

REFINITIV

DELTA REPORT

10-Q

BRLT - BRILLIANT EARTH GROUP, IN

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 540

█ CHANGES 167

█ DELETIONS 159

█ ADDITIONS 214

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2023** **September 30, 2023**

OR

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

For the transition period from **to**
Commission File Number **001-40836**

Brilliant Earth Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

87-1015499

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

**300 Grant Avenue, Third Floor
San Francisco, CA**

94108

(Address of principal executive offices)

(Zip Code)

(800) 691-0952

(Registrant's telephone number, including area code)

N/A

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

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

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

Class A common stock, \$0.0001 par value per share

BRLT

The Nasdaq Global Market

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of **August 7, 2023** **November 6, 2023**, there were **12,039,540** **12,269,690** shares of the registrant's Class A common stock, \$0.0001 par value per share, outstanding, **35,616,783** **35,697,266** shares of the registrant's Class B common stock, \$0.0001 par value per share, outstanding, **49,119,976** shares of the registrant's Class C common stock, \$0.0001 par value per share, outstanding and no shares of the registrant's Class D common stock, \$0.0001 par share, outstanding.

Table of Contents

	Page
<u>Part I - Financial Information</u>	
<u>Item 1. Financial Statements.</u>	<u>5</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	<u>25</u> <u>26</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk.</u>	<u>41</u> <u>42</u>
<u>Item 4. Controls and Procedures.</u>	<u>41</u> <u>42</u>
<u>Part II - Other Information</u>	
<u>Item 1. Legal Proceedings.</u>	<u>42</u> <u>43</u>
<u>Item 1A. Risk Factors.</u>	<u>42</u> <u>43</u>
<u>Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.</u>	<u>42</u> <u>43</u>
<u>Item 3. Defaults Upon Senior Securities.</u>	<u>42</u> <u>43</u>
<u>Item 4. Mine Safety Disclosures.</u>	<u>42</u> <u>43</u>
<u>Item 5. Other Information.</u>	<u>42</u> <u>43</u>
<u>Item 6. Exhibits.</u>	<u>43</u> <u>44</u>
<u>Signatures</u>	<u>44</u> <u>45</u>

2

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q may be forward-looking statements. Statements regarding our future results of operations and financial position, business strategy, plans and objectives of management for future operations, including, among others, statements regarding expected growth, **introduction of new products**, future capital expenditures, and debt service obligations, are forward-looking statements. In some cases, you can identify forward-looking statements by terms, such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "evolve," "expect," "intend," "may," "plan," "potential," "predict," "seek," "should," "strategy," "target," "will," or "would," or the negative of these terms or other similar expressions. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, and uncertainties that are difficult to predict.

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including, but not limited to risks related to: our rapid growth in recent years and limited operating experience; our ability to manage growth effectively; risks related to increases in costs of diamonds, other gemstones and precious metals; lead times, and supply shortages and supply changes; our ability to maintain a low cost of production and distribution; fluctuations in the pricing and supply of diamonds, other gemstones, and precious metals, particularly responsibly sourced natural and lab-grown diamonds and recycled precious metals such as gold; increases in labor costs for manufacturing such as wage rate increases, as well as inflation, and energy prices; our ability to cost-effectively turn existing customers into repeat customers or to acquire new customers; our expansion plans in the U.S.; risks related to an overall decline in the health of the economy and other factors impacting consumer spending, such as recessionary conditions, governmental instability, war or the threat of war, and natural disasters; our history of losses, and our ability to sustain profitability; our ability to compete in the fine jewelry retail industry; our ability to manage our inventory balances and inventory shrinkage; a decline in sales of Create Your Own rings; our ability to maintain and enhance our brand; the effectiveness of our marketing efforts; the impact of environmental, social, and governance matters on our business and reputation; our e-commerce and omnichannel business; our ability to effectively anticipate and respond to changes in consumer preferences and shopping patterns; our ability to predict future performance due to quarterly and annual fluctuations of our results of operations and operating cash flow; our dependence on distributions from Brilliant Earth, LLC to pay our taxes and expenses; risks related to our obligations under the Tax Receivable Agreement (as defined below) and our organizational structure; and the other risks, uncertainties and

the factors described in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "2022 Form 10-K") filed with the Securities and Exchange Commission (the "SEC") on March 21, 2023. Other sections of this Quarterly Report on Form 10-Q include additional factors that could adversely impact our business and financial performance.

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. This Quarterly Report on Form 10-Q and the documents that we have filed as exhibits should be read with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. These forward looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by applicable law, we undertake no obligation to update or revise any forward-looking statements contained in this Quarterly Report on Form 10-Q, whether as a result of any new information, future events or otherwise.

BASIS OF PRESENTATION

As used in this Quarterly Report on Form 10-Q, unless the context otherwise requires, references to:

