
**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 June 30, 2024
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 001-38843

OneSpaWorld Holdings Limited

(Exact name of Registrant as Specified in its Charter)

Commonwealth of The Bahamas
(State or other jurisdiction of
incorporation or organization)

Not Applicable
(I.R.S. Employer
Identification No.)

Harry B. Sands, Lobosky Management Co. Ltd.
Office Number 2
Pineapple Business Park
Airport Industrial Park
P.O. Box N-624

Nassau, Island of New Providence, Commonwealth of The Bahamas
(Address of principal executive offices)

Not Applicable
(Zip Code)

(242) 322-2670
(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
Common Shares, par value (U.S.) \$0.0001 per share	OSW	The Nasdaq Capital Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Sections 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 checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-Accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of June 30, 2024, the registrant had 104,713,619 voting common shares issued and outstanding.

OneSpaWorld Holdings Limited

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PART I - FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

ONESPAWORD HOLDINGS LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands, except share and per share data)

	As of	
	June 30, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 62,468	\$ 27,704
Restricted cash	1,198	1,198
Accounts receivable, net	45,882	40,784
Inventories, net	43,051	47,504
Prepaid expenses	3,969	3,172
Other current assets	5,604	6,360
Total current assets	162,172	126,722
Property and equipment, net	15,309	15,006
Operating lease right-of-use assets, net	15,067	12,132
Intangible assets, net	538,680	546,968
OTHER ASSETS:		
Deferred tax asset	2,340	2,340
Other non-current assets	23,216	2,972
Total other assets	25,556	5,312
Total assets	<u>\$ 756,784</u>	<u>\$ 706,140</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable	\$ 34,785	\$ 31,705
Accrued expenses	42,010	45,991
Current portion of operating leases	2,489	2,264
Other current liabilities	749	899
Total current liabilities	80,033	80,859
Warrant liabilities	—	20,400
Other long-term liabilities	7,333	2,449
Long-term operating leases	12,942	10,156
Long-term debt, net	123,825	158,207
Total liabilities	224,133	272,071
Commitments and contingencies (Note 12)		
SHAREHOLDERS' EQUITY:		
Common stock:		
Voting common stock, \$0.0001 par value; 225,000,000 shares authorized, 104,713,619 issued and outstanding at June 30, 2024 and 99,734,672 shares issued and outstanding at December 31, 2023	10	10
Additional paid-in capital	843,416	777,062
Accumulated deficit	(310,565)	(344,458)
Accumulated other comprehensive (loss) income	(210)	1,455
Total shareholders' equity	532,651	434,069
Total liabilities and shareholders' equity	<u>\$ 756,784</u>	<u>\$ 706,140</u>

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

ONESPAWORD HOLDINGS LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except per share data)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023		2024	2023	
REVENUES:						
Service revenues	\$ 180,846	\$ 163,234		\$ 353,055	\$ 313,355	
Product revenues	44,045	37,279		83,062	69,613	
Total revenues	224,891	200,513		436,117	382,968	
COST OF REVENUES AND OPERATING EXPENSES:						
Cost of services	150,801	137,192		294,826	263,520	
Cost of products	37,138	32,207		70,668	60,472	
Administrative	4,740	4,519		8,797	8,089	
Salary, benefits and payroll taxes	9,230	8,954		17,723	17,875	
Amortization of intangible assets	4,143	4,206		8,287	8,412	
Total cost of revenues and operating expenses	206,052	187,078		400,301	358,368	
Income from operations	18,839	13,435		35,816	24,600	
OTHER (EXPENSE) INCOME						
Interest expense, net	(2,221)	(4,352)		(5,176)	(8,962)	
Change in fair value of warrant liabilities	(46)	(12,201)		7,677	(34,101)	
Total other (expense) income	(2,267)	(16,553)		2,501	(43,063)	
Income (loss) before income tax expense	16,572	(3,118)		38,317	(18,463)	
INCOME TAX EXPENSE						
	813	59		1,392	618	
NET INCOME (LOSS)	<u>\$ 15,759</u>	<u>\$ (3,177)</u>		<u>\$ 36,925</u>	<u>\$ (19,081)</u>	
NET INCOME (LOSS) PER SHARE						
Basic	\$ 0.15	\$ (0.03)		\$ 0.36	\$ (0.20)	
Diluted	\$ 0.15	\$ (0.03)		\$ 0.35	\$ (0.20)	
WEIGHTED-AVERAGE SHARES OUTSTANDING						
Basic	105,123	97,471		103,292	95,456	
Diluted	105,767	97,471		104,346	95,456	

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

ONEPAWORLD HOLDINGS LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 15,759	\$ (3,177)	\$ 36,925	\$ (19,081)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(77)	48	(115)	236
Cash flows hedges:				
Net unrealized gain on derivative	75	1,054	342	822
Amount realized and reclassified into earnings	(945)	(855)	(1,892)	(1,594)
Total other comprehensive (loss) income, net of tax	(947)	247	(1,665)	(536)
Total comprehensive income (loss)	<u>\$ 14,812</u>	<u>\$ (2,930)</u>	<u>\$ 35,260</u>	<u>\$ (19,617)</u>

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

ONESPAWORD HOLDINGS LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)
(in thousands)

Three Months Ended June 30, 2024

	Issued Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' equity
BALANCE, March 31, 2024	104,714	\$ 10	\$ 841,113	\$ 737	\$ (326,324)	\$ 515,536
Net income	—	—	—	—	15,759	15,759
Stock-based compensation	—	—	2,094	—	—	2,094
Foreign currency translation adjustment	—	—	—	(77)	—	(77)
Unrecognized loss on derivatives	—	—	—	(870)	—	(870)
Cashless exercise of warrants	—	—	209	—	—	209
BALANCE, June 30, 2024	104,714	\$ 10	\$ 843,416	\$ (210)	\$ (310,565)	\$ 532,651

Six Months Ended June 30, 2024

	Issued Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' equity
BALANCE, December 31, 2023	99,735	\$ 10	\$ 777,062	\$ 1,455	\$ (344,458)	\$ 434,069
Net income	—	—	—	—	36,925	36,925
Stock-based compensation	—	—	4,188	—	—	4,188
Foreign currency translation adjustment	—	—	—	(115)	—	(115)
Repurchase and retirement of common shares	(606)	—	(4,704)	—	(3,032)	(7,736)
Unrecognized loss on derivatives	—	—	—	(1,550)	—	(1,550)
Accrued dividends cancelled on common stock (1)	—	—	2,449	—	—	2,449
Exercise of Sponsor and Public Warrants (2)	4,503	—	57,628	—	—	57,628
Cashless exercise of 2020 PIPE Warrants (3)	484	—	6,793	—	—	6,793
Common shares issued under equity incentive plan	598	—	—	—	—	—
BALANCE, June 30, 2024	104,714	\$ 10	\$ 843,416	\$ (210)	\$ (310,565)	\$ 532,651

(1) See Note 5 – “Warrants Liabilities and Equity” for further details.

(2) The exercise of Sponsor and Public Warrants includes \$51.7 million of cash received and a reduction of Warrant liabilities related to the exercise of the Sponsor and Public Warrants. See Note 5 – “Warrant Liabilities and Equity” for further details.

(3) As a result of the 2020 PIPE Warrants exercised on a cashless basis, the Warrant liability of \$6.8 million was reclassified to Additional paid-in capital. See Note 5 – “Warrants Liabilities and Equity” for further details.

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

ONEPAWORLD HOLDINGS LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)
(in thousands)
(CONTINUED)

	Three Months Ended June 30, 2023						
	Issued Common Voting Shares	Issued Common Non-Voting Shares	Voting and Non- Voting Common Stock	Additional Paid- in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' equity
BALANCE, March 31, 2023	79,786	13,422	\$ 9	\$ 703,418	\$ 3,014	\$ (354,513)	\$ 351,928
Net loss	—	—	—	—	—	(3,177)	(3,177)
Stock-based compensation	—	—	—	2,257	—	—	2,257
Foreign currency translation adjustment	—	—	—	—	48	—	48
Unrecognized gain on derivatives	—	—	—	—	199	—	199
Exchange of warrants into common shares	3,854	—	1	45,260	—	—	45,261
Exercise of warrants (1)	174	—	—	2,405	—	—	2,405
Cashless exercise of warrants	53	2,123	—	23,935	—	—	23,935
Common shares issued under equity incentive plan	58	—	—	—	—	—	—
Conversion of non-voting common shares into voting shares	15,545	(15,545)	—	—	—	—	—
BALANCE, June 30, 2023	99,470	—	\$ 10	\$ 777,275	\$ 3,261	\$ (357,690)	\$ 422,856

	Six Months Ended June 30, 2023						
	Issued Common Voting Shares	Issued Common Non-Voting Shares	Voting and Non- Voting Common Stock	Additional Paid- in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' equity
BALANCE, December 31, 2022	79,544	13,422	\$ 9	\$ 700,612	\$ 3,797	\$ (338,609)	\$ 365,809
Net loss	—	—	—	—	—	(19,081)	(19,081)
Stock-based compensation	—	—	—	4,848	—	—	4,848
Foreign currency translation adjustment	—	—	—	—	236	—	236
Unrecognized loss on derivatives	—	—	—	—	(772)	—	(772)
Exchange of warrants into common shares	3,854	—	1	45,260	—	—	45,261
Exercise of warrants (1)	194	—	—	2,620	—	—	2,620
Cashless exercise of warrants	53	2,123	—	23,935	—	—	23,935
Common shares issued under equity incentive plan	280	—	—	—	—	—	—
Conversion of non-voting common shares into voting shares	15,545	(15,545)	—	—	—	—	—
BALANCE, June 30, 2023	99,470	—	\$ 10	\$ 777,275	\$ 3,261	\$ (357,690)	\$ 422,856

(1) The exercise of Warrants includes \$2.2 million of cash received and a reduction of Warrant liabilities related to the exercise of the Warrants .

