Derivative liability	600	—
Other income, net	(4,617)	(1,992)
Interest and other expense (income), net	(596)	95
Loss before provision for income taxes	(13,059)	(47,361)
Provision for income taxes	10	23
Net loss	$ (13,069)	$ (47,384)

The following table sets forth our statements of operations data expressed as a percentage of revenue:

	Three Months Ended March 31,	
	2023	2022
Revenue, net	100 %	100 %
Cost of goods sold	48	53
Gross profit	52	47
Operating expenses:		
Advertising	12	36
Product development	6	7
Selling, general and administrative	53	56
Operating loss	(19)	(52)
Interest expense	5	2
Change in fair value of Additional Shares liability	—	—
Change in fair value of Earn-Out liability	—	—
Change in fair value of Public and Private Placement Warrants liability	(1)	—
Change in fair value of Structural Derivative liability	1	—
Other income, net	(6)	(2)
Interest and other expense (income), net	(1)	—
Loss before provision for income taxes	(18)	(52)
Provision for income taxes	—	—
Net loss	(18)%	(52)%

Comparisons of the Three Months Ended March 31, 2023 and March 31, 2022

Revenue, Net

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
	(in thousands)			
Revenue, net:				
Grove Brand	$ 34,976	$ 46,796	$ (11,820)	(25)%
Third-party product	36,589	43,683	(7,094)	(16)%
Total revenue, net	$ 71,565	$ 90,479	$ (18,914)	(21)%

Revenue decreased by $18.9 million, or 21% for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022, primarily driven by a decrease in DTC Total Orders caused by a reduction in DTC Active Customers from primarily from the reduction in advertising spend, partially offset by increases in DTC Net Revenue Per Order.

Cost of Goods Sold and Gross Profit

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
	(in thousands)			
Cost of goods sold	$ 34,310	$ 47,742	$ (13,432)	(28)%
Gross profit	37,255	42,737	(5,482)	(13)%
Gross margin	52 %	47 %		5 %

Cost of goods sold decreased by $13.4 million, or 28%, for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022, primarily due to a decrease in DTC Total Orders, offset by reductions in inventory reserves.

Gross margin in the three months ended March 31, 2023 increased by 462 basis points compared to the three months ended March 31, 2022 due to the decrease in number of lower-margin first orders as a percentage of total orders, impacts of net revenue management initiatives including the introduction of a Supply Chain Fee and strategic price increases on Grove Brands and third party products, decreases in inventory reserves, offset by increase in product costs and decrease in Grove Brands mix as a percentage of total revenue.

Operating Expenses

Advertising Expenses

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
	(in thousands)			
Advertising	8,673	$ 32,793	$ (24,120)	(74)%

Advertising expenses decreased by $24.1 million, or 74%, for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022, primarily due to implementing a lower-spend strategy which optimizes the cost of acquiring new customers, while balancing driving consumer awareness and cash flow management. Online advertising expenses decreased by $12.6 million, television advertising expenses decreased by $7.6 million and creative content production costs decreased by $1.9 million.

Product Development Expenses

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
		(in thousands)		
Product development	$ 4,216	$ 6,240	$ (2,024)	(32)%

Product development expenses decreased by $2.0 million, or 32% for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022, primarily due to a $1.7 million decrease in salaries and benefits from reductions in headcount.

Selling, General and Administrative Expenses

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
		(in thousands)		
Selling, general and administrative	$ 38,021	$ 50,970	$ (12,949)	(25)%

Selling, general and administrative expenses decreased by $12.9 million, or 25% for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022. Fulfillment costs decreased by $7.4 million, including $3.9 million decrease in shipping and handling expenses and $2.6 million decrease in Fulfillment Labor. The decrease in shipping and handling expenses was driven by a decrease in the volume of orders and carrier mix, partially offset by an increase in carrier rates. The decrease in Fulfillment Labor was due to decrease in the volume of orders and the ability to fulfill orders more efficiently. Other general and administrative expenses decreased by $5.5 million, from decreases in corporate salaries and benefits from reductions in headcount and decrease in marketing expenses related to our cost management initiatives, offset by an increase in costs related to being a public company.

	Three Months Ended March 31,		Change	
	2023	2022	Amount	%
		(in thousands)		
Interest expense	$ 3,729	$ 2,087	$ 1,642	79 %

Interest expense increased by $1.6 million, or 79% for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022 primarily due to increases in rates incurred on our debt facilities. See the section titled “Liquidity and Capital Resources — Loan Facilities” below for further details.

Other income, net

	Three Months Ended March 31,		Change	
	2023	**2022**	Amount	%
		(in thousands)		
Change in fair value of Additional Shares liability	$ 223	$ —	$ 223	*
Change in fair value of Earn-Out liability	143	—	143	*
Change in fair value of Public and Private Placement Warrants liability	(674)	—	(674)	*
Change in fair value of Structural Derivative liability	600	—	600	*
Other income, net	(4,617)	(1,992)	(2,625)	132 %

*Percent change not meaningful

The change in the fair value of Additional Shares liability, Earn-Out liability and Public and Private Placement Warrants liability and Structural Derivative liability for the three months ended March 31, 2023 was driven by the changes in our stock price from the December 31, 2022 through March 31, 2023.