- "we," "us," "our," the "Company," "Brilliant Earth," and similar references refer to Brilliant Earth Group, Inc., and, unless otherwise stated, all of its subsidiaries, including Brilliant Earth, LLC.
- "Brilliant Earth LLC Agreement" refers to Brilliant Earth, LLC's amended and restated limited liability company agreement, which became effective prior to the consummation of the IPO.
- "Continuing Equity Owners" refers collectively to holders of LLC Interests (as defined below) and our Class B common stock and Class C common stock immediately following consummation of the Reorganization Transactions, including our Founders (as defined below) and Mainsail (as defined below), who may, exchange at each of their respective options, in whole or in part from time to time, their LLC Interests (along with an equal number of shares of Class B common stock or Class C common stock (and such shares shall be immediately cancelled)), as applicable, for, at our election (determined solely by our independent directors (within the meaning of the Nasdaq rules) who are disinterested), cash or newly-issued shares of our Class A common stock or Class D common stock, as applicable.
- "Founders" refers to Beth Gerstein, our Co-Founder and Chief Executive Officer, Eric Grossberg, our Co-Founder and Executive Chairman, and Just Rocks, Inc., a Delaware corporation, which is jointly owned and controlled by our Founders.
- "LLC Interests" or "LLC Units" refers to the common units of Brilliant Earth, LLC, including those that we purchased with the net proceeds from the IPO.
- "Mainsail" refers to Mainsail Partners III, L.P., our sponsor and a Delaware limited partnership, and certain funds affiliated with Mainsail Partners III, L.P., including Mainsail Incentive Program, LLC, and Mainsail Co-Investors III, L.P.
- "Reorganization Transactions" refers to the organizational transactions and the IPO, and the application of the net proceeds therefrom.
- "TRA" refers to the Tax Receivable Agreement with Brilliant Earth, LLC and the Continuing Equity Owners that provides for the payment by Brilliant Earth Group, Inc. to the Continuing Equity Owners of 85% of the amount of tax benefits, if any, that Brilliant Earth Group, Inc. actually realizes (or in some circumstances is deemed to realize) related to certain tax basis adjustments and payments made under the TRA.

Part I - Financial Information

Item 1. Financial Statements

Brilliant Earth Group, Inc.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands except share and per share amounts)

Assets	Assets	June 30,		December 31,		Assets	September 30,		December 31,	
		2023		2022			2023		2022	
		Current assets:	Current assets:	Cash and cash equivalents	Cash and cash equivalents	Restricted cash	Restricted cash	Inventories, net	Inventories, net	
Current assets:	Current assets:									
Cash and cash equivalents	Cash and cash equivalents	\$ 149,605	\$ 154,649							
Restricted cash	Restricted cash	207	205							
Inventories, net	Inventories, net	39,413	39,331							

Prepaid expenses and other current assets	Prepaid expenses and other current assets	10,938	11,764	Prepaid expenses and other current assets	11,271	11,764
Total current assets	Total current assets	200,163	205,949	Total current assets	195,867	205,949
Property and equipment, net	Property and equipment, net	22,200	16,554	Property and equipment, net	22,402	16,554
Deferred tax assets	Deferred tax assets	9,367	8,948	Deferred tax assets	9,272	8,948
Operating lease right of use assets	Operating lease right of use assets	38,333	27,812	Operating lease right of use assets	35,459	27,812
Other assets	Other assets	3,266	3,311	Other assets	2,693	3,311
Total assets	Total assets	\$ 273,329	\$ 262,574	Total assets	\$ 265,693	\$ 262,574
Liabilities and equity	Liabilities and equity			Liabilities and equity		
Current liabilities:	Current liabilities:			Current liabilities:		
Accounts payable	Accounts payable	\$ 9,496	\$ 11,032	Accounts payable	\$ 4,108	\$ 11,032
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	34,163	37,833	Accrued expenses and other current liabilities	35,073	37,833
Current portion of deferred revenue	Current portion of deferred revenue	22,258	18,505	Current portion of deferred revenue	23,051	18,505
Current portion of operating lease liabilities	Current portion of operating lease liabilities	4,983	3,873	Current portion of operating lease liabilities	4,866	3,873
Current portion of long-term debt	Current portion of long-term debt	3,250	3,250	Current portion of long-term debt	3,656	3,250
Total current liabilities	Total current liabilities	74,150	74,493	Total current liabilities	70,754	74,493
Long-term debt, net of debt issuance costs	Long-term debt, net of debt issuance costs	57,924	59,462	Long-term debt, net of debt issuance costs	56,749	59,462
Operating lease liabilities	Operating lease liabilities	39,712	28,537	Operating lease liabilities	37,066	28,537
Payable pursuant to the Tax Receivable Agreement	Payable pursuant to the Tax Receivable Agreement	7,897	6,893	Payable pursuant to the Tax Receivable Agreement	7,675	6,893
Other long-term liabilities	Other long-term liabilities	12	48	Other long-term liabilities	4	48
Total liabilities	Total liabilities	179,695	169,433	Total liabilities	172,248	169,433
Commitments and contingencies	Commitments and contingencies			Commitments and contingencies		
(Note 10)	(Note 10)			(Note 10)		
Equity	Equity			Equity		
Preferred stock, \$0.0001 par value, 10,000,000 shares authorized, none issued and outstanding at June 30, 2023 and December 31, 2022, respectively		—	—			
Class A common stock, \$0.0001 par value, 1,200,000,000 shares authorized; 12,037,565 and 11,246,694 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively		1	1			
Class B common stock, \$0.0001 par value, 150,000,000 shares authorized; 35,583,600 and 35,482,534 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively		4	4			
Class C common stock, \$0.0001 par value, 150,000,000 shares authorized; 49,119,976 and 49,119,976 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively		5	5			