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

ONEPAWORLD HOLDINGS LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Six Months Ended June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 36,925	\$ (19,081)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	12,079	10,986
Amortization of deferred financing costs	618	773
Change in fair value of warrant liabilities	(7,677)	34,101
Stock-based compensation	4,188	4,848
Provision for doubtful accounts	9	9
Loss from write-offs of property and equipment	67	12
Noncash lease expense	76	44
Deferred income taxes	—	227
Changes in:		
Accounts receivable, net	(5,107)	(3,508)
Inventories, net	4,453	(5,344)
Prepaid expenses	(797)	(1,432)
Other current assets	(794)	88
Other non-current assets	(22,100)	(140)
Accounts payable	3,080	8,124
Accrued expenses	1,439	(1,788)
Other current liabilities	(150)	(479)
Income tax contingency	—	32
Other long-term liabilities	7,333	—
Net cash provided by operating activities	33,642	27,472
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(2,322)	(2,201)
Net cash used in investing activities	(2,322)	(2,201)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of warrants	51,698	2,216
Repurchase of common shares	(7,736)	—
Repayment on term loan facilities	(35,000)	(31,042)
Payment of deleveraging fee on term loan facilities	(5,420)	—
Net cash provided by (used in) financing activities	3,542	(28,826)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(98)	262
Net increase (decrease) in cash, cash equivalents and restricted cash	34,764	(3,293)
Cash, cash equivalents and restricted cash, Beginning of period	28,902	33,262
Cash, cash equivalents and restricted cash, End of period	<u>\$ 63,666</u>	<u>\$ 29,969</u>

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

ONEPAWORLD HOLDINGS LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(CONTINUED)
(Unaudited)
(in thousands)

	Six Months Ended June 30, 2024	2023
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Income taxes	\$ 2,244	\$ 678
Interest	<u>6,987</u>	<u>10,008</u>
Non-cash financing transactions:		
Exchange of warrants into common shares	\$ —	\$ 45,261
Cashless exercise of warrants	<u>6,793</u>	<u>23,935</u>
Accrued dividends cancelled on common stock	<u>2,449</u>	<u>—</u>

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

ONESPAWORLD HOLDINGS LIMITED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024
(Unaudited)

1. ORGANIZATION

OneSpaWorld Holdings Limited ("OneSpaWorld," the "Company," "we," "us," or "our") is an international business company incorporated under the laws of the Commonwealth of The Bahamas. OneSpaWorld is a global provider and innovator in the fields of health and wellness, fitness and beauty. In facilities on cruise ships and in land-based resorts, the Company strives to create a relaxing and therapeutic environment where guests can receive health and wellness, fitness and beauty services and experiences of the highest quality. The Company's services include traditional and alternative massage, body and skin treatments, fitness, acupuncture, and Medispa treatments. The Company also sells premium quality health and wellness, fitness and beauty products at its facilities and through its *timetospa.com* website. The predominant business, based on revenues, is sales of services and products on cruise ships and in land-based resorts, followed by sales of products through the *timetospa.com* website.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation, Principles of Consolidation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in quarterly financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") have been omitted or condensed pursuant to the SEC's rules and regulations. However, management believes that the disclosures contained herein are adequate to make the information presented not misleading. In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments (which are of a normal recurring nature) necessary to present fairly our unaudited financial position, results of operations and cash flows. The unaudited results of operations and cash flows of our interim periods are not necessarily indicative of the results of operations or cash flows that may be expected for the entire fiscal year. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K"). The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. Actual results could differ from those estimates. The accompanying unaudited condensed consolidated financial statements include the condensed consolidated balance sheet and statement of operations, comprehensive income (loss), changes in equity, and cash flows of OneSpaWorld. All significant intercompany items and transactions have been eliminated in consolidation.

Restricted Cash

These balances include amounts held in escrow accounts, as a result of a legal proceeding related to a tax assessment. The following table reconciles cash, cash equivalents and restricted cash reported in our condensed consolidated balance sheet as of June 30, 2024 and 2023 to the total amount presented in our condensed consolidated statements of cash flows for the six months ended June 30, 2024 and 2023 (in thousands):

	Balance as of June 30,	
	2024	2023
Cash and cash equivalents	\$ 62,468	\$ 28,771
Restricted cash	1,198	1,198
Total cash and restricted cash in the condensed consolidated statement of cash flows	\$ 63,666	\$ 29,969

Inventories

Inventories, consisting principally of beauty, health and wellness products, are stated at the lower of cost, as determined on a first-in, first-out basis, or market. All inventory balances are comprised of finished goods used in beauty and health and wellness services or held for sale to customers. Inventory reserve is recorded to write down the cost of inventory to the estimated market value. No inventory impairment charge was recorded for the three and six months ended June 30, 2024 and 2023.

Earnings Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing net income (loss) adjusted for the change in fair value of warrant liabilities, if the impact is dilutive, by the weighted average number of diluted shares, as calculated under the treasury stock method, which includes the potential effect of dilutive common stock equivalents, such as options and warrants to purchase common shares, and contingently issuable shares. If the entity reports a net loss, rather than net income for the period, the computation of diluted loss per share excludes the effect of dilutive common stock equivalents, if their effect is anti-dilutive.

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share is computed by dividing net income (loss) by the weighted average number of diluted common shares, as calculated under the treasury stock method, which includes the potential effect of dilutive common stock equivalents, such as options and warrants to purchase common shares. If the entity reports a net loss, rather than net income for the period, the computation of diluted loss per share excludes the effect of dilutive common stock equivalents, as their effect would be anti-dilutive.

The following table provides details underlying OneSpaWorld's income (loss) per basic and diluted share calculation (in thousands, except per share data):

	Three Months Ended June 30, 2024		Six Months Ended June 30, 2024	
	2024	2023 (a)	2024	2023 (a)
Numerator:				
Net income (loss)	\$ 15,759	\$ (3,177)	\$ 36,925	\$ (19,081)
Denominator:				
Weighted average shares outstanding – Basic	105,123	97,471	103,292	95,456
Dilutive effect of warrants	11	—	437	—
Dilutive effect of stock-based awards	633	—	617	—
Weighted average shares outstanding – Diluted	<u>105,767</u>	<u>97,471</u>	<u>104,346</u>	<u>95,456</u>
Net income (loss) per voting and non-voting share:				
Basic	\$ 0.15	\$ (0.03)	\$ 0.36	\$ (0.20)
Diluted	<u>\$ 0.15</u>	<u>\$ (0.03)</u>	<u>\$ 0.35</u>	<u>\$ (0.20)</u>

(a) Potential common shares under the treasury stock method and the if-converted method were antidilutive because the Company reported a net loss in this period and the effect of the change in the fair value of warrants was antidilutive. Consequently, the Company did not have any adjustments in this period between basic and diluted loss per share related to stock-based awards and warrants.

The table below presents the number of antidilutive potential common shares that are not considered in the calculation of diluted income (loss) per share (in thousands):

	Three Months Ended June 30, 2024		Six Months Ended June 30, 2024	
	2024	2023	2024	2023
Sponsor Warrants	—	3,842	—	3,842
Public Warrants	—	841	—	841
2020 PIPE Warrants	—	892	—	892
Restricted stock units	—	1,147	—	1,147
Performance stock units	—	1,125	—	1,125
	<u>—</u>	<u>7,847</u>	<u>—</u>	<u>7,847</u>

Recent Accounting Pronouncements

With the exception of those discussed below, there have been no recent accounting pronouncements or changes in accounting pronouncements that are of significance, or potential significance, to the Company. The following summary of recent accounting pronouncements is not intended to be an exhaustive description of the respective pronouncement.

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07 ("ASU 2023-07"), Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures which requires, among other things, the following: (i) enhanced disclosures about significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included in a segment's reported measure of profit or loss; (ii) disclosure of the amount and description of the composition of other segment items, as defined in ASU 2023-07, by reportable segment; and (iii) reporting the disclosures about each reportable segment's profit or loss and assets on an annual and interim basis. The provisions of ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024; early adoption is permitted. The Company plans to adopt ASU 2023-07 effective for the annual report on Form 10-K for the year ending December 31, 2024 and subsequent interim periods. The Company is currently assessing the expected impact of the future adoption of this guidance.

In December 2023, the FASB issued ASU No. 2023-09 ("ASU 2023-09"), Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires, among other things, the following for public business entities: (i) enhanced disclosures of specific categories of reconciling items included in the rate reconciliation, as well as additional information for any of these items meeting certain qualitative and quantitative thresholds; (ii) disclosure of the nature, effect and underlying causes of each individual reconciling item disclosed in the rate reconciliation and the judgment used in categorizing them if not otherwise evident; and (iii) enhanced disclosures for income taxes paid, which includes federal, state, and foreign taxes, as well as for individual jurisdictions over a certain quantitative threshold. The amendments in ASU 2023-09 eliminate the requirement to disclose the nature and estimate of the range of the reasonably possible change in unrecognized tax benefits for the 12 months after the balance sheet date. The provisions of ASU 2023-09 are effective for annual periods beginning after December 15, 2024; early adoption is permitted. The Company is currently assessing the expected impact of the future adoption of this guidance.