Other income, net increased by $2.6 million, or 132% for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022 primarily due to a $3.8 million reduction of transaction costs allocated to liability instruments acquired in the Business Combination offset by a $1.9 million decrease in a gain on remeasurement of the preferred stock warrant liability.

Liquidity, Capital Resources and Requirements

As of March 31, 2023, we had $81.7 million in unrestricted cash (excluding restricted cash of $8.8 million) and cash equivalents and working capital of $94.2 million, and we incurred negative cash flows from operating activities of $6.7 million for the three months ended March 31, 2023. We have incurred significant losses since inception and have an accumulated deficit of approximately $590.9 million. To date, we have funded our operations principally through convertible preferred stock and common stock financings, the incurrence of debt and the Closing of the Business Combination. We have total outstanding indebtedness of $69.4 million, net of debt issuance costs, as of March 31, 2023.

On March 10, 2023, we entered into the Siena Revolver (defined below) with Siena Lending Group, LLC ("Siena") which permits us to receive funding through a revolving line of credit with an initial commitment of $35.0 million. The total borrowing capacity under the Siena Revolver is subject to certain conditions, including our inventory and accounts receivable balances and other limitations as specified in the agreement. Available borrowing capacity from the Siena Revolver was $10.2 million as of March 31, 2023.

In December 2022, we repaid other outstanding debt obligations with a prior lender with the Structural Debt Facility (as defined below) and will begin to make principal payments on the Structural Debt Facility beginning on July 1, 2025 over a period of 18 months.

On July 18, 2022, we entered into the Standby Equity Purchase Agreement ("SEPA") with YA II PN, LTD. ("Yorkville"), whereby we have the right, but not the obligation, to sell to Yorkville up to $100.0 million of our shares of common stock at our request until July 18, 2025, subject to certain conditions. The shares of our common stock that may be issued under the SEPA may be sold by us to the Yorkville at our discretion from time to time and sales of our common stock under the SEPA will depend upon market conditions and other factors. Additionally, in no event may we sell more than 32,557,664 shares of our common stock to Yorkville under the SEPA, which number of shares is equal to 19.99% of the shares of the Company's common stock outstanding immediately prior to the execution of the Equity Purchase Agreement (the "Exchange Cap"), unless we obtain stockholder approval to issue shares of common stock in excess of the Exchange Cap in accordance with applicable NYSE rules or comply with certain other requirements as described in the Equity Purchase Agreement. As a result, unless our average stock price under the SEPA exceeds $3.07, we will be unable to sell the full $100.0 million commitment to Yorkville without seeking stockholder approval to issue additional shares in excess of the Exchange Cap. As of March 31, 2023, our average trading price in 2023 was $0.46, without considering our average daily trading volumes and other market demand factors for our stock, we would be able to raise approximately

$14.0 million, net of issuance costs, under the Equity Purchase Agreement. As of March 31, 2023, we have sold 739,825 shares under the SEPA and there were 31,817,839 shares available to be sold to Yorkville under the Exchange Cap.

Management believes that currently available resources will provide sufficient funds to enable the Company to meet its obligations for at least one year past the date these condensed consolidated financial statements are available to be issued. We anticipate that we will continue to incur operating losses and generate negative cash flows from operations in the future as we continue to invest in advertising and other strategic incentives planned for future growth. Cash from operations could be affected by our customers and other risks detailed in the section of our titled "Risk Factors." As a result, we will need additional capital resources to execute strategic initiatives and fund our operations, prior to achieving break even or positive operating cash flow. We expect to continue to opportunistically seek access to additional funds by utilizing the SEPA, through additional public or private equity offerings or debt financings, through partnering or other strategic arrangements, through the exercise of certain of our warrants, or a combination of the foregoing. There can be no assurance that such additional debt or equity financing will be available on terms acceptable to the Company, or at all.

Our ability to raise additional capital may be adversely impacted by potential worsening global economic conditions and the recent disruptions to and volatility in the credit and financial markets in the United States and worldwide, including the trading price of common stock. To the extent that we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. Debt financing arrangements may require us to pledge certain assets or enter into covenants that could restrict our operations or our ability to pay dividends or other distributions on our common stock or incur further indebtedness. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. In addition, our Class A Common Stock trading price may not exceed the respective exercise prices of our Public Warrants, Private Placement Warrants, warrants granted to HGI (as defined below) and/or our Legacy Grove Warrants before the respective warrants expire, and therefore we may not receive any proceeds from the exercise of warrants to fund our operations. If we are unable to raise additional capital when desired, our business, results of operations, and financial condition would be materially and adversely affected.