Class D common stock, \$0.0001 par value, 150,000,000 shares authorized; none issued and outstanding at June 30, 2023 and December 31, 2022, respectively	—	—	Preferred stock, \$0.0001 par value, 10,000,000 shares authorized, none issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	—
Preferred stock, \$0.0001 par value, 10,000,000 shares authorized, none issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	—	Preferred stock, \$0.0001 par value, 10,000,000 shares authorized, none issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	—
Class A common stock, \$0.0001 par value, 1,200,000,000 shares authorized; 12,260,942 and 11,246,694 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	—	Class A common stock, \$0.0001 par value, 1,200,000,000 shares authorized; 12,260,942 and 11,246,694 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	1	1
Class B common stock, \$0.0001 par value, 150,000,000 shares authorized; 35,669,224 and 35,482,534 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	—	Class B common stock, \$0.0001 par value, 150,000,000 shares authorized; 35,669,224 and 35,482,534 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	4	4
Class C common stock, \$0.0001 par value, 150,000,000 shares authorized; 49,119,976 and 49,119,976 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	—	Class C common stock, \$0.0001 par value, 150,000,000 shares authorized; 49,119,976 and 49,119,976 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	5	5
Class D common stock, \$0.0001 par value, 150,000,000 shares authorized; none issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	—	Class D common stock, \$0.0001 par value, 150,000,000 shares authorized; none issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	—
Additional paid-in capital	Additional paid-in capital	7,882	7,256	Additional paid-in capital	7,791
Retained earnings	Retained earnings	3,759	3,663	Retained earnings	4,004
Equity attributable to Brilliant Earth Group, Inc.	Equity attributable to Brilliant Earth Group, Inc.	11,651	10,929	Equity attributable to Brilliant Earth Group, Inc.	11,805
NCI attributable to Brilliant Earth, LLC	NCI attributable to Brilliant Earth, LLC	81,983	82,212	NCI attributable to Brilliant Earth, LLC	81,640
Total equity	Total equity	93,634	93,141	Total equity	93,445
Total liabilities and equity	Total liabilities and equity	\$ 273,329	\$ 262,574	Total liabilities and equity	\$ 265,693
					\$ 262,574

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

Brilliant Earth Group, Inc.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except share and per share amounts)

		Three months ended				Six months ended		Three Months Ended				Nine Months Ended	
		June 30,		June 30,		September 30,		September 30,		September 30,		September 30,	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Net sales	Net sales	\$ 110,184	\$ 108,809	\$ 207,882	\$ 208,847	Net sales		\$ 114,154	\$ 111,405	\$ 322,036	\$ 320,252		
Cost of sales	Cost of sales	46,695	50,988	90,717	100,910	Cost of sales		47,327	50,487	138,044	151,397		
Gross profit	Gross profit	63,489	57,821	117,165	107,937	Gross profit		66,827	60,918	183,992	168,855		
Operating expenses:	Operating expenses:					Operating expenses:							
Selling, general and administrative	Selling, general and administrative	62,129	52,145	115,895	96,961	Selling, general and administrative		64,813	54,615	180,708	151,576		
Income from operations	Income from operations	1,360	5,676	1,270	10,976	Income from operations		2,014	6,303	3,284	17,279		
Interest expense	Interest expense	(1,280)	(1,146)	(2,486)	(2,922)	Interest expense		(1,322)	(778)	(3,808)	(3,700)		
Other income (expense), net		1,192	(49)	2,035	(108)								
Other income, net										Other income, net	1,401	374	3,436 266
Loss on extinguishment of debt	Loss on extinguishment of debt	—	(617)	—	(617)	Loss on extinguishment of debt		—	—	—	(617)		
Income before tax	Income before tax	1,272	3,864	819	7,329	Income before tax		2,093	5,899	2,912	13,228		
Income tax expense	Income tax expense	(37)	(113)	(24)	(209)	Income tax expense		(95)	(180)	(119)	(389)		
Net income	Net income	1,235	3,751	795	\$ 7,120	Net income		1,998	5,719	2,793	\$ 12,839		
Net income allocable to non-controlling interest	Net income allocable to non-controlling interest	1,087	3,327	699	6,340	Net income allocable to non-controlling interest		1,753	5,073	2,452	11,413		
Net income allocable to Brilliant Earth Group, Inc.	Net income allocable to Brilliant Earth Group, Inc.	\$ 148	\$ 424	\$ 96	\$ 780	Net income allocable to Brilliant Earth Group, Inc.		\$ 245	\$ 646	\$ 341	\$ 1,426		
Earnings per share: Basic	Earnings per share: Basic	\$ 0.01	\$ 0.04	\$ 0.01	\$ 0.07	Earnings per share: Basic		\$ 0.02	\$ 0.06	\$ 0.03	\$ 0.13		
Diluted	Diluted	\$ 0.01	\$ 0.03	\$ 0.01	\$ 0.06	Diluted		\$ 0.02	\$ 0.05	\$ 0.02	\$ 0.10		
Weighted average shares of common stock outstanding:	Weighted average shares of common stock outstanding:					Weighted average shares of common stock outstanding:							
Basic	Basic	11,796,639	10,810,627	11,593,416	10,412,922	Basic		12,149,770	10,884,306	11,780,905	10,571,777		
Diluted	Diluted	96,889,854	96,208,702	96,820,285	96,386,862	Diluted		97,194,920	96,574,462	96,918,465	96,488,889		

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

Brilliant Earth Group, Inc.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands except share amounts)

