

REFINITIV

DELTA REPORT

10-Q

GAIA - GAIA, INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

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█	CHANGES	114
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**United States
Securities and Exchange Commission
Washington, D.C. 20549**

Form 10-Q

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

For the quarterly period ended **September 30, March 31, 2023** **2024**

OR

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

For the transition period from to

Commission File Number **000-27517**



GAIA, INC.

(Exact name of registrant as specified in its charter)

COLORADO

84-1113527

(State or other jurisdiction of
incorporation or organization)

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

833 WEST SOUTH BOULDER ROAD,

LOUISVILLE, COLORADO 80027

(Address of principal executive offices)

(303) 222-3600

(Registrant's telephone number, including area code)

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	GAIA	NASDAQ Global Market

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

<u>Class</u>	<u>Outstanding at October 27, 2023</u>	<u>May 2, 2024</u>
Class A Common Stock (\$0.0001 par value)	17,609,425	18,046,018
Class B Common Stock (\$0.0001 par value)		5,400,000

GAIA, INC.

FORM 10-Q

INDEX

PART I—FINANCIAL INFORMATION

Item 1. <u>Financial Statements (Unaudited):</u>	3
---	---

<u>Condensed Consolidated Balance Sheets at September 30, 2023 as of March 31, 2024 and December 31, 2022 December 31, 2023</u>	4
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<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023</u>	5
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<u>Condensed Consolidated Statements of Changes in Shareholders' Equity for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023</u>	6
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<u>Condensed Consolidated Statements of Cash Flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023</u>	7
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<u>Notes to interim condensed consolidated financial statements</u> <u>Interim Condensed Consolidated Financial Statements</u>	8
--	---

Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12
---	----

Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	15
--	----

Item 4. <u>Controls and Procedures</u>	15
---	----

PART II—OTHER INFORMATION

Item 1. <u>Legal Proceedings</u>	17
---	----

Item 1A. <u>Risk Factors</u>	17
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	17
Item 3. <u>Defaults Upon Senior Securities</u>	17
Item 4. <u>Mine Safety Disclosures</u>	17
Item 5. <u>Other Information</u>	17
Item 6. <u>Exhibits</u>	18
<u>SIGNATURES</u>	19

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Unaudited Interim Condensed Consolidated Financial Statements

We have prepared our unaudited interim condensed consolidated financial statements included herein pursuant to the rules and regulations of the **United States** **Securities and Exchange Commission** **Commission** (“SEC”). While certain information and note disclosures normally included in annual **audited** financial statements prepared in accordance with accounting principles generally accepted in the **United States of America** (“GAAP”) have been condensed or omitted pursuant to these rules and regulations, we believe that the disclosures made are adequate to make the information not misleading. In our opinion, the unaudited **interim** condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly, in all material respects, our **condensed** **consolidated** **financial** **position** **balance sheets** as of **September 30, 2023** **March 31, 2024**, the interim **results** **condensed** **consolidated** **statements** of operations for the three **and** **nine** months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, and **condensed** **consolidated** **statements** of cash flows for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and

2022, 2023. Operating results for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 are not necessarily indicative of the results that may be expected for a full year or any future interim period. These interim statements have not been audited. The balance sheet as of December 31, 2022 December 31, 2023 was derived from our annual audited consolidated financial statements included in our Annual Report on Form 10-K. The interim condensed consolidated financial statements contained herein should be read in conjunction with our annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2022 December 31, 2023.

GAIA, INC.

Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)	September	December	March 31, 2024 (unaudited)	December 31, 2023 (unaudited)
	30, 2023	31, 2022		
	(unaudited)	(unaudited)		
ASSETS				
Current assets:				
Cash	\$ 11,229	\$ 11,562		
Cash and cash equivalents			\$ 8,599	\$ 7,766
Restricted cash			4,000	—
Accounts receivable	3,829	2,955	4,738	4,111
Other receivables			2,248	2,191
Prepaid expenses and other current assets	4,132	2,656	1,875	2,015
Total current assets	19,190	17,173	21,460	16,083
Media library, software and equipment, net	50,481	51,115		
Right-of-use lease asset, net	6,492	7,093		
Real estate, investment and other assets, net	30,296	30,979		
Media library, net			39,296	40,125
Operating right-of-use asset, net			6,082	6,288
Property and equipment, net			25,672	26,303
Equity method investment			—	6,374

Investments and other assets, net			9,389	3,157
Goodwill	31,943	31,943	31,943	31,943
Total assets	138,40	138,30		
	\$ 2	\$ 3	\$ 133,842	\$ 130,273
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable, accrued and other liabilities	\$ 14,051	\$ 12,355		
Short-term debt and lease liability	9,920	894		
Accounts payable			\$ 11,368	\$ 12,038
Accrued and other liabilities			5,734	2,599
Long-term debt, current portion			156	155
Operating lease liability, current portion			795	780
Deferred revenue	15,334	14,124	17,815	15,861
Total current liabilities	39,305	27,373	35,868	31,433
Long-term debt, net	5,842	14,958		
Long-term lease liability	5,911	6,489		
Deferred taxes	499	499		
Long-term debt, net of current portion (Note 4)			5,762	5,801
Operating lease liability, net of current portion			5,503	5,708
Deferred taxes, net			551	551
Total liabilities	51,557	49,319	47,684	43,493
Commitments and Contingencies (Note 8)				
Shareholders' equity:				
Class A common stock, \$0.0001 par value, 150,000,000 shares				
authorized, 15,754,425 and 15,406,186 shares issued and outstanding				
at September 30, 2023 and December 31, 2022, respectively	1	1		
Class B common stock, \$0.0001 par value, 50,000,000 shares				
authorized, 5,400,000 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	1	1		

Class A common stock, \$0.0001 par value, 150,000,000 shares authorized, 17,825,331 and 17,813,179 shares issued, 17,760,526 and 17,748,374 shares outstanding at March 31, 2024 and December 31, 2023, respectively	2	2
Class B common stock, \$0.0001 par value, 50,000,000 shares authorized, 5,400,000 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	1	1
Additional paid-in capital	165,49	164,18
	0	0
Accumulated deficit	(78,64)	(75,19)
	7)	8)
Total shareholders' equity	86,845	88,984
Total liabilities and shareholders' equity	138,40	138,30
	\$ 2	\$ 3
Total Gaia, Inc. shareholders' equity		84,807
Noncontrolling interests		1,351
Total equity		86,158
Total liabilities and equity	\$ 133,842	\$ 130,273
	<u> </u>	<u> </u>

The year-end condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. See accompanying notes to the interim condensed consolidated financial statements.

GAIA, INC.