3. INTANGIBLE ASSETS

Intangible assets consist of finite and indefinite life assets. The following is a summary of the Company's intangible assets as of June 30, 2024 (in thousands, except amortization period):

	Cost	Accumulated Amortization and Impairment	Net Balance	Weighted Average Amortization Period (in years)
Retail concession agreements	\$ 604,700	\$ (81,939)	\$ 522,761	39
Destination resort agreements	17,900	(7,481)	10,419	15
Trade name	6,200	(700)	5,500	Indefinite-life
Licensing agreement	1,000	(1,000)	-	8
	<u>\$ 629,800</u>	<u>\$ (91,120)</u>	<u>\$ 538,680</u>	

The following is a summary of the Company's intangible assets as of December 31, 2023 (in thousands, except amortization period):

	Cost	Accumulated Amortization and Impairment	Net Balance	Weighted Average Amortization Period (in years)
Retail concession agreements	\$ 604,700	\$ (74,186)	\$ 530,514	39
Destination resort agreements	17,900	(6,946)	10,954	15
Trade name	6,200	(700)	5,500	Indefinite-life
Licensing agreement	1,000	(1,000)	-	8
	<u>\$ 629,800</u>	<u>\$ (82,832)</u>	<u>\$ 546,968</u>	

The Company amortizes intangible assets with definite lives on a straight-line basis over their estimated useful lives. Amortization expense for the three months ended June 30, 2024 and 2023 was \$4.1 million and \$4.2 million, respectively. Amortization expense for the six months ended June 30, 2024 and 2023 was \$8.3 million and \$8.4 million, respectively. Amortization expense is estimated to be \$16.6 million in each of the next five years beginning in 2024.

4. LONG-TERM DEBT

Long-term debt consisted of the following (in thousands, except interest rate):

	Interest Rate As of			As of	
	June 30, 2024	December 31, 2023	Maturities Through	June 30, 2024	December 31, 2023
First lien term loan facility	9.2%	9.2%	2026	\$ 124,639	\$ 159,639
Less: unamortized debt issuance cost				(814)	(1,432)
Total debt, net of unamortized debt issuance cost				\$ 123,825	\$ 158,207

During 2024, we repaid \$35.0 million on the First Lien Term Loan Facility. As of June 30, 2024, there are no minimum principal repayments on the First Lien Term Loan Facility until 2026 when the remaining principal balance of \$124.6 million becomes due. Under the First Lien Credit Facilities agreement, our lower leverage ratio at December 31, 2023 required us to pay our lenders a one-time \$5.4 million deleveraging fee, which was paid in the second quarter of 2024. This amount was included in interest expense, net in 2023 and accrued liabilities at December 31, 2023.

On March 19, 2024, the First Lien Revolving Facility expired in accordance with its terms and was not renewed. As of June 30, 2024, we had no outstanding borrowings under the First Lien Revolving Facility.

The First Lien Credit Facilities contain a financial covenant related to the maintenance of a leverage ratio and a number of customary negative covenants including covenants related to the following subjects: consolidations, mergers, and sales of assets; limitations on the incurrence of certain liens; limitations on certain indebtedness; limitations on the ability to pay dividends; and certain affiliate transactions. As of June 30, 2024 and December 31, 2023, the Company was in compliance with all of the covenants contained in the First Lien Credit Facilities. If we do not comply with these covenants, we would have to seek amendments to these covenants from our lenders or evaluate the options to cure the defaults contained in the credit agreements. However, no assurances can be made that such amendments would be approved by our lenders. If an event of default occurs, the lenders under the First Lien Credit Facilities are entitled to take various actions, including the acceleration of amounts due under the First Lien Credit Facilities and all actions permitted to be taken by a secured creditor, subject to customary intercreditor provisions among the first lien secured parties, which would have a material adverse impact to our operations and liquidity.

The following are scheduled principal repayments on long-term debt as of June 30, 2024 for each of the next five years (in thousands):

Year	Amount
2024	\$ -
2025	\$ -
2026	\$ -
2027	\$ 124,639
2028	\$ -
Thereafter	\$ -
Total	\$ 124,639

5. WARRANT LIABILITIES AND EQUITY

Sponsor and Public Warrants

As of December 31, 2023, 3,823,847 and 841,414, respectively, Sponsor and Public Warrants were issued and outstanding. During the first quarter of 2024, certain holders of the Sponsor and Public Warrants elected to exercise 4,502,970 warrants for which the Company issued 4,502,970 common shares. Net cash proceeds from the exercise of the warrants amounted to \$51.7 million. Immediately prior to the exercises, the Sponsor and Public Warrants exercised were remeasured to fair value, resulting in a gain of \$7.4 million in "Change in fair value of warrant liabilities" on the condensed consolidated statement of operations for the six months ended June 30, 2024 and Warrant liabilities of \$5.9 million, which was then reclassified to Additional paid-in capital on the condensed consolidated balance sheet as of June 30, 2024. The Sponsor and Public Warrants expired on March 19, 2024 and there were no amounts outstanding as of June 30, 2024.

2020 PIPE Warrants

As of June 30, 2024 and December 31, 2023, zero and 828,334, respectively, 2020 PIPE Warrants were issued and outstanding. During the first quarter of 2024, certain holders of the 2020 PIPE Warrants elected to exercise 806,667 warrants on a cashless basis pursuant to the agreements governing the warrants, in exchange for which the Company issued 484,040 common shares. During the second quarter of 2024, one holder of the 2020 PIPE Warrants elected to exercise 21,667 warrants on a cashless basis pursuant to the agreement governing the warrants, in exchange for which the Company issued 13,625 common shares on July 1, 2024. Immediately prior to the exchanges, the 2020 PIPE Warrants exercised were remeasured to fair value, resulting in a gain of \$0.3 million in "Change in fair value of warrant liabilities" on the condensed consolidated statement of operations for the six months ended June 30, 2024 and Warrant liabilities of \$6.8 million, which was then reclassified to Additional paid-in capital on the condensed consolidated balance sheet as of June 30, 2024.

Repurchase Agreement

On March 13, 2024, the Company entered into a Shares Repurchase Agreement between the Company and Steiner Leisure Limited (the "Seller"), pursuant to which the Company purchased 606,386 common shares, par value \$0.0001 per share, from the Seller at a purchase price of \$12.76 per Common Share (the "Repurchase"). The Repurchase resulted in the sale of all remaining common shares of the Company held by the Seller, which ceased to be a shareholder of the Company after the closing of the Repurchase. The Repurchase closed on March 20, 2024. Upon the consummation of the Repurchase, such shares reverted to authorized but unissued shares of the Company. We allocated the excess of the repurchase price over the par value of the shares acquired between Additional paid-in capital and Accumulated deficit.

Dividends Cancelled

In November 2019, the Company adopted a cash dividend program and declared an initial quarterly payment of \$0.04 per common share. On March 24, 2020, the Company announced that it was deferring payment of its dividend declared on February 26, 2020 (the "2020 Dividend"), for payment on May 29, 2020, to shareholders of record on April 10, 2020, until the Board reapproves its payment. The Company also announced it was withdrawing its dividend program until further notice. As of December 31, 2023, dividends payable amounted to approximately \$2.4 million which was presented as other-long term liabilities and other current liabilities in the accompanying condensed consolidated balance sheets. During the first quarter of 2024, the Board determined that although the Company now has the liquidity to enable it to pay the 2020 Dividend, such payment can no longer be made to the shareholders of record as of the original record date for the 2020 Dividend and it is therefore in the Company's best interest to cancel the 2020 Dividend. As a result, we reversed the dividend payable of \$2.4 million against additional paid-in capital during the first quarter of 2024.

Share Repurchase Program

On April 24, 2024, the Board of Directors approved a new share repurchase program authorizing the Company to repurchase up to \$50 million of its common shares. The share repurchases will be funded through the Company's available cash.

The Company may repurchase shares of its outstanding common stock from time to time on the open market, including through Rule 10b5-1 plans, in privately negotiated transactions, through block purchases, or otherwise in compliance with applicable laws, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended. The timing and amount of stock repurchases will depend on a variety of factors, including business and market conditions. The share repurchase program may be suspended, modified, or discontinued at any time and the Company has no obligation to repurchase any specific value or number of its common shares under the program. Under the foregoing program, the Company did not purchase any shares during the three and six months ended June 30, 2024.

6. STOCK-BASED COMPENSATION

The share-based compensation expense for the three months ended June 30, 2024 and 2023 was \$2.1 million and \$2.3 million, respectively, which is included as a component of salary, benefits and payroll taxes in the accompanying condensed consolidated statements of operations.

The share-based compensation expense for the six months ended June 30, 2024 and 2023 was \$4.2 million and \$4.8 million, respectively, which is included as a component of salary, benefits and payroll taxes in the accompanying condensed consolidated statements of operations.

The following is a summary of performance share units ("PSUs") activity for the six months ended June 30, 2024:

PSUs Activity	Number of Performance-Based Awards	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2023	731,889	\$ 11.19
Granted	146,618	10.30
Vested	(153,662)	10.30
Non-Vested share units as of June 30, 2024	<u>724,845</u>	<u>\$ 11.20</u>

7. REVENUE RECOGNITION

The Company's revenue generating activities include the following:

Service Revenues

Service revenues consist primarily of sales of health and wellness, aesthetics and fitness services, including a full range of body care, skin care, hair care, cosmetics, medi-spa, acupuncture, fitness, nutrition/weight management and mindfulness services, among others, to cruise ship passengers and destination resort guests. Each service represents a separate performance obligation and revenues are generally recognized immediately upon the completion of our service. Given the short duration of our performance obligation, although some services are recognized over time, there is no material difference in the timing of recognition across reporting periods.