Brilliant Earth Group, Inc. Stockholders' Equity																																									
Class A Common Stock			Class B Common Stock			Class C Common Stock			Non-Controlling Interest																																
									Additional			Paid-In Capital			Retained Earnings			Stockholders' Equity			Total																				
									Shares			Amount			Shares			Amount			Units			Amounts			Equity														
Brilliant Earth Group, Inc. Stockholders' Equity																																									
Class A Common Stock			Class B Common Stock			Class C Common Stock			Non-Controlling Interest																																
									Additional			Paid-In Capital			Retained Earnings			Stockholders' Equity			Total																				
									Shares			Amount			Shares			Amount			Units			Amounts			Equity														
Balance, January 1, 2023	Balance, January 1, 2023		11,246,694	\$ 1	35,482,534	\$ 4	49,119,976	\$ 5	\$ 7,256	\$ 3,663	\$ 10,929	84,602,510	\$ 82,212	\$ 93,141														Balance, January 1, 2023	\$ 11,246,694	\$ 35,482,534	\$ 4 49,119,976	\$ 5 \$ 7,256	\$ 3								
Tax distributions to members	Tax distributions to members		—	—	—	—	—	—	—	—	—	—	—	—	(1,468)	(1,468)													Tax distributions to members	—	—	—	—	—							
Conversion of Class B to Class A common stock	Conversion of Class B to Class A common stock		71,886	—	(71,886)	—	—	—	—	—	—	(71,886)	—	—	—	—	—	—	—	—	71,886	—	(71,886)	—	—	—	—	Conversion of Class B to Class A common stock	71,886	—	(71,886)	—	—								
RSU vesting during period	RSU vesting during period		252,941	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	252,941	—	—	—	—	—	—	RSU vesting during period	252,941	—	—	—	—								
Class B shares issued upon vesting of LLC units	Class B shares issued upon vesting of LLC units		—	—	115,437	—	—	—	—	—	—	—	115,437	—	—	—	—	—	—	—	—	—	—	—	—	—	Class B shares issued upon vesting of LLC units	—	—	115,437	—	—									
Change in deferred tax asset from step-up tax basis related to redemption of LLC Units	Change in deferred tax asset and TRA liability related to redemption of LLC Units		—	—	—	—	—	—	(65)	—	(65)	—	—	(65)	—	—	—	—	—	—	—	—	—	—	—	—	Change in deferred tax asset and TRA liability related to redemption of LLC Units	—	—	—	—	(65)									
Equity-based compensation	Equity-based compensation		—	—	—	—	—	—	2,204	—	2,204	—	54	2,258	compensation	—	—	—	—	—	—	—	—	—	—	—	—	Equity-based compensation	—	—	—	—	2,204								
Net loss	Net loss		—	—	—	—	—	—	(52)	(52)	(52)	—	(388)	(440)	Net loss	—	—	—	—	—	—	—	—	—	—	—	—	Net loss	—	—	—	—	—								
Rebalancing of controlling and non-controlling interest	Rebalancing of controlling and non-controlling interest		—	—	—	—	—	—	(1,780)	\$ —	(1,780)	—	1,780	—	—	—	—	—	—	—	—	—	—	—	—	Rebalancing of controlling and non-controlling interest	—	—	—	—	(1,780)										
Balance, March 31, 2023	Balance, March 31, 2023		11,571,521	\$ 1	35,526,085	\$ 4	49,119,976	\$ 5	\$ 7,615	\$ 3,611	\$ 11,236	84,646,061	\$ 82,190	\$ 93,426														Balance, March 31, 2023	\$ 11,571,521	\$ 35,526,085	\$ 4 49,119,976	\$ 5 \$ 7,615	\$ 3								
Tax distributions to members	Tax distributions to members		—	—	—	—	—	—	—	—	—	—	(3,660)	(3,660)	to members	—	—	—	—	—	—	—	—	—	—	—	—	Tax distributions to members	—	—	—	—	—								

Conversion of Class B to Class A	Conversion of Class B to Class A	54,600	—	(54,600)	—	—	—	—	—	(54,600)	—	—	Conversion of Class B to Class A	common stock	54,600	—	(54,600)	—	—	—		
RSU vesting during period	RSU vesting during period	411,444	—	—	—	—	—	—	—	—	—	—	RSU vesting during period	Class B shares issued upon vesting of LLC	411,444	—	—	—	—	—		
Class B shares issued upon vesting of LLC	Class B shares issued upon vesting of LLC	units	units	—	—	112,115	—	—	—	—	—	—	units	—	—	112,115	—	—	—			
Change in deferred tax asset from step-up tax basis related to redemption of LLC	Change in deferred tax asset from step-up tax basis related to redemption of LLC	Units and set-up of TRA liability	—	—	—	—	—	—	6	—	6	—	—	6	—	—	—	—	—			
Change in deferred tax asset and TRA liability related to redemption of LLC Units	Change in deferred tax asset and TRA liability related to redemption of LLC Units	Equity-based compensation	Equity-based compensation	—	—	—	—	—	2,574	—	2,574	—	53	2,627	Equity-based compensation	—	—	—	—	2,574		
Net income	Net income	—	—	—	—	—	—	—	148	148	—	1,087	1,235	Net income	—	—	—	—	—			
Rebalancing of controlling and non- controlling interest	Rebalancing of controlling and non- controlling interest	—	—	—	—	—	—	(2,313)	—	(2,313)	—	2,313	—	interest	—	—	—	—	(2,313)			
Balance, June 30, 2023	Balance, June 30, 2023	12,037,565	\$ 1	35,583,600	\$ 4	49,119,976	\$ 5	\$ 7,882	\$ 3,759	\$ 11,651	84,703,576	\$ 81,983	\$ 93,634	Balance, June 30, 2023	12,037,565	\$ 1	35,583,600	\$ 4	49,119,976	\$ 5	\$ 7,882	\$ 3
Tax distributions to members	Tax distributions to members	Conversion of Class B to Class A common stock	Conversion of Class B to Class A common stock	—	—	—	—	—	19,865	—	(19,865)	—	—	—	Conversion of Class B to Class A	—	—	—	—	—		
RSU vesting during period	RSU vesting during period	Class B shares issued upon vesting of LLC	Class B shares issued upon vesting of LLC	units	units	—	—	—	203,512	—	—	—	—	—	RSU vesting during period	—	—	—	—	—		
Change in deferred tax asset and TRA liability related to redemption of LLC Units	Change in deferred tax asset and TRA liability related to redemption of LLC Units	Equity-based compensation	Equity-based compensation	—	—	—	—	—	—	105,489	—	—	—	—	Change in deferred tax asset and TRA liability related to redemption of LLC Units	—	—	—	—	(23)		
Net income	Net income	—	—	—	—	—	—	—	—	—	—	—	—	Net income	—	—	—	—	—			