Contractual Obligations and Other Commitments

Our most significant contractual obligations relate to our loan facilities, purchase commitments on inventory and operating lease obligations on our fulfillment centers and corporate offices. As of March 31, 2023, we had $15.3 million of enforceable and legally binding inventory purchase commitments predominantly due within one year. For information on our contractual obligations for operating leases, see "Leases" in Note 8 of the Notes to our audited consolidated financial statements as of and for the years ended December 31, 2022, 2021 and 2020 included in Form 10-K filed with the SEC on March 16, 2023.

Loan Facilities

Structural Debt Facility

In December 2022, we entered into a Loan and Security Agreement ("Structural Debt Facility") with third-party lenders to borrow gross proceeds of $72.0 million which was used primarily to settle other outstanding obligations with a prior lender. The Structural Debt Facility bears an annual rate of interest at the greater of 15.00% or 7.50% plus the prime rate, payable monthly. The principal repayment period commences on July 1, 2025 and continues until the maturity date of December 21, 2026. The Company may prepay all outstanding amounts under this facility at any time. Under the agreement, when amounts are prepaid or repaid in full at the Maturity Date, the Company may be obligated to pay additional fees which would allow for the lenders to reach a Minimum Return.

The Structural Debt Facility is collateralized by the assets of the Company and includes financial covenants we must meet in order to avoid an Event of Default, as defined by the agreement. Such covenants include (i) maintaining a minimum of $57.0 million in unrestricted cash at all times and (ii) achieving certain revenue targets for the trailing four quarter period beginning with the fiscal quarter ending March 31, 2023. The Structural Debt Facility contains a subjective acceleration clause in the event that lenders determine that a material adverse change has or will occur within the business, operations, or financial condition of the Company or a material impairment of the prospect of repaying any portion of this financial obligation. In accordance with the loan agreement, Structural has been provided with the our periodic financial statements and updated projections to facilitate their ongoing assessment of the Company. We believe the likelihood that lenders would exercise the subjective acceleration clause is remote. As of March 31, 2023, we were in compliance with these covenants.

Siena Revolver

On March 10, 2023, we entered into a Loan and Security Agreement (the "Siena Revolver") with Siena Lending Group, LLC which permits us to receive funding through a revolving line of credit with an initial commitment of $35.0 million. The borrowing capacity under the Siena Revolver is subject to certain conditions, including our inventory and accounts receivable balances and other limitations as specified in the agreement. Total borrowing capacity from the Siena Revolver was $17.7 million as of March 31, 2023, of which there was an outstanding principal amount of $7.5 million

The interest rates applicable to borrowings under the Siena Revolver are based on a fluctuating rate of interest measured by reference to either, at our option, (i) a Base Rate, plus an applicable margin, or (ii) the Term SOFR rate then in effect, plus 0.10% and an applicable margin. The Base Rate is defined as the greatest of: (1) Prime Rate as published in the Wall Street Journal, (2) Federal Funds Rate plus 0.5% and (3) 5.0% per annum. The applicable margin for Siena Revolver borrowings is based on the Company's monthly average principal balance outstanding and ranges from 2.75% to 4.50% per annum in the case of Base Rate Borrowings and 3.75% to 5.50% per annum in the case of Term SOFR borrowings. The Siena Revolver also contains various financial covenants we must maintain to avoid an Event of Default, as defined by the agreement, including a subjective acceleration clause in the event that Siena determines that a material adverse change has or will occur with the business. We believe the likelihood of Siena exercising the subjective acceleration clause is remote. In accordance with the agreement, Siena has been provided with the our periodic financial statements and updated projections to facilitate their ongoing assessment of the Company. The Siena Revolver matures at the earlier of March 10, 2026 or the maturity date of the Structural Debt Facility. As of March 31, 2023, we were in compliance with all covenants related to the Siena Revolver.

Cash Flows

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

	Three Months Ended March 31,	
	2023	**2022**
	(in thousands)	
Net cash used in operating activities	$ (6,737)	$ (29,503)
Net cash used in investing activities	(784)	(1,352)
Net cash provided by financing activities	1,990	26,907
Net decrease in cash, cash equivalents and restricted cash	$ (5,531)	$ (3,948)

Operating Activities

Net cash used in operating activities decreased by $22.8 million for the three months ended March 31, 2023 compared to March 31, 2022, primarily attributable to a decrease in net loss, net of noncash activities, of $33.3 million. This decrease in net loss, net of non-cash activities, was primarily driven by a decrease in advertising expenses of $24.1 million. This was offset by a decrease of inflow related to changes in net operating assets and liabilities of $10.5 million primarily driven by a decrease in accrued expenses and accounts payable due to timing of invoices from and payments to our vendors and suppliers.

Investing Activities

Net cash used in investing activities of $0.8 million and $1.4 million for the three months ended March 31, 2023 and 2022, respectively was due to purchases of property and equipment.

Financing Activities

Net cash provided by financing activities of $2.0 million for the three months ended March 31, 2023 primarily consisted of $7.5 million in proceeds from the Siena Revolver offset by the payment of transaction costs related to the Business Combination of $4.2 million and payment debt fees of $0.8 million.