Condensed Consolidated Statements of Operations (unaudited)

(in thousands, except per share data)	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended March 31,	
	September 30,		September 30,			
	2023	2022	2023	2022	2024	2023
	(unaudited)					
Revenues, net	20,	19,	59,	62,		
	\$ 223	\$ 907	\$ 709	\$ 458	\$ 21,693	\$ 19,647
Cost of revenues	2,9	2,6	8,5	8,3		
	83	48	95	12	3,168	2,773
Gross profit	17,	17,	51,	54,		
	240	259	114	146	18,525	16,874
Expenses:						
Operating						
Expenses:						
Selling and	16,	15,	49,	48,		
operating	254	543	462	197	17,759	16,123
Corporate,						
general and	1,4	2,0	4,7	5,5		
administration	33	19	26	98	1,629	1,773
Acquisition costs	—	—	—	49		
Total operating	17,	17,	54,	53,		
expenses	687	562	188	844	19,388	17,896
Income (loss) from	(44	(30	(3,0			
operations	7)	3)	74)	302		
Loss from						
operations					(863)	(1,022)
Equity method					—	
investment loss						(125)
Interest and other	(14		(37	(17		
expense, net	1)	(65)	5)	5)	(108)	(121)
SEC settlement		(2,0		(2,0		
	—	00)	—	00)		
Loss before income	(58	(2,3	(3,4	(1,8		
taxes	8)	68)	49)	73)	(971)	(1,268)

Provision for (benefit from) income taxes	—	—	—	—	
Loss from continuing operations	(58 8)	(2,3 68)	(3,4 49)	(1,8 73)	
Loss from discontinued operations	—	(7)	—	0)	
Provision for income taxes				—	—
Net loss	(58 \$ 8)	(2,3 \$ 75)	(3,4 \$ 49)	(2,1 \$ 73)	
				(971)	(1,268)
Net income attributable to noncontrolling interests				74	38
Net loss attributable to common shareholders			\$	(1,045)	\$ (1,306)
Earnings (loss) per share:					
Loss per share:					
Basic					
Continuing operations	(0.0 \$ 3)	(0.1 \$ 1)	(0.1 \$ 6)	(0.0 \$ 9)	
Discontinued operations	\$ —	\$ —	\$ —	\$ (0.0 1)	
Basic earnings	(0.0	(0.1	(0.1	(0.1	
(loss) per share	\$ 3)	\$ 1)	\$ 6)	\$ 0)	
Continuing operations (attributable to common shareholders)			\$	(0.05)	\$ (0.06)

Basic loss per share	\$ <u><u>(0.05)</u></u>	\$ <u><u>(0.06)</u></u>
Diluted		
Continuing operations	(0.0 <u>3</u>) \$ <u>1</u>) \$ <u>6</u>) \$ <u>9</u>)	
Discontinued operations	\$ <u>—</u> \$ <u>—</u> \$ <u>—</u> \$ <u>1</u>)	(0.0
Diluted earnings	(0.0 <u>1</u>) (0.1 <u>6</u>) (0.1 <u>1</u>)	
(loss) per share	\$ <u>3</u>) \$ <u>1</u>) \$ <u>6</u>) \$ <u>0</u>)	
Continuing operations (attributable to common shareholders)	\$ <u><u>(0.05)</u></u>	\$ <u><u>(0.06)</u></u>
Diluted loss per share	\$ <u><u>(0.05)</u></u>	\$ <u><u>(0.06)</u></u>
Weighted-average shares outstanding:		
Basic	21, <u>20,</u> <u>20,</u> <u>20,</u> 154 <u>806</u> <u>951</u> <u>686</u>	23,161 <u><u>20,826</u></u>
Diluted	21, <u>20,</u> <u>20,</u> <u>20,</u> 154 <u>806</u> <u>951</u> <u>686</u>	23,161 <u><u>20,826</u></u>

See accompanying notes to the interim condensed consolidated financial statements.

GAIA, INC.

Condensed Consolidated Statements of Changes in Shareholders' Equity (unaudited)

(unaudited)

(in thousands, except shares)	Total	Accumulated	Common	Additional	Common
	Shareholders	Deficit	Stock	Paid-in	Stock
			Amount	Capital	Shares
Equity					
Balance at January 1, 2022	\$ 90,215	\$ (72,103)	\$ 2	\$ 162,316	20,461,337
Issuance of Gaia, Inc. common stock for RSU releases and share-based compensation	540	—	—	540	313,823
Net income	86	86	—	—	—
Balance at March 31, 2022	<u>\$ 90,841</u>	<u>\$ (72,017)</u>	<u>\$ 2</u>	<u>\$ 162,856</u>	<u>20,775,160</u>
Issuance of Gaia, Inc. common stock for RSU releases, employee stock purchase plan, stock option exercises and share-based compensation	433	—	—	433	31,026
Net Income	116	116	—	—	—
Balance at June 30, 2022	<u>\$ 91,390</u>	<u>\$ (71,901)</u>	<u>\$ 2</u>	<u>\$ 163,289</u>	<u>20,806,186</u>
Share-based compensation	337	—	—	337	—
Net loss	(2,375)	(2,375)	—	—	—
Balance at September 30, 2022	<u>\$ 89,352</u>	<u>\$ (74,276)</u>	<u>\$ 2</u>	<u>\$ 163,626</u>	<u>20,806,186</u>
Balance at January 1, 2023	\$ 88,984	\$ (75,198)	\$ 2	\$ 164,180	20,806,186
Issuance of Gaia, Inc. common stock for RSU releases and share-based compensation	104	—	—	104	19,606
Net loss	(1,143)	(1,143)	—	—	—
Balance at March 31, 2023	<u>\$ 87,945</u>	<u>\$ (76,341)</u>	<u>\$ 2</u>	<u>\$ 164,284</u>	<u>20,825,792</u>
Issuance of Gaia, Inc. common stock for media library acquisition	669	—	—	669	272,980
Issuance of Gaia, Inc. common stock for RSU releases, employee stock purchase plan, and share-based compensation	481	—	—	481	55,653
Net loss	(1,718)	(1,718)	—	—	—
Balance at June 30, 2023	<u>\$ 87,377</u>	<u>\$ (78,059)</u>	<u>\$ 2</u>	<u>\$ 165,434</u>	<u>21,154,425</u>
Share-based compensation	56	—	—	56	—
Net loss	(588)	(588)	—	—	—
Balance at September 30, 2023	<u>\$ 86,845</u>	<u>\$ (78,647)</u>	<u>\$ 2</u>	<u>\$ 165,490</u>	<u>21,154,425</u>

(in thousands, except shares)	Common	Accumulate	Common	Additional	Non-	Total
	Stock Shares	d Deficit	Stock Amount	Paid-in Capital	controlling interests	
Balance at December 31, 2022	20,806,18					
	6	\$ (79,393)	\$ 2	\$ 164,180	\$ 1,070	\$ 85,859
Issuance of Gaia, Inc. common stock for RSU						
releases and share-based compensation	19,606	—	—	104	—	104
Net income (loss)	—	(1,306)	—	—	38	(1,268)
Balance at March 31, 2023	20,825,79					
	2	\$ (80,699)	\$ 2	\$ 164,284	\$ 1,108	\$ 84,695
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(in thousands, except shares)	Common	Accumulate	Common	Additional	Non-	Total
	Stock Shares	d Deficit	Stock Amount	Paid-in Capital	controlling interests	
Balance at December 31, 2023	23,148,37					
	4	\$ (85,195)	\$ 3	\$ 170,695	\$ 1,277	\$ 86,780
Issuance of Gaia, Inc. common stock for						
employee stock purchase plan	7,444	—	—	14	—	14
Issuance of Gaia, Inc. common stock for RSU						
releases	4,708	—	—	—	—	—
Share-based compensation	—	—	—	335	—	335
Net income (loss)	—	(1,045)	—	—	74	(971)
Balance at March 31, 2024	23,160,52					
	6	\$ (86,240)	\$ 3	\$ 171,044	\$ 1,351	\$ 86,158
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes to the interim condensed consolidated financial statements.

GAIA, INC.