Product Revenues

Product revenues consist primarily of sales of health and wellness products, such as skincare, body care, hair care, orthotics and nutritional supplements to cruise ship passengers, destination resort guests and *timetospa.com* customers. Our Shop & Ship program provides guests the ability to buy retail products onboard and have products shipped directly to their home. Each product unit represents a separate performance obligation. Our performance obligations are satisfied, and revenue is recognized when the customer obtains control of the product, which occurs either at the point of sale for retail sales or at the time of shipping for Shop & Ship and *timetospa.com* product sales. The Company provides no warranty on products sold. Shipping and handling fees charged to customers are included in net sales.

Gift Cards

The Company only offers no-fee, non-expiring gift cards to its customers. At the time gift cards are sold, no revenue is recognized; rather, the Company records a contract liability to customers. The liability is relieved, and revenue is recognized equal to the amount redeemed at the time gift cards are redeemed for products or services. The Company records revenue from an estimate of unredeemed gift cards (breakage) in Product revenues on a pro-rata basis over the time period gift cards are redeemed. At least three years of historical data, updated annually, is used to determine actual redemption patterns. The liability for unredeemed gift cards is included in Other current liabilities on the Company's condensed consolidated balance sheets and was not material as of June 30, 2024 and December 31, 2023, respectively.

Customer Loyalty Rewards Program

The Company initiated a customer loyalty program during October 2019 in which customers earn points based on their spending on *timetospa.com*. The Company recognizes the estimated net amount of the rewards that will be earned and redeemed as a reduction to Product revenues at the time of the initial transaction and as tender when the points are subsequently redeemed by a customer. The liability for customer loyalty programs was not material as of June 30, 2024 and December 31, 2023.

Contract Balances

Receivables from the Company's contracts with customers are included within Accounts receivable, net. Such amounts are typically remitted to us by our cruise line or destination resort partners, except for amounts attributable to online sales of products included in Product revenues, and are net of commissions they withhold. Although paid by our cruise line partners, customers are typically required to pay with major credit cards, reducing our credit risk to individual customers. Amounts are billed immediately, and our cruise line and destination resort partners typically remit payments to us within 30 days. As of June 30, 2024 and December 31, 2023, our Accounts receivable, net from contracts with customers were \$45.9 million and \$40.8 million, respectively. Our contract liabilities for gift cards and customer loyalty programs are described above.

Costs incurred to enter into new or to renew long-term contracts are capitalized and amortized to cost of revenues over the term of the contract. Deferred contract costs, which relate to fees accrued to cruise line partners, amounted to \$22.8 million and \$2.6 million as of June 30, 2024 and December 31, 2023, respectively, and are presented within other non-current assets in the accompanying condensed consolidated balance sheets. The increase in other non-current assets and other long-term liabilities as of June 30, 2024 was primarily due to fees accrued as a result of a new contract entered into during the first quarter of 2024. Amortization of the deferred contract costs was \$0.9 million and \$0.3 million for the three months ended June 30, 2024 and 2023, respectively. Amortization of the deferred contract costs for the six months ended June 30, 2024 and 2023 was \$1.9 million and \$0.5 million, respectively. Amortization of deferred contract costs are included in cost of services in the accompanying condensed consolidated statements of operations.

Disaggregation of Revenue and Segment Reporting

The Company operates health and wellness centers on cruise ships and in destination resorts where we provide health and wellness, aesthetics and fitness services and sell related products. The Company also markets and sells health and wellness, aesthetics and fitness related products through its *timetospa.com* eCommerce platform to cruise ship and destination resort guests after their cruise or resort stay, as well as other consumers. The Company's Maritime and Destination Resorts operating segments are aggregated into a single reportable segment based upon similar economic characteristics, services, products, customers and delivery methods. Additionally, the Company's operating segments represent components of the Company for which separate financial information is available that is utilized on a regular basis by the Chief Executive Officer, who is the Company's chief operating decision maker (CODM), in determining how to allocate the Company's resources and evaluate performance. The following table disaggregates the Company's revenues by revenue source and operating segment (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Service revenues:				
Maritime	\$ 172,060	\$ 153,735	\$ 333,773	\$ 294,068
Destination resorts	8,786	9,499	19,282	19,287
Total service revenues	180,846	163,234	353,055	313,355
Product revenues:				
Maritime	42,872	35,939	80,602	66,961
Destination resorts	634	775	1,345	1,498
Timetospa.com	539	565	1,115	1,154
Total product revenues	44,045	37,279	83,062	69,613
Total revenues	\$ 224,891	\$ 200,513	\$ 436,117	\$ 382,968

8. SEGMENT AND GEOGRAPHICAL INFORMATION

The Company operates health and wellness centers on cruise ships and in destination resorts. The Company's Maritime and Destination resorts operating segments are aggregated into a single reportable segment based upon similar economic characteristics, services, products, customers and delivery methods. Additionally, the Company's operating segments represent components of the Company for which separate financial information is available that is utilized on a regular basis by the Chief Executive Officer, who is the Company's CODM, in determining how to allocate the Company's resources and evaluate performance.

The basis for determining the geographic information below is based on the countries in which the Company operates. The Company is not able to identify the country of origin for the customers to which revenues from cruise ship operations relate. Geographic information is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenues:				
U.S.	\$ 4,476	\$ 5,115	\$ 9,559	\$ 10,193
Other countries	5,633	5,936	12,509	12,152
Not connected to a country	214,782	189,462	414,049	360,623
Total	\$ 224,891	\$ 200,513	\$ 436,117	\$ 382,968
 Property and equipment, net:				
U.S.	\$ 5,237	\$ 4,536		
Other countries	1,691	2,022		
Not connected to a country	8,381	8,448		
Total	\$ 15,309	\$ 15,006		
<i>As of</i>				
	June 30, 2024		December 31, 2023	

9. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The following table presents the changes in accumulated other comprehensive (loss) income by component (in thousands):

	Accumulated Other Comprehensive Income (Loss) for the Six Months Ended June 30, 2024			Accumulated Other Comprehensive Income for the Six Months Ended June 30, 2023		
	Foreign Currency Translation Adjustments	Changes Related to Cash Flow Derivative Hedge ⁽¹⁾	Accumulated Other Comprehensive Income (Loss)	Foreign Currency Translation Adjustments	Changes Related to Cash Flow Derivative Hedge ⁽¹⁾	Accumulated Other Comprehensive Income
Accumulated other comprehensive income, beginning of period	\$ (917)	\$ 2,372	\$ 1,455	\$ (1,229)	\$ 5,026	\$ 3,797
Current period other comprehensive income (loss) before reclassifications	(115)	342	227	236	822	1,058
Amounts reclassified into earnings	-	(1,892)	(1,892)	-	(1,594)	(1,594)
Net current period other comprehensive income (loss)	(115)	(1,550)	(1,665)	236	(772)	(536)
Accumulated other comprehensive (loss) income, end of period	<u>\$ (1,032)</u>	<u>\$ 822</u>	<u>\$ (210)</u>	<u>\$ (993)</u>	<u>\$ 4,254</u>	<u>\$ 3,261</u>

(1)See Note 10.

10. FAIR VALUE MEASUREMENTS AND DERIVATIVES

Fair Value Measurements

Cash and cash equivalents at June 30, 2024 and December 31, 2023 are comprised of cash and are categorized as Level 1 instruments. The Company maintains cash with various high-quality financial institutions. Restricted cash at June 30, 2024 and December 31, 2023 is comprised of amounts held in escrow accounts, as a result of a legal proceeding related to a tax assessment and is categorized as a Level 1 instrument. The fair value of outstanding long-term debt as of June 30, 2024 and December 31, 2023 is estimated using a discounted cash flow analysis based on current market interest rates for debt issuances with similar remaining years-to-maturity and adjusted for credit risk, which represents a Level 3 measurement in the fair value hierarchy. The carrying amounts and estimated fair values of the Company's cash, restricted cash and long-term debt were as follows (in thousands):

	June 30, 2024		December 31, 2023	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Cash	\$ 62,468	\$ 62,468	\$ 27,704	\$ 27,704
Restricted cash	1,198	1,198	1,198	1,198
Total cash	<u>\$ 63,666</u>	<u>\$ 63,666</u>	<u>\$ 28,902</u>	<u>\$ 28,902</u>
First lien term loan facility (a)	<u>\$ 124,639</u>	<u>\$ 128,890</u>	<u>\$ 159,639</u>	<u>\$ 162,560</u>

(a) The amounts above do not include the impact of the interest rate swap or debt issuance costs.

Assets and liabilities that are recorded at fair value have been categorized based upon the fair value hierarchy. The following table presents information about the Company's financial instruments recorded at fair value on a recurring basis (in thousands):

Description	Balance Sheet Location	Fair Value Measurements at June 30, 2024				Fair Value Measurements at December 31, 2023			
		Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:									
Derivative financial instruments (1)	Other current assets	\$ 822	\$ -	\$ 822	\$ -	\$ 2,372	\$ -	\$ 2,372	\$ -
Total assets		\$ 822	\$ -	\$ 822	\$ -	\$ 2,372	\$ -	\$ 2,372	\$ -
Liabilities:									
Warrants	Warrant liabilities	-	-	-	-	20,400	-	20,400	-
Total liabilities		\$ -	\$ -	\$ -	\$ -	\$ 20,400	\$ -	\$ 20,400	\$ -

(1)Consists of an amount attributable to an interest rate swap contact; see "Derivatives" below.

Warrants

Public Warrants and 2020 PIPE Warrants

The fair value of the Public Warrants and 2020 PIPE Warrants are considered a Level 2 valuation and are determined using the Monte Carlo model. The Public Warrants expired on March 19, 2024, with warrants remaining unexercised as of the expiration date cancelled, and there were no amounts outstanding as of June 30, 2024 (See Note 5). The significant assumptions which the Company used in the Monte Carlo model are presented in the table below.