Net cash provided by financing activities of $26.9 million for the three months ended March 31, 2022 primarily consisted of proceeds from issuance of contingently redeemable convertible common stock of $27.5 million partially offset by $0.5 million payment of deferred offering issuance costs.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet financing arrangements, as defined in Item 303 of Regulation S-K, as of March 31, 2023.

Critical Accounting Estimates

There have been no significant changes to our critical accounting policies since December 31, 2022. For a description of critical accounting policies that affect our significant judgments and estimates used in the preparation of our unaudited condensed consolidated financial statements, refer to Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K.

Emerging Growth Company Status

The Company is an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. The JOBS Act permits companies with emerging growth company status to take advantage of an extended transition period to comply with new or revised accounting standards, delaying the adoption of these accounting standards until they would apply to private companies. Following the closing of the Business Combination, the Company uses this extended transition period to enable it to comply with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date the Company (1) is no longer an emerging growth company or (2) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with the new or revised accounting standards as of public company effective dates.

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

(a) 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, 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. The Company evaluated, with the participation of the current chief executive officer and chief financial officer (the "Company's Certifying Officers"), the effectiveness of the Company's disclosure controls and procedures as of March 31, 2023, the end of the period covered by the Quarterly Report on Form 10-Q, pursuant to Rule 13a-15(b) under the Exchange Act. The Company's Certifying Officers concluded that our disclosure controls and procedures were effective as of March 31, 2023.

(b) Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended March 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

The Company does not expect that its 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.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, we are subject to various claims, charges and litigation matters that arise in the ordinary course of business. We believe these actions are a normal incident of the nature and kind of business in which we are engaged. While it is not feasible to predict the outcome of these matters with certainty, we do not believe that any asserted or unasserted legal claims or proceedings, individually or in the aggregate, will have a material adverse effect on our business, financial condition, results of operations or prospects.

As noted in “Part I - Item 1A - Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the Securities and Exchange Commission on March 16, 2023, the Consumer Protection Division of the Santa Clara County District Attorney’s Office, in conjunction with other county and city prosecutors, is currently investigating our automatic renewal practices, and the Federal Trade Commission is currently investigating our billing and automatic renewal practices. As of the date of this filing, no legal proceeding has commenced regarding these investigations.

Item 1A. Risk Factors

There have been no material changes to our risk factors that we believe are material to our business, results of operations and financial condition from the risk factors previously disclosed in our Annual Report on Form 10-K filed with the SEC on March 16, 2023.

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

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits

(a) Exhibits.

Exhibit Number	Description
2.1†	Agreement and Plan of Merger, dated as of December 7, 2021, by and among Virgin Group Acquisition Corp. II, Treehouse Merger Sub, Inc. and Grove Collaborative, Inc. (incorporated by reference to Exhibit 2.1 of the Company’s Form 8-K (File No. 001-40263), filed with the SEC on December 8, 2021).
2.2†	Amended and Restated Agreement and Plan of Merger, dated as of March 31, 2022, by and among Virgin Group Acquisition Corp. II, Treehouse Merger Sub, Inc., Treehouse Merger Sub II, LLC and Grove Collaborative, Inc. (incorporated by reference to Exhibit 2.1 of the Company’s Form 8-K (File No. 001-40263), filed with the SEC on April 4, 2022).
3.1	Certificate of Incorporation of Grove Collaborative Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company’s Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).

Exhibit Number	Description
3.2	Bylaws of Grove Collaborative Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.1	Specimen Warrant Certificate (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-1 filed by the Registrant on March 15, 2021).
4.2	Warrant Agreement, dated as of March 22, 2021, between Virgin Group Acquisition Corp. II and Continental Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by the Registrant on March 25, 2021).
4.3	Certificate of Corporate Domestication of Virgin Group Acquisition Corp. II (incorporated by reference to Exhibit 4.3 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.4	Warrant Agreement, dated June 16, 2022, between Grove Collaborative Holdings, Inc. and Corvina Holdings Limited (incorporated by reference to Exhibit 4.4 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.5	Specimen Warrant to Purchase Shares of Common Stock of Grove Collaborative, Inc. (incorporated by reference to Exhibit 4.5 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.6	Specimen Warrant to Purchase Shares of Common Stock of Grove Collaborative, Inc. (incorporated by reference to Exhibit 4.6 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.7	Specimen Warrant to Purchase Shares of Common Stock of Grove Collaborative, Inc. (incorporated by reference to Exhibit 4.7 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.8	Specimen Warrant to Purchase Shares of Common Stock of Grove Collaborative, Inc. (incorporated by reference to Exhibit 4.8 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.9	Specimen Warrant to Purchase Shares of Series A Preferred Stock of Grove Collaborative, Inc. (incorporated by reference to Exhibit 4.9 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.10	Specimen Warrant to Purchase Shares of Series B Preferred Stock of Grove Collaborative, Inc. (incorporated by reference to Exhibit 4.10 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.11	Specimen Warrant to Purchase Shares of Series C Preferred Stock of Grove Collaborative, Inc. (incorporated by reference to Exhibit 4.11 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.12	Specimen Warrant to Purchase Shares of Series D Preferred Stock of Grove Collaborative, Inc. (incorporated by reference to Exhibit 4.12 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.13	Warrant Agreement, dated November 10, 2022, between Grove Collaborative Holdings, Inc. and HCI Grove Management LLC (incorporated by reference to Exhibit 4.13 of the Company's Form 10-Q, filed with the SEC on November 10, 2022).
10.32*+	Form of Performance Cash Award Notice and Performance Cash Award Agreement under the Grove Collaborative Holdings, Inc. 2022 Incentive Equity Plan.
10.33†	Loan and Security Agreement, dated as of March 10, 2023, by and among Grove Collaborative Holdings, Inc., Grove Collaborative, Inc., each of their subsidiaries signatory thereto from time to time as guarantors, and Siena Lending Group LLC (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on March 14, 2023).
10.34*††	Amendment No. 1 to Loan and Security Agreement, dated as of March 10, 2023, by and among Grove Collaborative Holdings, Inc., Grove Collaborative, Inc., Ocean II PLO LLC and the lending institutions party thereto.
31.1*	Certification of 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.