Condensed Consolidated Statements of Cash Flows (unaudited)

(in thousands)	For the Nine Months Ended September 30,	
	2023	2022
	(unaudited)	
Operating activities:		
Net loss	\$ (3,449)	\$ (2,173)
Loss from discontinued operations	—	300
Loss from continuing operations	(3,449)	(1,873)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	12,702	12,009
Share-based compensation expense	599	1,267
Changes in operating assets and liabilities:		
Accounts receivable	(874)	(393)
Prepaid expenses and other assets	(1,821)	(752)
Accounts payable and accrued liabilities	1,714	(1,612)
Deferred revenue	1,210	(273)
Net cash provided by operating activities - continuing operations	10,081	8,373
Net cash used in operating activities - discontinued operations	—	(300)
Net cash provided by operating activities	10,081	8,073
Investing activities:		
Additions to media library, software and equipment	(10,371)	(14,056)
Acquisitions, net of cash acquired, and purchase of intangible assets	—	(847)
Net cash used in investing activities	(10,371)	(14,903)
Financing activities:		
Repayment of debt	(19,985)	(141)
Proceeds from short-term borrowings	19,900	7,500
Proceeds from the issuance of common stock	42	43
Net cash provided by (used in) financing activities	(43)	7,402
Net change in cash	(333)	572
Cash at beginning of period	11,562	10,269

Cash at end of period	\$ 11,229	\$ 10,841
Supplemental cash flow information		
Interest paid	\$ 394	\$ 201
Value of shares issued for acquisition of content added to Media Library	\$ 669	—

(in thousands)	For the Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (971)	\$ (1,268)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Media library amortization	2,455	2,169
Depreciation and amortization	2,011	1,989
Noncash operating lease expense	206	207
Share-based compensation expense	335	82
Additions to media library	(1,643)	(2,452)
Equity method investment losses	—	125
Changes in operating assets and liabilities:		
Accounts receivable	(627)	113
Other receivables	(57)	(509)
Prepaid expenses and other current assets	157	(131)
Accounts payable	(835)	828
Accrued and other liabilities	2,951	(1,898)
Deferred revenue	1,954	1,431
Net cash provided by operating activities	5,936	686
Cash flows from investing activities:		
Additions to property and equipment	(1,073)	(1,418)
Net cash used in investing activities	(1,073)	(1,418)
Cash flows from financing activities:		
Repayment of long-term debt	(44)	(6,304)
Proceeds from short-term borrowings	—	6,300
Proceeds from the issuance of common stock	14	22
Net cash (used in) provided by financing activities	(30)	18
Net change in cash, cash equivalents and restricted cash	4,833	(714)
Cash, cash equivalents and restricted cash, beginning of period	7,766	11,562

Cash, cash equivalents and restricted cash, end of period	\$ 12,599	\$ 10,848
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 108	\$ 125
Supplemental disclosure of non-cash investing and financing activities		
Additions to property and equipment in Accounts payable	\$ (165)	\$ —

See accompanying notes to the interim condensed consolidated financial statements.

Notes to interim condensed consolidated financial statements

References in this report to "we", "us", "our", the "Company" or "Gaia" refer to Gaia, Inc. and its consolidated subsidiaries, unless we indicate otherwise. All textual currency references are expressed in thousands of U.S. dollars (unless otherwise indicated).

1. Organization, Nature of Operations, and Principles of Consolidation

Gaia, Inc. ("Gaia," "we" or "us") operates a global digital video subscription service and on-line community that caters to a unique and underserved member base. Our digital content library includes over 10,000 titles, with a growing selection of titles available in Spanish, German and French. Our members have unlimited access to this vast library of inspiring films, cutting edge documentaries, interviews, yoga classes, transformation-related content and more – 88% of which is exclusively available to our members for digital streaming on most internet-connected devices anytime, anywhere, commercial free.

Our mission is to create a transformational network that empowers a global conscious community. Content on our network is currently organized into four primary channels—Yoga, Transformation, Alternative Healing, and Seeking Truth—and delivered directly to our members through our streaming platform. We curate programming for these channels by producing content in our in-house production studios with a staff of media professionals. This produced and owned content currently comprises approximately 75% of our members' viewing time. We complement our produced and owned content through long term licensing agreements.

We have prepared the accompanying unaudited interim condensed financial statements in accordance with accounting principles generally accepted in the United States ("GAAP"), GAAP, and they include our accounts and those of our subsidiaries. Intercompany transactions and balances have been eliminated. The unaudited condensed consolidated

financial position, results of operations and cash flows for the interim periods disclosed in this report are not necessarily indicative of future financial results.

There have been no material changes Restricted Cash

When applicable Gaia restricts cash designated for future investment funding. These funds are held in our significant accounting policies as described compliance with contractual agreements or other projects earmarked for capital raises to support strategic investments. The restriction ensures the dedicated allocation of funds for intended investment purposes. Restricted cash has an offsetting liability in our Annual Report on Form 10-K for the year ended December 31, 2022Accrued and other liabilities.

Use of Estimates and Reclassifications

The preparation of the interim condensed consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the amounts reported in the accompanying interim condensed consolidated financial statements and disclosures. Although we base these estimates on our best knowledge of current events and actions that we may undertake in the future, actual results may be different from the estimates. We have made certain reclassifications to prior period amounts to conform to the current period presentations.

During the year ended December 31, 2023, the Company determined it had the ability to exercise influence over Telomeron, Inc. ("Telomeron") and, therefore, used the equity method of accounting to account for its equity interest. During the first quarter of 2024, the Company determined it no longer has the ability to exercise significant influence over Telomeron and, as such, the investment was reclassified at its carrying value to an equity security investment. The investment has been reclassified into Investments and other assets, net on our condensed consolidated balance sheets.

Discontinued Operations Recently Issued Accounting Pronouncements Not Yet Adopted

Yoga International historically had a line of business focused There have been no material changes in our significant accounting policies as described in our Annual Report on one-time transactional course sales. With Form 10-K for the launch of a premium membership tier that includes this content, this line of business was discontinued in 2022 as year ended December 31, 2023. The following recently issued accounting pronouncements are being evaluated but have not yet been adopted.

In November 2023, the contractual commitments related Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to this line of business lapsed. There are noReportable Segment Disclosures, which requires public entities to disclose information about their reportable segments' significant expenses and other assets or liabilities associated with this revenue stream. As this represents a strategic shift segment items on an interim and annual basis. Public entities with a major effect single reportable segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280 on our operations an interim and financial results, we have presented annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the results impact of operations related adopting ASU 2023-07.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to winding up this line Income Tax Disclosures, which requires public entities, on an annual basis, to provide disclosure of business specific categories in the rate reconciliation, as discontinued operations on well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. We are currently evaluating the accompanying condensed consolidated statement impact of operations in 2022, adopting ASU 2023-09.

2. Revenue Recognition

Revenues consist primarily of subscription fees paid by our members. We present revenues net of the taxes that are collected from members and remitted to governmental authorities. Members are billed in advance and revenues are recognized ratably over the subscription term. Deferred revenue consists of subscription fees collected from members that have not been earned and are recognized ratably over the remaining term of the subscription. We recognize revenue on a net basis for relationships where our third-party platform partners ("Partner") have the primary relationship, including billing and service delivery, with the member. We recognize revenue on a gross basis for members whose primary relationship is with Gaia. Payments made to partners to assist in promoting our service on their platforms are expensed as to marketing expenses in the period incurred. We do not allow access to our service to be provided as part of a bundle by any of our partners.

3. Equity and Share-Based Compensation

During the first nine months of 2023 and 2022, we recognized approximately \$599,335 and \$1,267,82, respectively, of share-based compensation expense. Total share-based compensation expense is reported in selling and operating expenses and corporate, general and administration expenses on our interim condensed consolidated statements of operations. There were no options exercised during the first nine months of 2023 or 2022.