Rebalancing of controlling and non-controlling interest	Rebalancing of controlling and non-controlling interest
Balance, September 30, 2023	— (2,586)

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

Brilliant Earth Group, Inc.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands except share amounts)

Brilliant Earth Group, Inc. Stockholders' Equity																			
Class A Common			Class B Common			Class C Common			Non-Controlling Interest										
	Stock		Stock		Stock				Paid-In Capital	Retained Earnings	Stockholders' Equity	Units	Amounts	Total Equity					
	Shares	Amount	Shares	Amount	Shares	Amount													
Brilliant Earth Group, Inc. Stockholders' Equity																			
Class A Common Stock			Class B Common Stock			Class C Common Stock			Non-Controlling Interest										
	Shares	Amount	Shares	Amount	Shares	Amount			Paid-In Capital	Retained Earnings	Stockholders' Equity	Units	Amounts	Total Equity					
	Shares	Amount	Shares	Amount	Shares	Amount													
Balance, January 1, 2022	Balance, January 1, 2022	9,614,523 \$ 1	35,658,013 \$ 4	49,505,250 \$ 5	6,865 \$ 1,528	8,403 \$ 74,435	\$ 82,838					Balance, January 1, 2022	9,614,523 \$ 1	35,658,013 \$ 4	49,505,250 \$ 5	\$ 6,865 \$ 1			
Tax distributions to members	Tax distributions to members	—	—	—	—	—	—	—	—	—	—	(6,874)	(6,874)	Tax distributions to members	—	—	—	—	—
Conversion of Class B and Class C to Class A common stock	Conversion of Class B and Class C to Class A common stock	1,053,914	—	(668,640)	—	(385,274)	—	—	—	—	(1,053,914)	—	—	1,053,914	—	(668,640)	—	(385,274)	—
RSU vesting during period	RSU vesting during period	40,019	—	—	—	—	—	—	—	—	—	—	—	40,019	—	—	—	—	—
Class B shares issued upon vesting of LLC units	Class B shares issued upon vesting of LLC units	—	—	337,323	—	—	—	—	—	—	337,323	—	—	—	—	337,323	—	—	—
Change in deferred tax asset from step-up tax basis related to redemption of LLC Units	Change in deferred tax asset from step-up tax basis related to redemption of LLC Units	—	—	—	—	—	—	605	—	605	—	—	605	—	—	—	—	—	605
Change in deferred tax asset and TRA liability related to redemption of LLC Units	Change in deferred tax asset and TRA liability related to redemption of LLC Units	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Equity-based compensation	Equity-based compensation	—	—	—	—	—	—	2,028	—	2,028	—	76	2,104	Equity-based compensation	—	—	—	—	—	2,028		
Net income	Net income	—	—	—	—	—	—	—	356	356	—	3,013	3,369	Net income	—	—	—	—	—	—		
Rebalancing of controlling and non-controlling interest	Rebalancing of controlling and non-controlling interest	—	—	—	—	—	—	(2,159)	—	(2,159)	—	2,159	—	Rebalancing of controlling and non-controlling interest	—	—	—	—	—	(2,159)		
Balance, March 31, 2022	Balance, March 31, 2022	10,708,456	\$ 1	35,326,696	\$ 4	49,119,976	\$ 5	7,339	\$ 1,884	\$ 9,233	\$ 84,446,672	\$ 72,809	\$ 82,042	Balance, March 31, 2022	10,708,456	\$ 1	35,326,696	\$ 4	49,119,976	\$ 5	7,339	\$ 1
Tax distributions to members	Tax distributions to members	—	—	—	—	—	—	—	—	—	—	(8,100)	(8,100)	Tax distributions to members	—	—	—	—	—	—		
Conversion of Class B to Class A common stock	Conversion of Class B to Class A common stock	110,000	—	(110,000)	—	—	—	—	—	—	(110,000)	—	—	110,000	—	(110,000)	—	—	—			
RSU vesting during period	RSU vesting during period	16,938	—	—	—	—	—	—	—	—	—	—	—	RSU vesting during period	16,938	—	—	—	—	—		
Class B shares issued upon vesting of LLC units	Class B shares issued upon vesting of LLC units	—	—	140,897	—	—	—	—	—	—	—	140,897	—	Class B shares issued upon vesting of LLC units	—	—	140,897	—	—	—		
Change in deferred tax asset from step-up tax basis related to redemption of LLC Units and set-up of TRA liability	Change in deferred tax asset from step-up tax basis related to redemption of LLC Units and set-up of TRA liability	—	—	140,897	—	—	—	—	—	—	—	140,897	—	Change in deferred tax asset and TRA liability related to redemption of LLC Units	—	—	—	—	—	(87)		
Equity-based compensation	Equity-based compensation	—	—	—	—	—	—	2,079	—	2,079	—	69	2,148	Equity-based compensation	—	—	—	—	—	2,079		
Net income	Net income	—	—	—	—	—	—	—	424	424	—	3,327	3,751	Net income	—	—	—	—	—	—		
Rebalancing of controlling and non-controlling interest	Rebalancing of controlling and non-controlling interest	—	—	—	—	—	—	(2,582)	—	(2,582)	—	2,582	—	Rebalancing of controlling and non-controlling interest	—	—	—	—	—	(2,582)		
Balance, June 30, 2022	Balance, June 30, 2022	10,835,394	\$ 1	35,357,593	\$ 4	49,119,976	\$ 5	6,749	\$ 2,308	\$ 9,067	\$ 84,477,569	\$ 70,687	\$ 79,754	Balance, June 30, 2022	10,835,394	\$ 1	35,357,593	\$ 4	49,119,976	\$ 5	6,749	\$ 2
Tax distributions to members	Tax distributions to members	—	—	—	—	—	—	—	—	—	—	—	—	Tax distributions to members	—	—	—	—	—	—		
Conversion of Class B to Class A common stock	Conversion of Class B to Class A common stock	—	—	—	—	—	—	—	—	—	—	85,708	—	Conversion of Class B to Class A common stock	—	—	—	—	—	—		
RSU vesting during period	RSU vesting during period	—	—	—	—	—	—	—	—	—	—	19,270	—	RSU vesting during period	—	—	—	—	—	—		
Class B shares issued upon vesting of LLC units	Class B shares issued upon vesting of LLC units	—	—	—	—	—	—	—	—	—	—	123,853	—	Class B shares issued upon vesting of LLC units	—	—	—	—	—	—		