Exhibit Number	Description
31.2*	Certification of Principal Financial 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 Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline Instance Document.
101.SCH	Inline Taxonomy Extension Schema Document.
101.CAL*	Inline Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.
\+ Indicates management contract or compensatory plan or arrangement.
† Schedules and exhibits to this Exhibit omitted pursuant to Regulation S-K Item 601(b)(2). The Registrant agrees to furnish supplementally a copy of any omitted schedule of exhibit to the SEC upon request.
†† The Registrant has redacted provisions or terms of this Exhibit pursuant to Regulation S-K Item 601(b)(10)(iv). The Registrant agrees to furnish an unredacted copy of the Exhibit to the SEC upon its request.

SIGNATURES

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

Date: May 11, 2023

GROVE COLLABORATIVE HOLDINGS, INC.

By: /s/ Sergio Cervantes

Name: Sergio Cervantes

Title: Chief Financial Officer

Exhibit 10.32

GROVE COLLABORATIVE HOLDINGS, INC.
2022 Equity and Incentive Plan

Performance Cash Award Notice

[HOLDER]

You have been awarded a performance cash award (the "Award") by Grove Collaborative Holdings, Inc., a Delaware corporation (the "Company"), pursuant to the terms and conditions of the Grove Collaborative Holdings, Inc. 2022 Equity and Incentive Plan (the "Plan") and the Performance Cash Award Agreement (together with this Award Notice, the "Agreement"). Capitalized terms not defined herein shall have the meanings specified in the Plan or the Agreement.

Performance Cash Award: [AWARD AMOUNT]

Performance Period: [DATE RANGE]

Performance Goals: [PERFORMANCE GOALS]

Negative Discretion: Notwithstanding the foregoing, the Committee reserves the right to reduce or eliminate the payout for any factors deemed relevant by the Committee, in its sole discretion.

GROVE COLLABORATIVE HOLDINGS, INC.

By: ______________________________
Name:
Title:

Acknowledgment, Acceptance and Agreement:

By signing below and returning this Award Notice to Grove Collaborative Holdings, Inc., I hereby acknowledge receipt of the Agreement and the Plan, accept the Award granted to me and agree to be bound by the terms and conditions of this Award Notice, the Agreement and the Plan.

____
Holder

____
Date

GROVE COLLABORATIVE HOLDINGS, INC.
2022 Equity and Incentive Plan

Performance Cash Award Agreement

Grove Collaborative Holdings, Inc., a Delaware corporation (the "Company"), hereby grants to the individual (the "Holder") named in the award notice attached hereto (the "Award Notice") as of the date set forth in the Award Notice (the "Grant Date"), pursuant to the provisions of the Grove Collaborative Holdings, Inc. 2022 Equity and Incentive Plan (the "Plan"), a performance cash award (the "Award") pursuant to Section 4.1 of the Plan for the target amount set forth in the Award Notice, upon and subject to the restrictions, terms and conditions set forth in the Plan, the Award Notice and this agreement (the "Agreement"). Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Award Subject to Acceptance of Agreement. The Award shall be null and void unless the Holder accepts this Agreement by executing the Award Notice in the space provided therefor and returning an original execution copy of the Award Notice to the Company.

2. Earned Award and Termination of Employment.

2.1 Earned Award. The Award shall only be earned to the extent the Holder remains employed through the settlement of the Award pursuant to Section 3.4.

2.2 Termination of Employment. In the event the employment of the Holder is terminated for any reason prior to the date on which the Award is settled pursuant to Section 3.4, then the Holder's Award shall be immediately forfeited by the Holder upon such termination of employment.

2.3 Change in Control. Upon a Change in Control, the Holder shall be entitled to receive a pro-rata portion of the Award, determined assuming target performance and pro-rated based on the number of days of service during the Performance Period set forth in the Award Agreement and prior to the Change in Control divided by 365 and subject to the Holder's continuous employment through the consummation of the Change in Control, as determined by the Committee.