4. Goodwill and Other Intangible Assets

There were no changes in goodwill for the period from December 31, 2022 through September 30, 2023.

The following table represents our other intangible assets by major asset class as of the dates indicated, which are included in Real estate, investment and other assets, net on the accompanying condensed consolidated balance sheets as of September 30, 2023 and December 31, 2022.

(in thousands)	September 30, 2023	December 31, 2022
----------------	--------------------	-------------------

(in thousands)	September 30, 2023	December 31, 2022
Amortizable Intangible Assets		
Customer relationships	\$ 2,000	\$ 2,000
Tradenames	270	270
Accumulated amortization	(1,004)	(579)
	<hr/>	<hr/>
	\$ 1,266	\$ 1,691
Unamortized Intangible Assets		
Domain names	\$ 563	\$ 563

Our amortizable assets are expected to be amortized on a straight-line basis over 48 months. Amortization expense was \$142 for the three months ended September 30, 2023 and 2022 and \$425 for the nine months ended September 30, 2023 and 2022. Future amortization of our amortizable intangible assets as of September 30, 2023 is expected to be as follows:

(in thousands)		
2023 (remaining)	\$	142
2024		568
2025		556
	<hr/>	<hr/>
	\$	1,266

5. Debt

On September 9, 2020, our wholly owned subsidiary Boulder Road LLC ("Boulder Road") sold a 50% undivided interest in a portion of our corporate campus to Westside Boulder, LLC (Westside) ("Westside"). Boulder Road retained a 50% undivided interest in the property as well as full ownership of our studio and production facilities. Boulder Road received consideration of \$13.2 million in the transaction.

On December 28, 2020, Boulder Road and Westside ("Borrower") entered into a loan agreement with First Interstate Bank, as lender, providing for a mortgage loan in the principal amount of \$13.0 million. The mortgage bears interest at a fixed rate of 3.75% per annum, matures on December 28, 2025, is secured by a deed of trust on our corporate campus, a portion of which is owned by Boulder Road and Westside as tenants-in-common and the remainder of which is owned by Boulder Road. Westside and Boulder Road each received 50% of the loan proceeds and are each responsible for 50% of the monthly installments. Gaia guaranteed payment of the mortgage. The mortgage is subject contains customary affirmative and negative covenants (each with customary exceptions), including limitations on the Borrower's ability to incur liens or debt, make investments, or engage in certain financial covenants fundamental changes. Additionally, the Credit Agreement requires Boulder Road to maintain a minimum Debt Service Ratio – Pre Distribution of 1.35 to 1.00 annually and a minimum Debt Service Ratio – Post Distribution of 1.15 to 1.00 annually. As of March 31, 2024 and December 31, 2023, the Company was in compliance with all related to the underlying property. covenants.

On August 25, 2022 (the Closing Date) "Closing Date"), Gaia, as borrower, and certain subsidiaries, as guarantors, entered into a Credit and Security Agreement (the Credit Agreement) "Credit Agreement") with KeyBank National Association

(KeyBank) ("KeyBank"). The Credit Agreement provides for a revolving credit facility in an aggregate amount of up to \$10.0 million with a sublimit of \$1.0 million available for issuances of letters of credit. Borrowings under the Credit Agreement are available for working capital and general corporate purposes, but not to fund any permitted permanent acquisitions or other investments. As There were no outstanding borrowings as of September 30, 2023, \$9.0 million was drawn under the Credit Agreement, which is included in Short-term debt March 31, 2024 and lease liability on the accompanying condensed consolidated balance sheets December 31, 2023.

Loans made, or letters of credit issued, under the Credit Agreement mature on August 25, 2025 and are secured (subject to permitted liens and other exceptions) by a first priority lien on all business assets, including intellectual property, of Gaia and the subsidiary guarantors.

Any advance under the Credit Agreement shall bear interest at the Daily Simple SOFR rate Secured Overnight Financing Rate ("SOFR") (subject to a floor of 0.00%), plus, the SOFR Index Adjustment of 0.10%, plus a margin of 2.00%; provided, that, during the existence of a Benchmark Unavailability Period or a SOFR Unavailability Period, advances shall bear interest at the Base Rate, which is a fluctuating interest rate per annum equal to the highest of (i) the Federal Funds Rate plus 0.50%, (ii) KeyBank's "prime rate," (iii) SOFR and (iv) 3.00%, plus, in each instance, a margin of 1.00%.

The aggregate outstanding amount of advances under the Credit Agreement is required to be \$0 for at least 30 consecutive days during the period commencing on the 12-month anniversary of the Closing Date and ending on the 24-month anniversary of the Closing Date. The company expects Company satisfied this requirement to be satisfied during fourth quarter October and November 2023.

The Credit Agreement contains customary affirmative and negative covenants (each with customary exceptions), including limitations on the Company's ability to incur liens or debt, make investments, pay dividends, enter into transactions with its affiliates and engage in certain fundamental changes. Additionally, the Credit Agreement requires Gaia to maintain a Fixed Charge Coverage Ratio of not less than 1.20 to 1.00 and to not permit the Leverage Ratio to exceed 1.50 to 1.00 for any computation period. As of March 31, 2024 and 2023, the Company was in compliance with all related covenants.

Maturities on long-term debt, net are:

(in thousands)		
2023 (remaining)	\$	9,038
2024		156
2024 (remaining)	\$	156

2025		5,801	5,762
	\$	14,995	\$ 5,918

6.5. Leases

In connection with the sale of a portion of our corporate campus as further discussed in Note 5,4, we leased the property pursuant to a master lease for an initial term extending through September 30, 2030, with two five-year extensions. The extension options are not recognized as part of the right-of-use asset and lease liability. We record the right to use the underlying asset for the operating lease term as an asset and our obligation to make lease payments as a liability, based on the present value of the lease payments over the initial lease term. On commencement of At March 31, 2024, the weighted average remaining lease we recorded a right-of-use asset term was 6.50 years and operating lease liability of \$ the weighted average discount rate was 8,800 3.75%.

Because the rate implicit in the lease is not readily determinable, we used our incremental borrowing rate to determine the present value of lease payments. Information related to our right-of-use asset and related lease liability were as follows:

(in thousands)	Balance Sheet Classification	September 30,		December 31,
		2023	2022	
Right-of-use asset	Right-of-use lease asset, net	\$ 6,492	\$ 7,093	
Operating lease liability (current)	Accounts payable, accrued and other liabilities	\$ 767	\$ 745	
Operating lease liability (non-current)	Long-term lease liability	5,911	6,489	
		\$ 6,678	\$ 7,234	

(in thousands)		March 31,		December 31,
		2024	2023	
Operating right-of-use asset, net		\$ 6,082	\$ 6,288	
Operating lease liability, current portion		\$ 795	\$ 780	
Operating lease liability, net of current portion		5,503	5,708	
		\$ 6,298	\$ 6,488	

(in thousands)	For the Three Months Ended September 30,	
	2023	2022
Cash paid for operating lease liabilities	\$ 250	\$ 250
For the Nine Months Ended September 30.		