	December 31, 2023	
Stock price	\$ 14.10	\$ 14.10
Strike price	\$ 11.50	\$ 5.75
Remaining life (in years)	0.22	1.45
Volatility	34%	38%
Interest rate	5.36%	4.49%
Redemption price	\$ 18.00	\$ 14.50

Sponsor Warrants

The fair value of the Sponsor Warrants is considered a Level 2 valuation and is determined using the Black-Scholes model. The Sponsor Warrants expired on March 19, 2024 and there were no amounts outstanding as of June 30, 2024 (See Note 5). The significant assumptions which the Company used in the model are presented in the table below.

	December 31, 2023	
Stock price	\$ 14.10	
Strike price	\$ 11.50	
Remaining life (in years)	0.22	
Volatility	38%	
Interest rate	5.36%	
Dividend yield	0.0%	

Derivatives

Market risk associated with the Company's long-term floating rate debt is the potential increase in interest expense from an increase in interest rates. The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. These instruments are recorded on the balance sheet at their fair value and are designated as hedges. The financial impact of these hedging instruments is primarily offset by corresponding changes in the underlying exposures being hedged.

The Company assesses whether derivatives used in hedging transactions are "highly effective" in offsetting changes in the cash flow of its hedged forecasted transactions. The Company uses regression analysis for this hedge relationship and high effectiveness is achieved when a statistically valid relationship reflects a high degree of offset and correlation between the fair values of the derivative and the hedged forecasted transaction. Cash flows from the derivatives are classified in the same category as the cash flows from the underlying hedged transaction. These agreements involve the receipt of variable-rate amounts in exchange for fixed-rate interest payments over the life of the respective agreement without an exchange of the underlying notional amount. The Company classifies derivative instrument cash flows from hedges of benchmark interest rate as operating activities due to the nature of the hedged item. Gains and losses on derivatives that are designated as cash flow hedges are recorded as a component of Accumulated other comprehensive income (loss) until the underlying hedged transactions are recognized in earnings. If it is determined that the hedged forecasted transaction is no longer probable of occurring, then the amount recognized in accumulated other comprehensive income (loss) is released to earnings.

The Company monitors concentrations of credit risk associated with financial and other institutions with which the Company conducts significant business. Credit risk, including, but not limited to, counterparty nonperformance under derivatives, is not considered significant, as the Company primarily conducts business with large, well-established financial institutions with which the Company has established relationships, and which have credit risks acceptable to the Company. The Company does not anticipate non-performance by its counterparty. The amount of the Company's credit risk exposure is equal to the fair value of the derivative when any of the derivatives are in a net gain position.

In September 2019, the Company entered into a floating-to-fixed interest rate swap agreement to make a series of payments based on a fixed interest rate of 1.457% and receive a series of payments based on the greater of 1 Month USD LIBOR or Strike which is used to hedge the Company's exposure to changes in cash flows associated with its variable rate Term Loan Facilities and has designated this derivative as a cash flow hedge. Both the fixed and floating payment streams are based on a notional amount of \$174.7 million at the inception of the contract. In June 2023, the interest rate swap agreement was amended to replace the reference rate from LIBOR to SOFR, to be consistent with the amended First Lien Credit Facilities.

The interest rate swap agreement has a maturity date of September 19, 2024. As of June 30, 2024 and December 31, 2023, the notional amount was \$95.4 million. There was no ineffectiveness related to the interest rate swaps. The gain or loss on the derivative is recorded as a component of accumulated other comprehensive income (loss) and subsequently reclassified into interest expense in the same period(s) during which the hedged transaction affects earnings. The Company expects to reclassify \$0.8 million of income from accumulated other comprehensive income (loss) into interest expense over the remainder of the term of the swap which expires on September 19, 2024.

The fair value of the interest rate swap contract is measured on a recurring basis by netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on the expectation of future interest rates (forward curves) derived from observable market interest rate curves. The interest rate swap contract was categorized as Level 2 in the fair value hierarchy. The Company is not required to post cash collateral related to this derivative instrument.

The effect of the interest rate swap contract designated as cash flows hedging instrument on the condensed consolidated financial statements was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Gain recognized in accumulated other comprehensive income (loss)	\$ 75	\$ 1,054	\$ 342	\$ 822
Gains reclassified from accumulated other comprehensive income (loss) to interest expense	\$ (945)	\$ (855)	\$ (1,892)	\$ (1,594)

11. INCOME TAXES

For the three months ended June 30, 2024 and 2023, the Company recorded an income tax expense of \$0.8 million and \$0.1 million, respectively. For the six months ended June 30, 2024 and 2023, the Company recorded an income tax expense of \$1.4 million and \$0.6 million, respectively. The difference between the expected provision for income taxes using the 21% U.S. federal income tax rate and the Company's actual provision for income taxes is primarily attributable to the foreign rate differential, including income earned in jurisdictions not subject to income taxes, permanent differences, withholding taxes due in various jurisdictions and the change in valuation allowance.

12. COMMITMENTS AND CONTINGENCIES

We are routinely involved in legal proceedings, disputes, regulatory matters, and various claims and lawsuits that have been filed or are pending against us, including as noted below, arising in the ordinary course of our business. Most of these claims and lawsuits are covered by insurance and, accordingly, the maximum amount of our liability is typically limited to our deductible amount. Nonetheless, the ultimate outcome of those claims and lawsuits that are not covered by insurance cannot be determined at this time. We have evaluated our overall exposure with respect to all of our legal proceedings, threatened and pending litigation and, to the extent required, we have accrued amounts for all estimable probable losses associated with our deemed exposure. We are currently unable to estimate any other potential contingent losses beyond those accrued, as discovery is not complete and adequate information is not available to estimate such range of loss or potential recovery. However, based on our current knowledge, we do not believe that the aggregate amount or range of reasonably possible losses with respect to these matters will have a material adverse impact to our consolidated results of operations, financial condition or cash flows. We intend to vigorously defend our legal position on all claims and, to the extent necessary, seek recovery.

In February 2020, the Company received a formal assessment of \$1.9 million by a foreign tax authority over how the value added tax ("VAT") law was applied on the change in the ultimate beneficial ownership of one of our subsidiaries as result of the business combination in March 2019. The Company is disputing the assessment and has recorded an accrual of \$1.2 million for this matter during the year ended December 31, 2020, included in "Accrued expenses" on the Company's condensed consolidated balance sheets as of June 30, 2024 and December 31, 2023. The Company believes the ultimate outcome of this matter will not have a material adverse impact to our consolidated results of operations, financial condition and cash flows.

13. SUBSEQUENT EVENTS

On July 23, 2024, the Company's board of directors adopted an annual cash dividend program with the initial quarterly dividend payment of \$0.04 per common share. The first quarterly dividend is payable on September 4, 2024 to shareholders of record as of the close of business on August 21, 2024.

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

Overview

In addition to historical information, the following discussion contains forward-looking statements, such as statements regarding our expectation for future performance, liquidity and capital resources that involve risks, uncertainties and assumptions that could cause actual results to differ materially from those contained in or implied by any forward-looking statements. Factors that could cause such differences include those identified below and those described in the sections entitled "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors" and in "Risk Factors" in our Form 10-K for the fiscal year ended December 31, 2023. We assume no obligation to update any of these forward-looking statements.

OneSpaWorld Holdings Limited ("OneSpaWorld," the "Company," "we," "our," "us" and other similar terms refer to OneSpaWorld Holdings Limited and its consolidated subsidiaries) is the pre-eminent global operator of health and wellness centers onboard cruise ships and a leading operator of health and wellness centers at destination resorts worldwide. Our highly trained and experienced staff offer guests a comprehensive suite of premium health, fitness, beauty and wellness services and products onboard cruise ships and at destination resorts globally. We are the market leader at more than 20x the size of our closest maritime competitor. Over the last 50 years, we have built our leading market position on our depth of staff expertise, broad and innovative service and product offerings, expansive global recruitment, training and logistics platform, as well as decades-long relationships with cruise line and destination resort partners. Throughout our history, our mission has been simple: helping guests look and feel their best during and after their stay.

At our core, we are a global services company. We serve a critical role for our cruise line and destination resort partners, operating a complex and increasingly important aspect of our cruise line and destination resort partners' overall guest experience. Decades of investment and know-how have allowed us to construct an unmatched global infrastructure to manage the complexity of our operations. We have consistently expanded our onboard offerings with innovative and leading-edge service and product introductions, and developed the powerful back-end recruiting, training and logistics platforms to manage our operational complexity, maintain our industry-leading quality standards, and maximize revenue and profitability per center. The combination of our renowned recruiting and training platform, deep proprietary labor pool, global logistics and supply chain infrastructure, and proven health and wellness center and revenue management capabilities represents a significant competitive advantage that we believe is not economically feasible to replicate.

A significant portion of our revenues are generated from our cruise ship operations. Historically, we have been able to renew almost all of our cruise line agreements that expired or were scheduled to expire.