3. Additional Terms and Conditions of Award.

3.1. Award Confers No Rights to Continued Service. In no event shall the granting of the Award or its acceptance by the Holder, or any provision of the Agreement or the Plan, give or be deemed to give the Holder any right to continued service with the Company, any Subsidiary or any affiliate of the Company.

3.2. Decisions of Board or Committee. The Board or the Committee shall have the right to resolve all questions which may arise in connection with the Award. Any interpretation, determination or other action made or taken by the Board or the Committee regarding the Plan or this Agreement shall be final, binding and conclusive.

3.3. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon the death of the Holder, acquire any rights hereunder in accordance with this Agreement or the Plan.

3.4. Payment of Award. Subject to Section 3.5 hereof, as soon as practicable after the conclusion of the Performance Period (or, if earlier, the Change in Control), the Company shall pay the Award to the Holder, as determined in accordance with the Award Notice and this Agreement; provided that (i) the Holder has remained continuously employed by the Company or any of its Subsidiaries or affiliates through the date on which the Award is settled pursuant to this Section 3.4 and (ii) such payment shall be made no later than March 15th following the conclusion of the Performance Period or, in the case of a Change in Control, no later than 60 days following the occurrence of the Change in Control. Notwithstanding any other provision of this Agreement to the contrary, no payment shall occur unless and until the Committee has certified that the applicable Performance Goals have been satisfied.

3.4.1 Proration of Payment. The Company reserves the right to prorate payment of the Award for the portion of any leave of absence or combined leaves of absence that exceeds sixteen (16) weeks during the Performance Period.

3.5. Taxation. The Holder understands that the Holder is solely responsible for all tax consequences to the Holder in connection with this Award. The Company will have the power and the right to deduct or withhold, or require the Holder or the Holder's beneficiary to remit to the Company, an amount sufficient to satisfy any income or other withholding taxes with respect to any taxable event arising as a result of this Agreement.

3.6. Clawback Provision. The Holder agrees that the Company shall have the right to require the Holder to repay the value of the Award received by the Holder pursuant to this Agreement, as may be required by law (including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder) or as a result of: (i) a financial restatement if the value of the Award received was predicated upon achieving certain performance goals that were subsequently the subject of such financial restatement; and (ii) a lower Award would have been paid based on the restated results. This Section 3.6 shall survive the termination of the Holder's employment for any reason. The foregoing remedy is in addition to and separate from any other relief available to the Company due to the Holder's misconduct or fraud. Any determination by the Committee with respect to the foregoing shall be final, conclusive and binding upon the Holder and all persons claiming through the Holder.

3.7. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Grove Collaborative Holdings, Inc., Attn: General Counsel, 1301 Sansome Street, San Francisco, CA 94111, and if to the Holder, to the last known mailing address of the Holder contained in the records of the Company. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

3.8. Governing Law. This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

3.9. Section 409A. This Agreement is intended to be exempt from Section 409A of the Code.

3.10. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. In the event that the provisions of this Agreement and the Plan conflict, the Plan shall control. The Holder hereby acknowledges receipt of a copy of the Plan.

3.11. Entire Agreement. This Agreement, the Award Notice and the Plan constitute the entire agreement of the parties with respect to the Award and supersede in their entirety all prior undertakings and agreements of the Company and the Holder with respect to the Award, and may not be modified adversely to the Holder's interest except by means of a writing signed by the Company and the Holder.

3.12. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provision was omitted.

3.13. Amendment and Waiver. The provisions of this Agreement may be amended or waived only by the written agreement of the Company and the Holder, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

3.14. Counterparts. The Award Notice may be executed in two counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

Exhibit 10.34

AMENDMENT NO. 1 TO
LOAN AND SECURITY AGREEMENT

This Amendment No. 1 to Loan and Security Agreement ("*Amendment No. 1*") is made effective as of March 10, 2023 (the "*Amendment Date*") by and among Structural Capital Investments III, LP, Structural Capital Investments IV, LP, Avenue Sustainable Solutions Fund, L.P., and Series PCI Grove series of Structural Capital Primary Co-Investment Fund, LLC (collectively, together with any other party now or hereafter a lender hereunder, ***"Lenders"*** and each a ***"Lender"***), Ocean II PLO LLC, a California limited liability company, as administrative and collateral agent for Lenders (***"Agent"***), Grove Collaborative Holdings, Inc., a Delaware public benefit corporation (***"Holdings"***), and Grove Collaborative, Inc., a Delaware public benefit corporation (***"Grove"***, and together with Holdings, each a ***"Borrower"*** and together, ***"Borrowers"***).