(in thousands)	2023	2022
Cash paid for operating lease liabilities	\$ 750	\$ 750

Operating lease expense is recognized on a straight-line basis over the lease term. Future amortization of our operating lease liability expense was \$265 and \$266 for the three months ended March 31, 2024 and 2023, respectively. At March 31, 2024, and for the subsequent years ended December 31, future maturity is as of September 30, 2023 is expected to be follows:

(in thousands)	
2023 (remaining)	\$ 250
2024	1,008
2025	1,035
2026	1,064
2027	1,093
Thereafter	3,160
Future lease payments, gross	7,610
Less: Imputed interest	(932)
Operating lease liability	\$ 6,678

(in thousands)	
2024 (remaining)	\$ 757
2025	1,035
2026	1,064
2027	1,093
2028	1,123
Thereafter	2,037
Future lease payments, gross	7,109
Less: Imputed interest	(811)
Operating lease liability	\$ 6,298

7. Earnings 6. Loss Per Share

Basic earnings loss per share is computed using the weighted-average number of outstanding shares of common stock during the period. Diluted earnings loss per share is computed using the weighted-average number of outstanding shares of common stock and, when dilutive, potential shares of common stock outstanding during the period ("common stock equivalents"). Common stock equivalents consist of incremental shares issuable upon the assumed exercise of stock options and vesting of restricted stock units utilizing the treasury stock method.

The weighted-average diluted shares outstanding computation is:

(in thousands, except per share data)	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended March 31,	
	September 30,		September 30,			
	2023	2022	2023	2022	2024	2023
	(unaudited)		(unaudited)		(unaudited)	
Weighted-average						
common stock	21,1	20,8	20,9	20,6		
outstanding	54	06	51	86	23,161	20,826
Common stock equivalents	—	—	—	—		
Weighted-average number of shares	21,1	20,8	20,9	20,6	23,161	20,826
	<u>54</u>	<u>06</u>	<u>51</u>	<u>86</u>		

10

Employee stock options with exercise prices greater than

We excluded the average market price effect of the common stock were excluded below elements from the our calculation of diluted calculation loss per share, as their inclusion would have been anti-dilutive. The following table summarizes the potential shares of anti-dilutive, as there were no earnings attributable to common stock excluded from the diluted calculation:shareholders:

(in thousands)	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended March 31,	
	September 30,		September 30,			
	2023	2022	2023	2022	2024	2023
	(unaudited)		(unaudited)		(unaudited)	

Common stock equivalents excluded due to net loss	67	6	57	97	—	69
Employee stock options and RSUs	598	976	497	672	1,573	439
	<u>665</u>	<u>982</u>	<u>554</u>	<u>769</u>	<u>1,573</u>	<u>508</u>

8.7. Income Taxes

Periodically, we perform assessments of the realization of our net deferred tax assets considering all available evidence, both positive and negative. Based on our historical operating losses, combined with our plans to continue to invest in our revenue growth and content library, we have a full valuation allowance on our deferred tax assets as of **September 30, 2023** **March 31, 2024**. As of **September 30, 2023** **March 31, 2024**, our net operating loss carryforwards on a gross basis were **\$80,490** **79.6 million** and **\$26,416** **25.9 million** for federal and state, respectively. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) is a stimulus bill which was in response to economic consequences of the COVID-19 pandemic. The CARES Act provided an employee retention credit, which is a refundable tax credit against certain employment taxes. During **the quarter ended September 30, 2023**, **2023**, we recorded **\$1,750** **1.75 million** related to the employee retention credit in Selling and operating expenses in the condensed consolidated statements of operations with a related receivable balance from the United States government related to the CARES Act, which is recorded in Prepaid expenses and other current assets on our condensed consolidated balance sheets.

9. Non-income Taxes

The Company is subject to tax examinations for Value Added Taxes (VAT). A number of these examinations are ongoing and, in certain cases, have resulted in assessments from taxing authorities. Where a VAT liability with respect to a jurisdiction is probable and can be reliably estimated, the Company accrues for these matters in corporate, general, and administration expenses in the condensed consolidated statements of operations. Future developments relating to the foregoing could result in adjustments to these accruals.

10.8. Contingencies

From time to time, we are involved in legal proceedings that we consider to be in the normal course of business. We record accruals for losses related to those matters against us that we consider to be probable and that can be reasonably estimated. Based on available information, in the opinion of management, settlements, arbitration awards and final judgments, if any, that are considered probable of being rendered against us in litigation or arbitration in existence at **September 30, 2023** **March 31, 2024** and that can be reasonably estimated are either reserved against or would not have a material adverse effect on our financial condition, results of operations or cash flows.

The Company is subject to tax examinations for non-income taxes in foreign jurisdictions where it provides services to consumers residing in foreign jurisdictions. A number of these examinations are ongoing and, in certain cases, have resulted in assessments from foreign tax authorities. An accrual for non-income tax liability is recognized for foreign jurisdictions when it is probable that a liability has been incurred and the non-income tax exposure can be reasonably estimated. For other foreign jurisdictions requiring non-income taxes, the Company has determined that the non-income tax exposure is reasonably possible. However, due that the Company is in early stages of the examination or a lack of communication from foreign tax authorities, and the Company's prior experience with foreign tax authorities, the Company is unable to reasonably estimate the amount of non-income tax exposure that may be incurred.

11. 9. Segment and Geographic Information

Our chief operating decision maker reviews operating results on a consolidated basis and has determined that we have one reportable segment. We have members in the United States and over 185 foreign countries. The major geographic territories are the U.S., Canada and Australia based on the billing location of the member.

The following represents geographical data for our operations:

(in thousands)	For the Three Months Ended March 31,	
	2024	2023
Revenue:		
United States	\$ 12,146	\$ 11,715
International	9,547	7,932
	\$ 21,693	\$ 19,647

11

10. Subsequent Events

Class A Common Stock Offering

On October 2, 2023, we entered into a definitive agreement with Lake Street Capital Markets, LLC (the Underwriter) relating to the offer and sale of 1,855,000 shares of our Class A Common Stock (\$0.0001 par value) (the Shares). We sold the Shares to the Underwriter at the public offering price of \$2.70 per share less underwriting discounts and commissions, resulting in net proceeds of \$4,678. We provided a 30-day option to the Underwriter to purchase up to an additional 200,000 shares of our Class A Common Stock at the same price.

278,250 Shares to cover over-allotments. At time of filing, the over-allotment option was not exercised. accounting perspective.

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

Forward-Looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical fact are forward looking statements that involve risks and uncertainties. When used in this discussion, we intend the words "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "future," "hope," "intend," "may," "might," "objective," "ongoing," "plan," "potential," "predict," "project," "should," "strive," "target," "will," "would" and similar expressions as they relate to us to identify such forward-looking statements. Our actual results could differ materially from the results anticipated in these forward-looking statements as a result of certain factors set forth under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Form 10-Q and under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31,

2022 December 31, 2023. Risks and uncertainties that could cause actual results to differ include, without limitation: our ability to attract new members and retain existing members; our ability to compete effectively, including for customer engagement with different modes of entertainment; maintenance and expansion of devise device platforms for streaming; fluctuation in customer usage of our service; fluctuations in quarterly operating results; service disruptions; production risks; general economic conditions; future losses; loss of key personnel; price changes; brand reputation; acquisitions; new initiatives we undertake; security and information systems; legal liability for website content; failure of third parties to provide adequate service; future internet-related taxes; our founder's control of us; litigation; consumer trends; the effect of government regulation and programs; the impact of public health threats, including threats; our ability to remediate the coronavirus (COVID-19) pandemic and material weaknesses in our response to it; internal control over financial reporting; and other risks and uncertainties included in our filings with the SEC. We caution you that no forward-looking statement is a guarantee of future performance, and you should not place undue reliance on these forward-looking statements which reflect our views only as of the date of this report. We undertake no obligation to update any forward-looking information.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the unaudited condensed consolidated financial statements and related notes included elsewhere in this document. report. This section is designed to provide information that will assist readers in understanding our unaudited consolidated financial statements, changes in certain items in those statements from year to year, the primary factors that caused those changes and how certain accounting principles, policies and estimates affect the consolidated financial statements.