Key Performance Indicators

In assessing the performance of our business, we consider key performance indicators used by management, including, among others:

- **Average Ship Count.** The number of ships, on average during the period, on which we operate health and wellness centers. This is a key metric that impacts revenue and profitability and reflects the fact that during the period ships were in and out of service, and is calculated by adding the total number of days that each of the ships generated revenue during the period, divided by the number of calendar days during the period.
- **Period End Ship Count:** The number of ships at period end on which we operate health and wellness centers. This is a key metric that impacts revenue and profitability.
- **Average Weekly Revenue Per Ship.** A key indicator of productivity per ship. Revenue per ship can be affected by the various sizes of health and wellness centers and categories of ships on which we serve.
- **Average Revenue Per Shipboard Staff Per Day.** We utilize this performance metric to assist in determining the productivity of our onboard staff, which we believe is a critical element of our operations.
- **Average Resort Count.** The number of destination resorts on average during the period in which we operate the health and wellness centers. This is a key metric that impacts revenue and profitability and reflects the fact that during the period destination resort health and wellness centers were in and out of service, and is calculated by adding the total number of days that each destination resort health and wellness center generated revenue during the period, divided by the number of calendar days during the period.
- **Period End Resort Count.** The number of destination resorts at period end on which we operate the health and wellness centers. This is a key metric that impacts revenue and profitability.
- **Average Weekly Revenue Per Destination Resort.** A key indicator of productivity per destination resort health and wellness center. Revenue per destination resort health and wellness center in a period can be affected by the geographic mix of health and wellness centers in operation for such period. Typically our U.S. and Caribbean health and wellness centers are larger and produce substantially more revenues per location than our Asian centers. Additionally, average weekly revenue can also be negatively impacted by renovations of our destination resort health and wellness centers.

	Three Months Ended June 30,		Six Months Ended June 30,		2023
	2024	2023	2024	2023	
Average Ship Count (1)	188	177	188	175	
Period End Ship Count	197	183	197	183	
Average Weekly Revenue Per Ship	\$ 88,034	\$ 82,149	\$ 84,859	\$ 79,662	
Average Revenue Per Shipboard Staff Per Day	\$ 586	\$ 572	\$ 567	\$ 557	
Average Resort Count (2)	52	51	52	50	
Period End Resort Count	52	54	52	54	
Average Weekly Revenue Per Resort	\$ 14,028	\$ 15,447	\$ 15,405	\$ 16,182	

(1) Average Ship Count is calculated by adding the total number of days that each of the ships generated revenue during the period, divided by the number of calendar days during the period.

(2) Average Resort Count is calculated by adding the total number of days that each destination resort health and wellness center generated revenue during the period, divided by the number of calendar days during the period.

Key Financial Definitions

Revenues. Revenues consist primarily of sales of services and sales of products to cruise ship passengers and destination resort guests. The following is a brief description of the components of our revenues:

- **Service revenues.** Service revenues consist primarily of sales of health and wellness, aesthetics and fitness services, including a full range of body care, skin care, hair care, cosmetics, medi-spa, acupuncture, nutrition/weight management and mindfulness services, among others, to cruise ship passengers and destination resort guests. We bill our services at rates which inherently include an immaterial charge for products used in the rendering of such services, if applicable.
- **Product revenues.** Product revenues consist primarily of sales of health and wellness products, such as skincare, body care, hair care, orthotics, and nutritional supplements to cruise ship passengers, destination resort guests and *timetospa.com* customers.

Cost of services. Cost of services consists primarily of an allocable portion of payments to cruise line partners (which are derived as a percentage of service revenues or a minimum annual rent or a combination of both), an allocable portion of wages paid to shipboard employees, an allocable portion of staff-related shipboard expenses, wages paid directly to destination resort employees, payments to destination resort partners, the allocable cost of products consumed in the rendering of services, and health and wellness center depreciation. Cost of services has historically been highly variable; increases and decreases in cost of services are primarily attributable to corresponding increases or decreases in service revenues. Cost of services has tended to remain materially consistent as a percentage of service revenues.

Cost of products. Cost of products consists primarily of the cost of products sold through our various methods of distribution, an allocable portion of wages paid to shipboard employees and an allocable portion of payments to cruise line and destination resort partners (which are derived as a percentage of product revenues or a minimum annual rent or a combination of both). Cost of products has historically been highly variable; increases and decreases in cost of products are primarily attributable to corresponding increases or decreases in product revenues and includes impairment of the carrying value of inventories. Cost of products has tended to remain materially consistent as a percentage of product revenues.

Administrative. Administrative expenses are comprised of expenses associated with corporate and administrative functions that support our business, including fees for professional services, insurance, headquarters rent and other general corporate expenses.

Salaries, benefits and payroll taxes. Salaries, benefits and payroll taxes are comprised of employee expenses associated with corporate and administrative functions that support our business, including fees for employee salaries, bonuses, stock-based compensation, payroll taxes, pension/401(k) and other employee costs.

Amortization of intangible assets. Amortization of intangible assets are comprised of the amortization of intangible assets with definite useful lives (e.g. retail concession agreements, destination resort agreements, licensing agreements).

Other income (expense). Other income (expense) consists of interest income, interest expense and changes in the fair value of warrant liabilities.

Income tax expense. Income tax expense includes current and deferred federal income tax expenses, as well as state and local income taxes.

Net income (loss). Net income (loss) consists of income (loss) from operations less other income (expense) and income tax expense.

Revenue Drivers and Business Trends

Our revenues and financial performance are impacted by a multitude of factors, including, but not limited to:

- *The number of health and wellness centers we operate on cruise ships and in destination resorts.* The number of cruise ships on which we operate during each period is primarily impacted by our renewal of existing cruise ship partner agreements, introductions of new ships to service under our existing agreements, agreements with new cruise line partners, ships temporarily out of service for maintenance and repair, and ships prevented from sailing due to outbreaks of illnesses, such as the recent pandemic, among other factors. The number of destination resorts in which we operate during each period is primarily attributable to renewal of existing agreements with destination resort partners and destination resorts prevented from operating due to outbreaks of illnesses, such as the recent pandemic, among other factors.
- *The size and offerings of new health and wellness centers.* We have focused on innovating and implementing higher value added and price point services such as medi-spa and advanced facial techniques, which require treatment rooms equipped with specific equipment and staff trained to perform these services. As our cruise line partners continue to invest in new ships with enhanced health and wellness centers that allow for more advanced treatment rooms and larger staff sizes, we are able to increase the availability of these services, driving an overall shift towards a more profitable service mix.
- *Expansion of value-added services and products and increased pricing across modalities in existing health and wellness centers.* We continue to introduce and expand our higher value added and price point offerings in existing health and wellness centers, including introducing premium medi-spa, acupuncture, and advanced facial services, resulting in higher guest demand and spending. In addition, we have increased pricing across our brands for our core services.
- *The mix of ship count across contemporary, premium, luxury and budget categories.* Revenue generated per shipboard health and wellness center differs across contemporary, premium, luxury and budget ship categories due to the size of the health and wellness centers, services offered and guest socioeconomic factors.
- *The mix of cruise itineraries.* Revenue generated per shipboard health and wellness center is influenced by cruise itinerary, including length of cruise, number of sea days versus port days, which impacts center utilization, and the geographic sailing region, which may impact ship category and offerings of services and products to align with guest socioeconomic mix and preferences.
- *Collaboration with cruise line partners, including targeted marketing and promotion initiatives, as well as implementation of proprietary technologies to increase center utilization via pre-booking and pre-payment of health and wellness services.* We directly market and promote to onboard passengers as a result of enhanced collaboration with certain of our cruise line partners. We also utilize our proprietary health and wellness services pre-booking and pre-payment technology platforms integrated with certain of our cruise line partners' pre-cruise planning systems. These areas of increased collaboration with cruise line partners are resulting in higher productivity, revenue generation, and profitability across our health and wellness centers.
- *The impact of weather.* Our health and wellness centers onboard cruise ships and in select destination resorts may be negatively affected by hurricanes, particularly during the August through October period, which may be increasing in frequency and intensity due to climate change.
- Our revenues and financial performance may be impacted by other risks and uncertainties, including, without limitation, those set forth under the section entitled "Risk Factors" in Part II, Item 1A of the Company's 2023 Form 10-K.

The effect of each of these factors on our revenues and financial performance varies from period to period.

Recent Accounting Pronouncements

Refer to Note 2 to the Condensed Consolidated Financial Statements in this report for a discussion of recent accounting pronouncements.

Results of Operations

	Three Months Ended June 30, 2024	% of Total Revenue	Three Months Ended June 30, 2023	% of Total Revenue
(dollars in thousands, except per share amounts)				
REVENUES:				
Service revenues	\$ 180,846	80%	\$ 163,234	81%
Product revenues	44,045	20%	37,279	19%
Total revenues	224,891	100%	200,513	100%
COST OF REVENUES AND OPERATING EXPENSES:				
Cost of services	150,801	67%	137,192	68%
Cost of products	37,138	17%	32,207	16%
Administrative	4,740	2%	4,519	2%
Salary, benefits and payroll taxes	9,230	4%	8,954	4%
Amortization of intangible assets	4,143	2%	4,206	2%
Total cost of revenues and operating expenses	206,052	92%	187,078	93%
Income from operations	18,839	8%	13,435	7%
OTHER (EXPENSE) INCOME				
Interest expense, net	(2,221)	-1%	(4,352)	-2%
Change in fair value of warrant liabilities	(46)	-0%	(12,201)	-6%
Total other (expense) income	(2,267)	-1%	(16,553)	-8%
Income (loss) before income tax expense	16,572	7%	(3,118)	-2%
INCOME TAX EXPENSE				
NET INCOME (LOSS)	<u>\$ 15,759</u>	<u>7%</u>	<u>\$ (3,177)</u>	<u>-2%</u>
NET INCOME (LOSS) PER SHARE:				
Basic	\$ 0.15		\$ (0.03)	
Diluted (1)	\$ 0.15		\$ (0.03)	
WEIGHTED-AVERAGE SHARES OUTSTANDING:				
Basic	105,123		97,471	
Diluted	105,767		97,471	

(1) Refer to Note 2 to the Condensed Consolidated Financial Statements in this report for details underlying OneSpaWorld's income diluted share calculation.