Recitals

WHEREAS, on December 21, 2022, Borrowers, Lenders and Agent entered into that certain Loan and Security Agreement, which together with all exhibits, schedules, documents and agreement attached thereto and required thereby is referred to herein as the "*Loan Agreement*"; and

WHEREAS, Borrowers, Agent and Lenders desire to modify and amend of certain of the terms and conditions of the Loan Documents as set forth in this Amendment No. 1.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and without limiting or amending any other provisions of the Loan Agreement, the parties hereby agree to modify the Loan Agreement and to perform such other covenants and conditions as follows:

I. Amendments to Loan Agreement.

(a) **Exhibit A.** ***Exhibit A*** to the Loan Agreement is hereby amended to revise **clause (f)** of the definition of Excluded Assets to read in its entirety as follows:

"(f) rights in respect of directors and officer's liability insurance and similar insurance; and"

(b) **Section 6.8. Section 6.8 (c)**, **subclause (b)** of the Loan Agreement is hereby amended to read in its entirety as follows:

"(b) after the occurrence and during the continuance of an Event of Default, all proceeds payable under any such casualty policy or under any business interruption policy (other than on account of Approved ABL Collateral) shall, at the option of Agent, be payable to the Lenders on account of the Obligations."

(c) **Section 9.5.** For purposes of **clause (c)** of **Section 9.5** of the Loan Agreement, business interruption insurance shall be deemed to be discussed in **Section 6.8** of the Loan Agreement.

II. Conditions Precedent to the Effectiveness to Amendment No. 1.

The effectiveness of this Amendment No. 1 is subject to the fulfillment of each and every of the following conditions precedent in form and substance satisfactory to the Agent in its sole discretion:

(a) This Amendment No. 1 shall have been duly executed and delivered by Borrowers.

(b) Borrowers shall pay all Lender's Expenses for the preparation and negotiation of this Amendment No. 1 (including without limitation all reasonable attorneys' fees) in the amount of $5,000.

(c) Such other documents, and completion of such other matters, as Agent may deem necessary or appropriate.

III. Additional and Terms and Conditions.

(a) **Representations and Warranties of Borrowers**. Borrowers represent, warrant and covenant to Agent and Lenders as of the date hereof as follows:

(i) This Amendment No. 1 has been duly executed and delivered by the Borrowers and each applicable Loan Party and constitutes legal, valid and binding obligations of the applicable Loan Party, enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws of general application relating to or affecting the enforcement of creditors' rights or by general principal of equity.

(ii) The execution, delivery and performance by Borrowers of this Amendment No. 1 and any other agreements or instruments required hereunder (x) have been duly authorized, and are not in conflict with nor constitute a breach of any provision of the Borrowers' organizational documents and (y) do not (1) require any authorization, consent or approval by any Governmental Authority, in each case other than has already been obtained or given will have been obtained or given prior to the time when required, (2) conflict with or result in a breach of any law or regulation, order, writ, injunction or decree of any court or Governmental Authority, except where such conflict or resulting breach would not reasonably be expected to cause a Material Adverse Effect, or
(3) require the approval, authorization or consent of any trustee or holder of any indebtedness or obligation of Borrowers or of any other Person under any material agreement, contract, lease or license or similar document or instrument to which any Loan Party is a party or by which any Loan Party is bound.

(b) **No Waiver**. No course of dealing on the part of Agent or any Lender or any employees, officers or directors of any of the foregoing, nor any failure or delay in the exercise of any right by Agent or any Lender, shall operate as a waiver thereof, and any single or partial exercise of any such right shall not preclude any later exercise of any such right. Any failure of Agent or of any Lender at any time to require strict performance by Borrowers of any provision shall not affect any right of Agent or Lenders thereafter to demand strict compliance and performance. Any suspension or waiver of a right must be in writing signed by an officer of Agent.

(c) **Delivery of Business Interruption Insurance**. Within thirty (30) days of the date of Amendment No. 1 (or such later date agreed by Agent in writing), Borrowers shall deliver policies of business interruption insurance containing a lender's loss payable endorsement, in a form reasonably satisfactory to Agent, showing Agent for itself and the benefit of the Lenders as an additional loss payee thereof, and shall specify that the insurer must give at least thirty (30) days' notice to Agent before canceling its policy for any reason (except for nonpayment, which shall be ten (10) days prior notice). Each Borrower shall promptly deliver to Agent, upon its request, its current copy of such policies of insurance, evidence of the payments of all premiums therefor and insurance certificates and, subject to the first sentence of this **Section (d)** related endorsements thereto, it being understood that any time there is a change or renewal of such insurance, it is such Borrower's obligation to promptly deliver such materials to Agent. Failure at any time to timely perform any or all of the covenants in this **Section (d)**, shall be an Event of Default under **Section 8.3** of the Loan Agreement.

IV. Integration Clause.

The Loan Agreement, as amended by this is Amendment No. 1, and each of the other Loan Documents dated as amended, taken together constitute and contain the entire agreement among Borrowers, Agent and Lender and supersede any and all prior agreements, negotiations, correspondence, understandings and communications between the parties, whether written or oral, respecting the subject matter hereof. NONE OF THE LOAN AGREEMENT OR THIS AMENDMENT NO. 1 MAY BE MODIFIED EXCEPT BY A WRITING SIGNED BY THE AGENT, THE REQUIRED LENDERS AND BORROWER IN ACCORDANCE WITH THE LOAN AGREEMENT. Each provision hereof shall be severable from every other provision when determining its legal enforceability under this Amendment No. 1 and the Loan Agreement, as amended by this Amendment No. 1, may be enforced to the maximum extent permitted under applicable law. This Amendment No. 1 shall be binding upon, and inure to the benefit of, each party's respective permitted successors and assigns. This Amendment No. 1 may be executed in counterpart originals, all of which, when taken together, shall constitute one and the same original document. In the event of any contradiction or inconsistency among the terms and conditions of this Amendment No. 1 or the Loan Agreement the terms and conditions of this Amendment No. 1 shall prevail.