Overview and Outlook

We operate a global digital video subscription service with a library of over 10,000 titles, with live communications and live events with a growing selection of titles available in Spanish, German and French that caters to a unique, underserved

member base. Our digital content is available to our members on most internet-connected devices anytime, anywhere, commercial-free. Through our online Gaia subscription service our members have unlimited access to a library of inspiring films, cutting edge documentaries, interviews, yoga classes, transformation related content, live events, and more – 88% of which is exclusively available to our members for digital streaming on most internet-connected devices.

Gaia's position in the streaming video landscape is firmly supported by its wide variety of exclusive and unique content, which provides a complementary offering to other entertainment-based streaming video services. Our original content is developed and produced in-house in our production studios lifestyle campus near Boulder, Colorado. By offering exclusive and unique content through our streaming service, we believe we will be able to significantly expand our target member base.

Our available content is currently focused on yoga, transformation, alternative healing, seeking truth and conscious films. This content is specifically targeted to a unique member base that is interested in alternatives and supplements to the content provided by mainstream media. We have grown these content options both organically through our own productions and through strategic acquisitions. In addition, through our investments in our streaming video technology and our user interface, we have expanded the many ways our subscription member base can access our unique library of media titles.

Our core strategy is to grow our subscription business domestically and internationally by expanding our unique and exclusive content library, enhancing our user interface, extending our streaming service to new internet-connected devices as they are developed and creating a conscious community built around our content.

The full impact that the COVID-19 pandemic will have on our business, operations and financial results will depend on a number of evolving factors that we may not be able to accurately predict. See Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2022 for additional discussion regarding risks related to the COVID-19 pandemic.

Commencing during the second half of March 2020 and continuing through July 2020, we saw an increase in demand for our content from both current and potential members. This created a positive trend in existing member retention, costs to acquire new members, and the corresponding revenue and cash flow impacts from these higher volumes. This trend dissipated beginning in August 2020,

when we saw the online paid media advertising market start to return to historical norms with a corresponding effect on the cost of our online advertising efforts. With the rollout of privacy changes affecting a large number of mobile consumers during the summer of 2021 we saw an increase in the costs of our online advertising efforts which reduced the number of new members we add each period with our allocated marketing spend. In addition, in the period of March through October 2022, we lost about 40% of the members we added during the COVID-19 lockdowns in 2020 and 2021.

We are a Colorado corporation. Our principal and executive office is located at 833 West South Boulder Road, Louisville, CO 80027-2452. Our telephone number at that address is (303) 222-3600.

Results of Operations

The table below summarizes certain detail of our financial results for the periods indicated:

(in thousands, except per share data)	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended March 31,	
	September 30,		September 30,			
	2023	2022	2023	2022	2024	2023
Revenues, net			59,			
	20,	19,	70	62,		
	\$ 223	\$ 907	\$ 9	\$ 458	\$ 21,693	\$ 19,647
Cost of revenues	2,9	2,6	8,5	8,3		
	83	48	95	12	3,168	2,773
Gross profit margin	85.	86.	85.	86.		
	2 %	7 %	6 %	7 %	85.4 %	85.9 %
Selling and operating			49,			
	16,	15,	46	48,		
	254	543	2	197	17,759	16,123
Corporate, general and administration	1,4	2,0	4,7	5,5		
	33	19	26	98	1,629	1,773
Acquisition costs	—	—	—	49		
Total operating expenses			54,			
	17,	17,	18	53,		
	687	562	8	844	19,388	17,896

Income (loss)		(3,				
from operations	(44	(30	07			
	7)	3)	4)	302		
Loss from						
operations					(863)	(1,022)
Equity method						
investment loss					—	(125)
Interest and						
other expense,	(14	(37	(17			
net	1)	(65)	5)	5)		
SEC settlement		(2,0		(2,0		
	—	00)	—	00)		
Loss before						
income taxes	(58	(2,3	44	(1,8		
	8)	68)	9)	73)		
Provision for						
(benefit from)						
income taxes	—	—	—	—		
Loss from						
continuing	(58	(2,3	44	(1,8		
operations	8)	68)	9)	73)		
Loss from						
discontinued				(30		
operations	—	(7)	—	0)		
Provision for						
income taxes					—	—
Net loss		(3,				
	(58	(2,3	44	(2,1		
	\$ 8)	\$ 75)	\$ 9)	\$ 73)		
					(971)	(1,268)
Net income						
attributable to						
noncontrolling						
interests					74	38
Net loss						
attributable to						
common						
shareholders					\$ (1,045)	\$ (1,306)

The following table sets forth certain financial data as a percentage of **revenue** **revenues, net** for the periods indicated:

	For the Three Months Ended		For the Nine Months Ended			
	September 30,		September 30,		For the Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
	10	10	10	10		
Revenues, net	10	10	10	10	100.0 %	100.0 %
Cost of revenues	14.	13.	14.	13.	14.6 %	14.1 %
Gross profit	85.	86.	85.	86.		
	2 %	7 %	6 %	7 %		
Expenses:						
Gross profit margin					85.4 %	85.9 %
Operating Expenses:						
Selling and operating	80.	78.	82.	77.	81.9 %	82.1 %
Corporate, general and administration	4 %	1 %	8 %	2 %		
	7.1 %	1 %	7.9 %	9.0 %	7.5 %	9.0 %
Acquisition costs	— %	— %	— %	0.1 %		
Total operating expenses	87.	88.	90.	86.	89.4 %	91.1 %
Income (loss) from operations	(2.)	(1.)	(5.)			
	2)%	5)%	1)%	0.5 %		
Loss from operations					(4.0) %	(5.2) %
Equity method investment loss					0.0 %	(0.6) %

Interest and other expense, net	(0.7)%	(0.3)%	(0.6)%	(0.3)%	(0.5)%	(0.6)%
SEC settlement	—%	.0)%	—%	2)%		
Loss before income taxes	(2.9)%	(1.9)%	(5.8)%	(3.0)%	(4.5)%	(6.5)%
Provision for (benefit from) income taxes	—%	—%	—%	—%		
Loss from continuing operations	(2.9)%	(1.1)%	(5.8)%	(3.0)%		
Loss from discontinued operations	—%	(0.0)%	—%	5)%		
Provision for income taxes					—%	—%
Net loss	(2.9)%	(1.1)%	(5.8)%	(3.5)%	(4.5)%	(6.5)%
Net income attributable to noncontrolling interests					0.3%	0.2%
Net loss attributable to common shareholders					(4.8)%	(6.6)%

Three months ended **September 30, 2023** **March 31, 2024** compared to three months ended **September 30, 2022** **March 31, 2023**

Revenues, net. Revenues increased **\$0.3 million** **\$2.1 million**, or **1.5%** **10.7%**, to **\$20.2 million** **\$21.7 million** during the three months ended **September 30, 2023** **March 31, 2024**, compared to **\$19.9 million** **\$19.6 million** during the three months ended **September 30, 2022** **March 31, 2023**. This was primarily driven by an increase in member count.