Change in	Change in
deferred tax	deferred tax
asset and TRA	asset and TRA
liability related	liability related
to redemption	to redemption
of LLC Units	of LLC Units
Equity-based	Equity-based
compensation	compensation
Net income	Net income
Rebalancing of	Rebalancing
controlling and	of controlling
non-controlling	and non-
interest	controlling
Balance,	interest
September 30,	—
2022	—
	(2,391)
Balance,	—
September	10,940,372
30, 2022	\$ 1 35,395,738
	\$ 4 49,119,976
	\$ 5 \$ 6,731
	\$ 2

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

Brilliant Earth Group, Inc.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

		Six months ended June 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Operating activities	Operating activities			Operating activities	
Net income	Net income	\$ 795	\$ 7,120	Net income	\$ 2,793
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:			Adjustments to reconcile net income to net cash provided by operating activities:	\$ 12,839
Depreciation	Depreciation	1,891	747	Depreciation	2,996
Equity-based compensation	Equity-based compensation	4,885	4,252	Equity-based compensation	7,454
Non-cash operating lease cost	Non-cash operating lease cost	2,368	1,462	Non-cash operating lease cost	3,487
Amortization of debt issuance costs	Amortization of debt issuance costs	134	452	Amortization of debt issuance costs	202
Loss on extinguishment of debt	Loss on extinguishment of debt	—	617	Loss on extinguishment of debt	617
Deferred tax benefit		23	—	Deferred tax expense	118
Deferred tax expense				Other	—
Other	Other	66	(56)	Other	63
Changes in assets and liabilities:	Changes in assets and liabilities:			Changes in assets and liabilities:	20
Inventories	Inventories	(138)	(10,544)	Inventories	2,025
Prepaid expenses and other current assets	Prepaid expenses and other current assets	2,141	(1,945)	Prepaid expenses and other current assets	(15,610)
Other assets	Other assets	(2)	(665)	Other assets	1,808
					(1,965)