V. Notice Provisions.

Agent hereby notifies Borrowers that Agent's information for Notices under**Section 11.1** of the Loan Agreement is hereby updated as follows:

Ocean II PLO LLC
800 Menlo Avenue, Suite 210 Menlo Park, CA 94025
Attn: Kai Tse
EMAIL: [*****]

VI. Miscellaneous.

Unless otherwise defined, all initially capitalized terms in this Amendment No. 1 shall be as defined in the Loan Agreement. The Loan Agreement, as amended hereby, shall be and remain in full force and effect in accordance with its respective terms and hereby is ratified and confirmed in all respects. Except as expressly set forth herein, the execution, delivery, and performance of this Amendment No. 1 shall not operate as a waiver of, or as an amendment of, any right, power, or remedy of Agent or any Lender under the Loan Agreement, as in effect prior to the date hereof. Except as amended hereby, the Loan Agreement remains unmodified and unchanged. This Amendment No. 1 may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument. This Amendment No. 1 and any amendments or waivers hereto, to the extent signed and delivered by means of facsimile, photocopy, scan by e-mail delivery of a ".pdf" format data file, or any electronic signature valid under the Electronic Signatures in Global and National Commerce Act, 15 U.S.C. § 7001, et. seq such as DocuSign shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. No party hereto or to any such agreement or instrument shall raise the use of signature delivered or provided in that manner as a defense to the formation of a contract and each party hereto forever waives any such defense.

[Remainder of the page intentionally left blank. Signature page to follow.]

In Witness Whereof, the parties hereto have caused this Amendment No. 1 to be executed as of the date first above written.

BORROWERS:

Grove Collaborative Holdings, Inc.,
a Delaware public benefit corporation

By: /s/ Stuart Landesberg
Name: Stuart Landesberg
Title: Chief Executive Officer and President

Grove Collaborative, Inc.,
a Delaware public benefit corporation

By: /s/ Stuart Landesberg
Name: Stuart Landesberg
Title: Chief Executive Officer and President

In Witness Whereof, the parties hereto have caused this Amendment No. 1 to be executed as of the date first above written.

LENDERS:

STRUCTURAL CAPITAL INVESTMENTS III, LP
a Delaware limited partnership

By: **Structural Capital GP III, LLC,**
a Delaware limited liability company, its General Partner

By: /s/ Kai Tse
Name: Kai Tse
Title: Managing Member

STRUCTURAL CAPITAL INVESTMENTS IV, LP,
a Delaware limited partnership

By: **Structural Capital GP IV, LLC**
a Delaware limited liability company its General Partner

By: /s/ Kai Tse
Name: Kai Tse
Title: Managing Member

SERIES PCI GROVE, A SERIES OF STRUCTURAL CAPITAL PRIMARY CO-INVESTMENT FUND, LLC,
a Delaware series limited liability company

By: **Structural Capital GP III, LLC,**
a Delaware limited liability company, its Manager

By: /s/ Kai Tse
Name: Kai Tse
Title: Managing Member

<u>LENDERS (CONT)</u>:

AVENUE SUSTAINABLE SOLUTIONS FUND, L.P.,
a Delaware limited partnership

By: **Avenue Sustainable Solutions Partners, LLC**, its General Partner

By: **GL Sustainable Solutions Partners, LLC**, its Managing Member

By: <u>/s/ Sonia Gardner</u>
Name: Sonia Gardner
Title: Member

In Witness Whereof, the parties hereto have caused this Amendment No. 1 to be executed as of the date first above written.

AGENT:

OCEAN II PLO LLC,
a California limited liability company

By: **Structural Capital Management Company II, LP,**
a Delaware limited partnership, its Manager

By: **Structural Capital GP, LLC**,
a Delaware limited liability company, its General Partner

By: /s/ Kai Tse
Name: Kai Tse
Title: Managing Member

Exhibit 31.1

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, Stuart Landesberg, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 11, 2023

By: /s/ Stuart Landesberg
Stuart Landesberg
Chief Executive Officer

Exhibit 31.2

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, Sergio Cervantes, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 11, 2023	By:	/s/ Sergio Cervantes
		Sergio Cervantes
		Chief Financial Officer

Exhibit 32.1

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 Grove Collaborative Holdings, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stuart Landesberg, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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 11, 2023	By:	/s/ Stuart Landesberg
		Stuart Landesberg
		Chief Executive Officer

In connection with the Quarterly Report of Grove Collaborative Holdings, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sergio Cervantes, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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 11, 2023	By:	/s/ Sergio Cervantes
		Sergio Cervantes
		Chief Financial Officer