Comparison of Results for the three months ended June 30, 2024 compared to three months ended June 30, 2023

Revenues. Revenues for the three months ended June 30, 2024 and 2023 were \$224.9 million and \$200.5 million, respectively. The increase primarily was attributable to our average ship count increasing 6% to 188 health and wellness centers onboard ships operating during the quarter, compared with our average ship count of 177 health and wellness centers onboard ships operating during the second quarter of 2023, together with continued productivity gains across our operations. In addition, we benefited from our initiatives to drive revenue growth in each of our on-board health and wellness centers through enhanced guest engagement and experiences, our guest service and product offering innovations, and the disciplined execution of our complex operating protocols by our on-board and corporate teams.

The break-down of revenue growth between service and product revenues was as follows:

- **Service revenues.** Service revenues for the three months ended June 30, 2024 were \$180.8 million, an increase of \$17.6 million, or 11%, compared to \$163.2 million for the three months ended June 30, 2023.
- **Product revenues.** Product revenues for the three months ended June 30, 2024 were \$44.0 million, an increase of \$6.8 million, or 18%, compared to \$37.3 million for the three months ended June 30, 2023.

Cost of services. Cost of services for the three months ended June 30, 2024 were \$150.8 million, an increase of \$13.6 million, or 10%, compared to \$137.2 million for the three months ended June 30, 2023. The increase primarily was attributable to costs associated with increased Service revenues of \$180.8 million in the quarter compared with Service revenues of \$163.2 million in the second quarter of 2023.

Cost of products. Cost of products for the three months ended June 30, 2024 were \$37.1 million, an increase of \$4.9 million, or 15%, compared to \$32.2 million for the three months ended June 30, 2023. The increase primarily was attributable to costs associated with increased Product revenues of \$44.0 million in the quarter compared to Product revenues of \$37.3 million in the second quarter of 2023.

Administrative. Administrative expenses for the three months ended June 30, 2024 were \$4.7 million, an increase of \$0.2 million, or 5%, compared to \$4.5 million for the three months ended June 30, 2023. The increase primarily was attributable to timing of professional fees agreed in connection with public company costs.

Salary, benefits and payroll taxes. Salary, benefits and payroll taxes for the three months ended June 30, 2024 were \$9.2 million, an increase of \$0.3 million, or 3%, compared to \$9.0 million for the three months ended June 30, 2023. The increase primarily was attributable to annual merit increases for Corporate employees.

Amortization of intangible assets. Amortization of intangible assets for the three months ended June 30, 2024 and June 30, 2023 was \$4.1 million and 4.2 million, respectively.

Other (expense) income. Other (expense) income includes interest expense and change in the fair value of the warrant liabilities. Interest expense, net for the three months ended June 30, 2024 was \$2.2 million, a decrease of \$2.1 million, or 49%, compared to \$4.4 million for the three months ended June 30, 2023. The decrease primarily was attributable to lower debt balances. Since the year ended December 31, 2022, we have repaid a total of \$91.0 million in debt instruments. The change in fair value of the outstanding warrants during the three months ended June 30, 2024 was a loss of (\$0.046) million compared to a loss of (\$12.2) million during the three months ended June 30, 2023. The decrease was primarily attributable to lower warrants outstanding at the end of each period. The change in fair value of warrant liabilities was the result of the remeasurement to fair value of the warrants exercised during the second quarter of 2024 reflecting changes in market prices of our common stock and other observable inputs deriving the value of these financial instruments.

Income tax expense. Income tax expense for the three months ended June 30, 2024 was an expense of \$0.8 million, an increase of \$0.8 million, or 1278%, compared to \$59.0 thousand for the three months ended June 30, 2023. The increase primarily driven by an increase in the taxable income, the change in valuation allowance and decrease in availability of net operating losses.

Net income (loss). Net income for the three months ended June 30, 2024 was \$15.8 million, an increase of \$18.9 million, or 596%, compared to a net loss of (\$3.2) million for the three months ended June 30, 2023. The \$18.9 million increase in net income was attributable to: (i) a \$12.2 million positive change in fair value of warrant liabilities; (ii) a \$2.1 million decrease in interest expense; and (iii) a \$5.4 million positive change in income from operations.

		Consolidated			
		Six Months Ended June 30, 2024	% of Total Revenue	Six Months Ended June 30, 2023	% of Total Revenue
(dollars in thousands, except per share amounts)					
REVENUES:					
Service revenues	\$	353,055	81%	\$ 313,355	82%
Product revenues		83,062	19%	69,613	18%
Total revenues		436,117	100 %	382,968	100 %
COST OF REVENUES AND OPERATING EXPENSES:					
Cost of services		294,826	68%	263,520	69%
Cost of products		70,668	16%	60,472	16%
Administrative		8,797	2%	8,089	2%
Salary, benefits and payroll taxes		17,723	4%	17,875	5%
Amortization of intangible assets		8,287	2%	8,412	2%
Total cost of revenues and operating expenses		400,301	92%	358,368	94%
Income from operations		35,816	8%	24,600	6%
OTHER INCOME (EXPENSE)					
Interest expense, net		(5,176)	-1 %	(8,962)	-2 %
Change in fair value of warrant liabilities		7,677	2%	(34,101)	-9 %
Total other income (expense)		2,501	1%	(43,063)	-11 %
Income (loss) before income tax expense		38,317	9%	(18,463)	-5 %
INCOME TAX EXPENSE					
NET INCOME (LOSS)	\$	36,925	8%	\$ (19,081)	-5 %
NET INCOME (LOSS) PER SHARE					
Basic	\$	0.36		\$ (0.20)	
Diluted (1)	\$	0.35		\$ (0.20)	
WEIGHTED-AVERAGE SHARES OUTSTANDING:					
Basic		103,292		95,456	
Diluted		104,346		95,456	

(1) Refer to Note 2 to the Condensed Consolidated Financial Statements in this report for details underlying OneSpaWorld's income diluted share calculation.

Comparison of Results for the six months ended June 30, 2024 compared to six months ended June 30, 2023

Revenues. Revenues for the six months ended June 30, 2024 and 2023 were \$436.1 million and \$383.0 million, respectively. The increase primarily was attributable to our average ship count increasing 7% to 188 health and wellness centers onboard ships operating during the six months ended June 30, 2024 compared with our average ship count of 175 health and wellness centers onboard ships operating during the six months ended June 30, 2023 together with continued productivity gains across our operations. In addition, we benefited from our initiatives to drive revenue growth in each of our on-board health and wellness centers through enhanced guest engagement and experiences, our guest service and product offering innovations, and the disciplined execution of our complex operating protocols by our on-board and corporate teams.

The break-down of revenue between service and product revenues was as follows:

- **Service revenues.** Service revenues for the six months ended June 30, 2024 were \$353.1 million, an increase of \$39.7 million, or 13%, compared to \$313.4 million for the six months ended June 30, 2023.
- **Product revenues.** Product revenues for the six months ended June 30, 2024 were \$83.1 million, an increase of \$13.4 million, or 19%, compared to \$69.6 million for the six months ended June 30, 2023.

Cost of services. Cost of services for the six months ended June 30, 2024 were \$294.8 million, an increase of \$31.3 million, or 12%, compared to \$263.5 million for the six months ended June 30, 2023. The increase primarily was attributable to costs associated with increased Service revenues of \$353.1 million in the six months ended June 30, 2024 from our operating health and wellness centers at sea and on land, compared with Service revenues of \$313.4 million in the six months ended June 30, 2023.

Cost of products. Cost of products for the six months ended June 30, 2024 were \$70.7 million, an increase of \$10.2 million, or 17%, compared to \$60.5 million for the six months ended June 30, 2023. The increase primarily was attributable to costs associated with increased Product revenues of \$83.1 million in the six months ended June 30, 2024 from our operating health and wellness centers at sea and on land, compared to Product revenues of \$69.6 million in the six months ended June 30, 2023.

Administrative. Administrative expenses for the six months ended June 30, 2024 were \$8.8 million, an increase of \$0.7 million, or 9%, compared to \$8.1 million for the six months ended June 30, 2023. The increase primarily was attributable to timing of professional fees agreed in connection with public company costs.

Salary, benefits and payroll taxes. Salary, benefits and payroll taxes for the six months ended June 30, 2024 were \$17.7 million, a decrease of \$0.2 million, or (1%), compared to \$17.9 million for the six months ended June 30, 2023. The decrease primarily was attributable to lower stock-based compensation expense in the six months ended June 30, 2024 offset by annual merit increases for Corporate employees in 2024.

Amortization of intangible assets. Amortization of intangible assets for the six months ended June 30, 2024 and 2023 were \$8.3 million and \$8.4 million, respectively.

Other income (expense). Other income (expense) includes interest expense and change in the fair value of the warrant liabilities. Interest expense, net for the six months ended June 30, 2024 was \$5.2 million, a decrease of \$3.8 million, or (42%), compared to \$9.0 million for the six months ended June 30, 2023. The decrease primarily was attributable to lower debt balances. Since the year ended December 31, 2022, we have repaid a total of \$91.0 million in debt instruments. The change in fair value of the outstanding warrants during the six months ended June 30, 2024 was a gain of \$7.7 million compared to a loss of (\$34.1) million during the six months ended June 30, 2023. The change in fair value of warrant liabilities was the result of the remeasurement to fair value of the warrants exercised during the six months ended June 30, 2024 reflecting changes in market prices of our common stock and other observable inputs deriving the value of these financial instruments.