Accounts payable, accrued expenses and other current liabilities	Accounts payable, accrued expenses and other current liabilities	(3,091)	461	Accounts payable, accrued expenses and other current liabilities	Accounts payable, accrued expenses and other current liabilities	(7,554)	1,577
Deferred revenue	Deferred revenue	3,717	3,580	Deferred revenue	Deferred revenue	4,502	3,762
Operating lease liabilities	Operating lease liabilities	(1,919)	(608)	Operating lease liabilities	Operating lease liabilities	(2,927)	(792)
Net cash provided by operating activities	Net cash provided by operating activities	10,870	4,873	Net cash provided by operating activities	Net cash provided by operating activities	15,514	9,019
Investing activities	Investing activities			Investing activities	Investing activities		
Purchases of property and equipment	Purchases of property and equipment	(9,159)	(4,068)	Purchases of property and equipment	Purchases of property and equipment	(10,729)	(6,566)
Net cash used in investing activities	Net cash used in investing activities	(9,159)	(4,068)	Net cash used in investing activities	Net cash used in investing activities	(10,729)	(6,566)
Financing activities	Financing activities			Financing activities	Financing activities		
Payments on SVB term loan	Payments on SVB term loan	(1,625)	—	Payments on SVB term loan facility	Payments on SVB term loan facility	(2,438)	(813)
Proceeds received from Silicon Valley Bank term loan facility	Proceeds received from Silicon Valley Bank term loan facility	—	65,000	Proceeds received from SVB term loan facility	Proceeds received from SVB term loan facility	—	65,000
Payments on SVB term loan facility	Payments on SVB term loan facility	—		Repayment of Runway term loan	Repayment of Runway term loan	—	(58,158)
Proceeds received from SVB term loan facility	Proceeds received from SVB term loan facility	—		Principal payments on Runway term loan	Principal payments on Runway term loan	—	(6,842)
Final payment and prepayment penalty on Runway term loan	Final payment and prepayment penalty on Runway term loan	—		Final payment and prepayment penalty on Runway term loan	Final payment and prepayment penalty on Runway term loan	—	(2,408)
Payments of debt issuance costs	Payments of debt issuance costs	—	(755)	Payments of debt issuance costs	Payments of debt issuance costs	—	(870)
Tax distributions to members	Tax distributions to members	(5,128)	(14,974)	Tax distributions to members	Tax distributions to members	(9,861)	(18,296)
Net cash used in financing activities	Net cash used in financing activities	(6,753)	(18,137)	Net cash used in financing activities	Net cash used in financing activities	(12,299)	(22,387)
Net decrease in cash, cash equivalents and restricted cash	Net decrease in cash, cash equivalents and restricted cash	(5,042)	(17,332)	Net decrease in cash, cash equivalents and restricted cash	Net decrease in cash, cash equivalents and restricted cash	(7,514)	(19,934)
Cash, cash equivalents and restricted cash at beginning of period	Cash, cash equivalents and restricted cash at beginning of period	154,854	173,070	Cash, cash equivalents and restricted cash at beginning of period	Cash, cash equivalents and restricted cash at beginning of period	154,854	173,070
Cash, cash equivalents and restricted cash at end of period	Cash, cash equivalents and restricted cash at end of period	\$ 149,812	\$ 155,738	Cash, cash equivalents and restricted cash at end of period	Cash, cash equivalents and restricted cash at end of period	\$ 147,340	\$ 153,136
Reconciliation of cash, cash equivalents and restricted cash	Reconciliation of cash, cash equivalents and restricted cash			Reconciliation of cash, cash equivalents and restricted cash	Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	Cash and cash equivalents	\$ 149,605	\$ 155,533	Cash and cash equivalents	Cash and cash equivalents	\$ 147,131	\$ 152,931
Restricted cash	Restricted cash	207	205	Restricted cash	Restricted cash	209	205

Total cash, cash equivalents, and restricted cash	Total cash, cash equivalents, and restricted cash	\$ 149,812	\$ 155,738	Total cash, cash equivalents, and restricted cash	\$ 147,340	\$ 153,136
Non-cash investing and financing activities						
Right-of-use assets obtained in exchange for new operating lease liabilities	Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 14,204	\$ 3,716	Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 12,449	\$ 5,963
Deferred tax assets associated with redemption of LLC Units	Deferred tax assets associated with redemption of LLC Units	442	3,891	Deferred tax assets associated with redemption of LLC Units	442	4,229
TRA Obligation associated with redemption of LLC Units	TRA Obligation associated with redemption of LLC Units	502	3,373	TRA Obligation associated with redemption of LLC Units	524	3,581
Purchases of property and equipment included in accounts payable and accrued liabilities	Purchases of property and equipment included in accounts payable and accrued liabilities	(1,612)	1,219	Purchases of property and equipment included in accounts payable and accrued liabilities	964	2,513
Change in APIC related to redemption of LLC Units	Change in APIC related to redemption of LLC Units	(80)	518	Change in APIC related to redemption of LLC Units	(82)	648
Debt issuance costs included in accounts payable and accrued liabilities	Debt issuance costs included in accounts payable and accrued liabilities	—	487	Debt issuance costs included in accounts payable and accrued liabilities	—	380
Debt issuance costs capitalized to principal of long-term debt	Debt issuance costs capitalized to principal of long-term debt			Debt issuance costs capitalized to principal of long-term debt	—	86

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

Brilliant Earth Group, Inc.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brilliant Earth Group, Inc. was formed as a Delaware corporation on June 2, 2021 for the purpose of facilitating an initial public offering ("IPO") and executing other related organizational transactions to acquire and carry on the business of Brilliant Earth, LLC. Brilliant Earth, LLC was originally incorporated in Delaware on August 25, 2005, and subsequently converted to a limited liability company on November 29, 2012. Brilliant Earth Group, Inc., the sole managing member of Brilliant Earth, LLC, consolidates Brilliant Earth, LLC and both are collectively referred to herein as "the Company" the "Company".

The Company designs, procures and sells ethically-sourced diamonds, gemstones and jewelry online and through 32 showrooms operating within the United States ("U.S.") as of June 30, 2023. Co-headquarters are located in San Francisco, California and Denver, Colorado.

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP and the requirements of the Securities and Exchange Commission (the "SEC") for interim reporting. As permitted under those rules, certain footnotes or other financial information that

are normally required by U.S. GAAP can be condensed or omitted. These interim results are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2023, or for any other interim period or for any other future year.

The condensed consolidated balance sheet as of December 31, 2022 has been derived from the audited consolidated financial statements of the Company, which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 Form 10-K"). In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments consisting only of normal recurring adjustments necessary to state fairly the financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP applicable to interim periods. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2022, as disclosed in the 2022 Form 10-K.

There have been no material changes or updates to the Company's significant accounting policies from those described in the audited consolidated financial statements included in the 2022 Form 10-K except for the updates noted below.

Principles of Consolidation and Non-Controlling Interest

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiary, Brilliant Earth, LLC, which it controls due to ownership of the voting interest or pursuant to variable interest entity ("VIE") accounting guidance. ~~All~~ All intercompany balances and transactions have been eliminated in consolidation.