Cost of revenues. Cost of revenues increased \$0.4 million or **15.4%** **14.3%** to **\$3.0 million** **\$3.2 million** during the three months ended **September 30, 2023** **March 31, 2024**, compared to **\$2.6 million** **\$2.8 million** during the three months ended **September 30, 2022** **March 31, 2023** related to the increase in revenues and increased content amortization. Gross profit margin decreased during the three months ended **September 30, 2023** **March 31, 2024** to **85.2%** **85.4%** from **86.7%** **85.9%** for the three months ended **September 30, 2022** **March 31, 2023** primarily due to increased content amortization related to an overall increase in our investment of our original content offerings.

Selling and operating expenses. Selling and operating expenses increased **\$0.8 million** **\$1.7 million**, or **5.2%** **10.6%**, to **\$16.3 million** **\$17.8 million** during the three months ended **September 30, 2023** **March 31, 2024**, compared to **\$15.5 million** **\$16.1 million** for the three months ended **September 30, 2022** **March 31, 2023**, driven primarily by an increase in marketing spend **people related** expenses and **tax accruals**. These increased expenses are offset by a one-time **Employee Retention Tax Credit (ERTC)** against **payroll tax** **marketing** expense. This ERTC tax credit was recognized upon completion of the filing. As a percentage of net revenues, selling and operating expenses increased **decreased** to **80.4%** **81.9%** for the three months ended **September 30, 2023** **March 31, 2024** compared to **78.1%** **82.1%** for the three months ended **September 30, 2022** **March 31, 2023**.

13

Corporate, general and administration expenses. Corporate, general and administration expenses decreased **\$0.6 million** **\$0.2 million**, or **30.0%** **11.1%** to **\$1.4 million** **\$1.6 million** for three months ended **September 30, 2023** **March 31, 2024** from **\$2.0 million** **\$1.8 million** for three months ended **September 30, 2022** **March 31, 2023**, driven primarily by decreases in salary and payroll related expenses. As a percentage of net revenues, these expenses decreased to **7.1%** **7.5%** for the three months ended **September 30, 2023** **March 31, 2024** from **10.1%** **9.0%** for the three months ended **September 30, 2022** **March 31, 2023**.

Nine months ended September 30, 2023 compared to nine months ended September 30, 2022

Revenues, net. Revenues decreased \$2.8 million, or 4.5%, to \$59.7 million during the nine months ended September 30, 2023, compared to \$62.5 million during the nine months ended September 30, 2022. This was primarily driven by a post-COVID subscriber contraction, experienced industry wide during the second half of 2022, which resulted in decreased revenue and overall member count into 2023. The reversal of this trend began during the first half of 2023, when we started to see member count growth along with revenues. This steady pace of growth culminated in the third quarter of 2023, when we started to see a return to the pre-contraction revenue levels.

Cost of revenues. Cost of revenues increased \$0.3 million, or 3.6%, to \$8.6 million during the nine months ended September 30, 2023, from \$8.3 million during the nine months ended September 30, 2022 due to increased content

amortization. Gross profit margin decreased during the nine months ended September 30, 2023 to 85.6% from 86.7% for the nine months ended September 30, 2022 primarily due to decreased revenues.

Selling and operating expenses. Selling and operating expenses increased \$1.3 million, or 2.7%, to \$49.5 million during the nine months ended September 30, 2023, compared to \$48.2 million for the nine months ended September 30, 2022, driven primarily by an increase in marketing spend and tax accruals. These increased expenses are offset by a one-time Employee Retention Tax Credit (ERTC) against payroll tax expense. This ERTC tax credit was recognized upon completion of the filing. As a percentage of net revenues, these expenses increased to 82.8% for the nine months ended September 30, 2023 compared to 77.2% for the nine months ended September 30, 2022.

Corporate, general and administration expenses. Corporate, general and administration expenses decreased \$0.9 million or 16.1% to \$4.7 million for the nine months ended September 30, 2023 compared to \$5.6 million for the nine months ended September 30, 2022, primarily driven by decreases in salary and payroll expenses. As a percentage of net revenues, these expenses decreased to 7.9% for the nine months ended September 30, 2023 from 9.0% for the nine months ended September 30, 2022, driven primarily by a decrease in revenues.

Seasonality

Our member base growth reflects seasonal variations driven primarily by periods when consumers typically spend more time indoors and, as a result, tend to increase their viewing, similar to those of traditional TV and cable networks. The effects of the global pandemic We have shifted our historical pattern over the past two years, but we have historically generally experienced the greatest member growth in the fourth and first quarters (October through February), and slowest growth during May through August. This has historically driven drives quarterly variations in our spending on member acquisition efforts and the number of net new subscribers we add each quarter but has does not historically resulted result in a corresponding seasonality in net revenue. As we continue to expand internationally, we also expect regional seasonality trends to demonstrate more predictable seasonal patterns as our service offering in each market becomes more established and we have a longer history to assess such patterns.

Liquidity and Capital Resources

Our capital needs arise from working capital required to fund operations, capital expenditures related to acquisition and development of media content, development and marketing of our digital platforms, acquisitions of new businesses and other investments,

14

replacements, expansions and improvements to our infrastructure, and future growth. These capital requirements depend on numerous factors, including the rate of market acceptance of our offerings, our ability to expand our customer base, the cost of ongoing upgrades to our offerings, our expenditures for marketing, and other factors. Additionally, we will continue to pursue opportunities to expand our media libraries, evaluate possible investments in businesses and technologies, and increase our marketing programs as needed.

Our budgeted content and capital expenditures for the remainder of 2023 2024 are expected to be between \$3.0 \$10.0 to \$4.0 million \$12.0 million which we intend to fund with cash flows generated from operations. These planned expenditures will be predominately utilized to expand our content library and build out the capabilities of our digital platforms. The planned expenditures are discretionary and, with our in-house production capabilities, we have the ability to scale expenditures based on the available cash flows from operations. We began to generate positive cash flows from operations in October 2019 since 2020 and have continued to generate cash flows from operations since. We expect to continue generating positive cash flows from operations during the remainder of 2023 2024. We generated approximately \$10.1 million \$5.9 million in cash flows from operations during the nine three months ended September 30, 2023 March 31, 2024. As of September 30, 2023 March 31, 2024, our cash balance was \$11.2 million \$8.6 million.

As described in Note 5,4, during August 2022, we entered into a Credit Agreement with KeyBank, which provides for a revolving credit facility in an aggregate amount of up to \$10.0 million. Funds from the Credit Agreement are available for working capital and general corporate purposes, but not to fund any permitted acquisitions or other investments. As of September 30, 2023 March 31, 2024, \$9.0 million was drawn there were no outstanding borrowings under the Credit Agreement, which Agreement.

As described in Note 10, during April of 2024, a majority owned subsidiary of the Company raised approximately \$10.8 million of equity financing, including \$4.0 million from Gaia, with a majority of the proceeds being used to acquire a technology license. The shares associated with this \$10.8 million were issued in April 2024. The Company is included in Long-term debt, net on still evaluating the accompanying condensed consolidated balance sheets. transaction from an accounting perspective.

In the normal course of our business, we investigate, evaluate and discuss acquisition, joint venture, minority investment, strategic relationship and other business combination opportunities in our market. For any future investment, acquisition, or joint venture opportunities, we may consider using then-available liquidity, issuing equity securities or incurring indebtedness.

While there can be no assurances, we believe our cash on hand, our cash expected to be generated from operations, our \$10 million revolving line of credit, our potential additional borrowing capabilities now that we have a history of generating positive operating cash flows, and our potential capital raising capabilities will be sufficient to fund our operations on both a short-term and long-term basis. However, our projected cash needs may change as a result of acquisitions, product development, unforeseen operational difficulties, or other factors.