Income tax expense. Income tax expense for the six months ended June 30, 2024 was an expense of \$1.4 million, an increase of \$0.8 million, or 125%, compared to \$0.6 million tax expense for the six months ended June 30, 2023. The increase primarily was driven by an increase in the taxable income, the change in valuation allowance and the decrease in availability of net operating losses.

Net income (loss). Net income for the six months ended June 30, 2024 was \$36.9 million, an increase of \$56.0 million, or 293%, compared to a net loss of (\$19.1) million for the six months ended June 30, 2023. The \$56.0 million increase in net income was attributable to: (i) a \$41.8 million positive change in fair value of warrant liabilities; (ii) a \$3.8 million decrease in interest expense; and (iii) a \$11.2 million positive change in income from operations.

Liquidity and Capital Resources

Overview

We fund our operations principally with cash flow from operations. Our principal uses for our liquidity have been funding our return to service of our health and wellness centers onboard 197 cruise ships and in 52 destination resorts, including associated working capital investment and capital expenditures; debt service, including full repayment of \$7 million borrowed under our First Lien Revolving Facility, full repayment of our \$25 million Second Lien Term Loan Facility, and \$77 million repayment of our First Lien Term Loan Facility; and purchasing 1,395,432 of our common shares from Steiner Leisure Limited pursuant to a Shares Repurchase Agreement, among other uses of our liquidity.

We have concluded that we will have sufficient liquidity to satisfy our existing and planned capital requirements over the next twelve months and thereafter and comply with all debt covenants as required by our debt agreement.

Cash Flows

The following table shows summary cash flow information for the six months ended June 30, 2024 and the six months ended June 30, 2023.

(in thousands)	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Net income (loss)	\$ 36,925	\$ (19,081)
Depreciation and amortization	12,079	10,986
Amortization of deferred financing costs	618	773
Change in fair value of warrant liabilities	(7,677)	34,101
Stock-based compensation	4,188	4,848
Provision for doubtful accounts	9	9
Loss from write-offs of property and equipment	67	12
Noncash lease expense	76	44
Deferred income taxes	—	227
Changes in working capital	(12,643)	(4,447)
Net cash provided by operating activities	33,642	27,472
Capital expenditures	(2,322)	(2,201)
Net cash used in investing activities	(2,322)	(2,201)
Proceeds from exercise of warrants	51,698	2,216
Repurchase of common shares	(7,736)	—
Repayment on term loan facilities	(35,000)	(31,042)
Payment of deleveraging fee on term loan facilities	(5,420)	—
Net cash provided by (used in) financing activities	3,542	(28,826)
Effect of exchange rates	(98)	262
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 34,764	\$ (3,293)

Comparison of Results for the six months ended June 30, 2024 and 2023

Operating activities. Our net cash provided by operating activities for the six months ended June 30, 2024 and 2023 were \$33.6 million and \$27.5 million, respectively. In the six months ended June 30, 2024, net operating cash flows continued to accelerate from 2023, as the Company grew total revenue 14%, income from operations by 46% and enhanced our balance sheet.

Investing activities. Our net cash used in investing activities for the six months ended June 30, 2024 and 2023 were \$2.3 million and \$2.2 million, respectively.

Financing activities. Our net cash provided by (used in) financing activities for the six months ended June 30, 2024 and 2023 were \$3.5 million and (\$28.8) million, respectively. For the six months ended June 30, 2024, the Company received proceeds from the exercise of public and private warrants of \$51.7 million, repaid \$35 million on the First Lien Term Loan Facility, paid \$5.4 million of deleveraging fee on the First Lien Credit Facilities and utilized \$7.7 million to repurchase 606,386 of our common shares. For the six months ended June 30, 2023, the Company repaid \$16.0 million on the First Lien Term Loan Facility and \$15.0 million on the Second Lien Term Loan Facility and received proceeds from the exercise of warrants of \$2.2 million.

Seasonality

A significant portion of our revenues are generated onboard cruise ships and are subject to specific individual cruise itineraries, which are dependent on time of year and geographic location, among other factors. As a result, we experience varying degrees of seasonality as the demand for cruises is stronger in the Northern Hemisphere during the summer months and during holidays. Accordingly, the third quarter and holiday periods generally result in higher revenues for us. Further, cruises and destination resorts have been negatively affected by the frequency and intensity of hurricanes, particularly during the August through October period, which may be increasing in frequency and intensity due to climate change.

Contractual Obligations

As of June 30, 2024, our future contractual obligations have not changed significantly from the amounts disclosed in our 2023 Form 10-K.

Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations is based upon our condensed consolidated unaudited financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated unaudited financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions or conditions. At least quarterly, management reevaluates its judgments and estimates, which are based on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances.

Our critical accounting policies are included in our 2023 Form 10-K. We believe that there have been no significant changes during the six months ended June 30, 2024 to the critical accounting policies disclosed in our 2023 Form 10-K.

Inflation and Economic Conditions

We do not believe that inflation has had a material adverse effect on our results of operations, financial condition and cash flows. However, public demand for activities, including cruises, is influenced by general economic conditions, including inflation, global health epidemics/pandemics and customer preferences. Periods of economic softness, increases in inflation rates and interest rates, as well as periods of fuel price increases, could have a material adverse effect on the cruise industry and hospitality industry upon which we are dependent and could have a material adverse effect on our business and our results of operations, financial condition and cash flows.

Cautionary Statement Regarding Forward-Looking Statements

From time to time, including in this report and other disclosures, we may issue "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements reflect our current views about future events and are subject to known and unknown risks, uncertainties and other factors which may cause our actual results to differ materially from those expressed or implied by such forward-looking statements. We attempt, whenever possible, to identify these statements by using words like "will," "may," "could," "should," "would," "believe," "expect," "anticipate," "forecast," "future," "intend," "plan," "estimate" and similar expressions of future intent or the negative of such terms. Such forward-looking statements include, but are not limited to, statements regarding:

- the demand for the Company's services together with the possibility that the Company may be adversely affected by other economic, business, and/or competitive factors or changes in the business environment in which the Company operates;
- changes in consumer preferences or the markets for the Company's services and products;
- changes in applicable laws or regulations;
- competition for the Company's services and the availability of competition for opportunities for expansion of the Company's business;
- difficulties of managing growth profitably;
- the loss of one or more members of the Company's executive management team;
- the potential impact of a global health crisis on the industries in which the Company operates and the Company's business, results of operations, financial condition and cash flows;
- other risks and uncertainties included from time to time in the Company's reports (including all amendments to those reports) filed with the U.S. Securities and Exchange Commission;

- other risks and uncertainties indicated in our 2023 Form 10-K, including those set forth under the section entitled "Risk Factors"; and
- other statements preceded by, followed by or that include the words "estimate," "plan," "project," "forecast," "intend," "expect," "anticipate," "believe," "seek," "target" or similar expressions.

These forward-looking statements are based on information available as of the date of this report and current expectations, forecasts and assumptions, and involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date. We do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For a discussion of our market risks, refer to Part II, Item 7A. - Quantitative and Qualitative Disclosures about Market Risk in our 2023 Form 10-K. There have been no material changes to our exposure to market risks since the date of our 2023 Form 10-K.

Item 4. Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as that term is defined in Rule 13a-15(e) of the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2024 to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in U.S. Securities and Exchange Commission rules and forms, and includes controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) that occurred during the three months ended June 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes in the risk factors previously disclosed in the Company's 2023 Form 10-K, Part II, Item 1A. "Risk Factors." However, the risks and uncertainties that we face are not limited to those set forth in the 2023 Form 10-K. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also materially and adversely affect our business and the trading price of our securities.

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

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended June 30, 2024, Stephen Lazarus, the Company's Chief Financial Officer and Chief Operating Officer, entered into a 10b5-1 trading arrangement intended to satisfy the affirmative defense of Rule 10b5-1(c). The 10b-5-1 trading arrangement was adopted by Mr. Lazarus on June 13, 2024 and provides for the sale of up to 400,000 Common Shares of the Company in the period commencing on September 13, 2024 and ending on the earlier of December 31, 2026 or the execution of all trades contemplated by the plan.

Item 6. Exhibits

Exhibit No.	
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Section 1350 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Section 1350 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
104	The cover page for the Company's Quarterly Report on Form 10-Q has been formatted in Inline XBRL and contained in Exhibit 101

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

Dated: August 1, 2024

ONESPAWORD HOLDINGS LIMITED

By: /s/ LEONARD FLUXMAN
Leonard Fluxman
Executive Chairman, President, Chief Executive Officer and
Director
Principal Executive Officer

By: /s/ STEPHEN B. LAZARUS
Stephen B. Lazarus
Chief Financial Officer and Chief Operating Officer
Principal Financial and Accounting Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a)/ RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Leonard Fluxman, certify that:

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

Date: August 1, 2024

/s/ Leonard Fluxman
Leonard Fluxman
President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a)/ RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Stephen B. Lazarus, certify that:

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

Date: August 1, 2024

/s/ Stephen B. Lazarus
Stephen B. Lazarus
Chief Financial Officer and Chief Operating Officer

SECTION 1350 CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), the undersigned officer of OneSpaWorld Holdings Limited certifies that (1) this Quarterly Report of OneSpaWorld Holdings Limited (the "Company") on Form 10-Q for the period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Leonard Fluxman

Leonard Fluxman
President and Chief Executive Officer

August 1, 2024

SECTION 1350 CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), the undersigned officer of OneSpaWorld Holdings Limited certifies that (1) this Quarterly Report of OneSpaWorld Holdings Limited (the "Company") on Form 10-Q for the period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stephen B. Lazarus

Stephen B. Lazarus

Chief Financial Officer and Chief Operating Officer

August 1, 2024