Class A Common Stock Offering

On October 2, 2023, we entered into an underwriting agreement with Lake Street Capital Markets, LLC (the Underwriter) relating to the offer and sale of 1,855,000 shares of our Class A Common Stock (\$0.0001 par value) (the Shares). We sold the Shares to the Underwriter at the public offering price of \$2.70 per share less underwriting discounts and commissions, resulting in net proceeds of \$4,678. We provided a 30-day option to the Underwriter to purchase up to an additional 278,250 Shares to cover over-allotments. At time of filing, the over-allotment option was not exercised. Proceeds were, and

are, expected to be used for general corporate purposes, which may include additions to working capital, financing of capital expenditures, repayment of indebtedness, acquisitions and strategic investment opportunities. **14**

Cash Flows

The following table summarizes our sources (uses) of cash during the periods presented:

(in thousands)	For the Nine Months				For the Three Months Ended March 31,			
	For the Three Months		Ended September 30,					
	2023	2022	2023	2022				
Net cash provided by (used in):								
Operating activities								
- continuing operations	3,60	1,68	10,08					
	\$ 1	\$ 6	\$ 1	\$ 8,373				
Operating activities								
- discontinued operations	—	(7)	—	(300)				
Operating activities	3,60	1,67	10,08					
	1	9	1	8,073	5,936	686		
Investing activities	(3,2)	(4,48)	(10,3)	(14,9)				
	52)	4)	71)	03)	(1,073)	(1,418)		
Financing activities		7,45						
	1	1	(43)	7,402	(30)	18		
Net change in cash		4,64			\$ 4,833	\$ (714)		
	\$ 350	\$ 6	\$ (333)	\$ 572				

Operating activities. Cash flows provided by operations increased approximately \$2.0 million \$5.3 million during the first nine three months of 2023 2024 compared to the same period in 2022, 2023. The increase was primarily driven by changes in earnings, timing of working capital, primarily accounts payable accrued liabilities and deferred revenues.

Investing activities. Cash flows used in investing activities decreased \$4.5 million \$0.3 million during the first nine three months of 2023 2024 compared to the same period in 2022 2023 due primarily to the cost reduction initiatives we completed in the first quarter of 2023, lower budgeted capital expenditures.

Financing activities. Cash flows provided by financing activities were primarily impacted by borrowing and repayment activities associated with our revolving line of credit, long term debt

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined in Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with Management (i.e., the participation of our Chief Executive Officer Company's principal executive officer and Chief Financial Officer, principal financial officer), conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934. Based upon its evaluation as of September 30, 2023 March 31, 2024, our management has concluded that those disclosure controls and procedures were not effective at a reasonable assurance level based on the previously identified material weaknesses in our internal control over financial reporting as described below. Notwithstanding the previously identified material weaknesses, management, including our Chief Executive Officer and Chief Financial Officer, believes the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Previously Identified Material Weakness

In the course of preparing our consolidated financial statements for the fiscal year ended December 31, 2023, we identified two material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. In our assessment of the effectiveness of internal control over financial reporting, we identified the following control deficiencies that represent material weaknesses as of December 31, 2023.

Specifically, we determined that we did not have appropriate technical accounting and financial reporting capabilities to properly record in our financial statements certain complex or unusual transactions. Additionally, we determined our financial close and reporting process was inadequate due to insufficient analysis of certain accounts and inadequate financial reporting systems.

These material weaknesses resulted in incorrect accounting entries that were identified and corrected through the audit of our fiscal year ended December 31, 2023. In addition, these material weaknesses resulted in errors in the consolidated

financial statements and related disclosures in our Annual Report on Form 10-K for the year ended December 31, 2022 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2022 through September 30, 2023.

Ongoing Remediation of Previously Identified Material Weakness

We have begun taking measures, and plan to continue to take measures, to remediate the material weaknesses. In order to address these material weaknesses, we have begun to implement additional procedures and controls in the financial statement close and reporting process, which include enhanced system capabilities in most areas, enhanced reconciliation controls, enhanced review controls and financial close checklists which aim to ensure all necessary reviews and reconciliations are effective, occurring as designed.

15

Additionally, we have begun to enhance access to accounting training, literature, research materials and plan to increase communication channels among our personnel and outsourced third-party professionals with whom we may consult regarding the application of complex accounting transactions. We also plan to hire additional accounting and finance personnel with technical accounting and financial reporting experience.

We believe the measures described above along with other elements of our remediation plan will remediate the material weaknesses identified and strengthen our internal controls over financial reporting. We are committed to continuing to improve our internal control processes and have begun to implement the measures described above. We will also continue to review, optimize and enhance our financial reporting controls and procedures. As we continue to evaluate and work to improve our internal control over financial reporting, we may take additional measures to address control deficiencies or we may modify certain of the remediation measures described above. We will not consider our material weaknesses remediated until the applicable remediated controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

For more information concerning the material weakness identified and remediation steps, see the section titled “*Risk Factors – Risks Related to our Material Weakness and Restatements*” included in our Annual Report on Form 10-K, filed on March 29, 2024.

Changes in Internal Control over Financial Reporting

There Other than the ongoing material weakness remediation activities described above, there were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2023 March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

16

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

We incorporate by reference the Risk Factors included as Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 that we filed with the SEC on March 6, 2023 March 29, 2024.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

Exhibit

No.	Description
31.1*	<u>Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.</u>
31.2*	<u>Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.</u>
32.1**	<u>Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2**	<u>Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File

* Filed herewith

** Furnished herewith

SIGNATURES

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

Gaia, Inc.

(Registrant)

October 30, 2023 May 6, 2024

Date

By: /s/ Jirka Rysavy James Colquhoun

Jirka Rysavy James Colquhoun

Chief Executive Officer

(Authorized Officer)

October 30, 2023 May 6, 2024

Date

By: /s/ Ned Preston

Ned Preston

Chief Financial Officer

(Principal Financial and Accounting Officer)

19

Exhibit 31.1

CERTIFICATION

I, Jirka Rysavy, James Colquhoun, certify that:

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

Date: **October 30, 2023** **May 6, 2024**

/s/ **Jirka Rysavy** **James Colquhoun**

Jirka Rysavy **James Colquhoun**

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION

I, Ned Preston, certify that:

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

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **October 30, 2023** **May 6, 2024**

/s/ Ned Preston

Ned Preston
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATIONS 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 Gaia, Inc. (the "Company") on Form 10-Q for the period ended **September 30, 2023** **March 31, 2024**, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, **Jirka Rysavy**, **James Colquhoun**, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Sections 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: **October 30, 2023** **May 6, 2024**

/s/ **Jirka Rysavy** **James Colquhoun**

Jirka Rysavy **James Colquhoun**
Chief Executive Officer
(Principal Executive Officer)

A signed original of the written statement required by Section 906 has been provided to Gaia and will be retained by Gaia and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**CERTIFICATIONS 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 Gaia, Inc. (the "Company") on Form 10-Q for the period ended **September 30, 2023** **March 31, 2024**, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Ned Preston, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Sections 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: **October 30, 2023** **May 6, 2024**

/s/ Ned Preston

Ned Preston
Chief Financial Officer
(Principal Financial Officer)

A signed original of the written statement required by Section 906 has been provided to Gaia and will be retained by Gaia and furnished to the Securities and Exchange Commission or its staff upon request.

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