The non-controlling interest on the unaudited condensed consolidated statements of operations represents the portion of earnings or loss attributable to the economic interest in Brilliant Earth, LLC held

by the Continuing Equity Owners. The non-controlling interest on the unaudited condensed consolidated balance sheets represents the portion of net assets of the Company attributable to the Continuing Equity Owners, based on the portion of the LLC Interests owned by such unit holders. As of ~~June 30, 2023~~ September 30, 2023, the non-controlling interest was ~~87.6%~~ 87.4%. At the end of each reporting period, equity related to Brilliant Earth, LLC that is attributable to Brilliant Earth Group, Inc. and Continuing Equity Owners is rebalanced to reflect Brilliant Earth Group, Inc.'s and Continuing Equity Owners' ownership in Brilliant Earth, LLC.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Some of the more significant estimates include inventory valuation, allowance for sales returns, estimates of current and deferred income taxes, payable pursuant to the tax receivable agreement, useful lives and depreciation of long-lived assets, and fair value of equity-based compensation. Actual results could differ materially from those estimates. On an ongoing basis, the Company reviews its estimates to ensure that they appropriately reflect changes in its business or new information available.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. U.S. GAAP prescribes three levels of inputs that may be used to measure fair value:

Level 1 Valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 Valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from, or corroborated by, observable market data by correlation or other means.

Level 3 Valuation techniques with significant unobservable market inputs.

The Company is required to disclose its estimate of the fair value of material financial instruments, including those recorded as assets or liabilities in its financial statements, in accordance with U.S. GAAP.

At ~~June 30, 2023~~ September 30, 2023 and December 31, 2022, there were no financial instruments (assets or liabilities) measured at fair value on a recurring basis.

The carrying amounts of cash and cash equivalents, restricted cash, accounts payable and accrued expenses and other current liabilities approximate fair value due to their short-term maturities and were classified as Level 1. The carrying value of long-term debt, net of debt issuance costs, also approximates its fair value, which has been estimated by management based on the consideration of applicable interest rates (including certain instruments at variable or floating rates) for similar types of borrowing arrangements and were classified as Level 2.

Marketing Expenses

Marketing, advertising and promotional costs are generally expensed as incurred, except for certain production costs that are expensed the first time the advertising takes place.

Recent Accounting Pronouncements

The Company has considered all recent accounting pronouncements issued, but not yet effective, and does not expect any to have a material effect on the Company's condensed consolidated financial statements.

2. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income applicable to Brilliant Earth Group, Inc. by the weighted average shares of Class A common stock outstanding (and Class D common stock, if outstanding) during the period. Diluted earnings per share is computed by adjusting the net income available to Brilliant Earth Group, Inc. and the weighted average shares outstanding to give effect to potentially dilutive securities. Shares of Class B and Class C common stock are not entitled to receive any distributions or dividends and are therefore excluded from this presentation since they are not participating securities.

Basic and diluted earnings per share of common stock for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022 have been computed as follows (in thousands, except share and per share amounts):

Numerator:	Numerator:	Three Months Ended		Six Months Ended June		Numerator:	Three Months Ended		Nine Months Ended		
		June 30,	2023	30,	2023		September 30,	2023	September 30,	2023	2022
Net income attributable to Brilliant Earth Group, Inc., BASIC	Net income attributable to Brilliant Earth Group, Inc., BASIC	\$	148	\$	424	\$	96	\$	780	\$	245
Add: Net income impact from assumed redemption of all LLC Units to common stock	Add: Net income impact from assumed redemption of all LLC Units to common stock		1,087		3,327		699		6,340		5,073
Less: Income tax expense on net income attributable to NCI	Less: Income tax expense on net income attributable to NCI		(281)		(850)		(181)		(1,603)		(454)
Net income attributable to Brilliant Earth Group, Inc., after adjustment for assumed conversion, DILUTED	Net income attributable to Brilliant Earth Group, Inc., after adjustment for assumed conversion, DILUTED	\$	954	\$	2,901	\$	614	\$	5,517	\$	1,544
Denominator:	Denominator:										

Weighted average shares of common stock outstanding, BASIC	Weighted average shares of common stock outstanding, BASIC	11,796,639	10,810,627	11,593,416	10,412,922	Weighted average shares of common stock outstanding, BASIC	12,149,770	10,884,306	11,780,905	10,571,777
Dilutive effects of:										
Vested LLC Units that are exchangeable for common stock	Vested LLC Units that are exchangeable for common stock	84,638,225	84,404,337	84,628,063	84,630,379	Vested LLC Units that are exchangeable for common stock	84,727,903	84,478,855	84,661,708	84,579,316
Unvested LLC Units that are exchangeable for common stock	Unvested LLC Units that are exchangeable for common stock	378,310	929,489	439,436	1,276,767	Unvested LLC Units that are exchangeable for common stock	265,750	919,067	380,006	1,154,306
RSUs and stock options		76,680	64,249	159,370	66,794	RSUs	51,497	292,234	95,846	183,490
RSUs						Weighted average shares of common stock outstanding, DILUTED	97,194,920	96,574,462	96,918,465	96,488,889
Weighted average shares of common stock outstanding, DILUTED	Weighted average shares of common stock outstanding, DILUTED	96,889,854	96,208,702	96,820,285	96,386,862	BASIC earnings per share	\$ 0.01	\$ 0.04	\$ 0.01	\$ 0.07
DILUTED earnings per share	DILUTED earnings per share	\$ 0.01	\$ 0.03	\$ 0.01	\$ 0.06	DILUTED earnings per share	\$ 0.02	\$ 0.06	\$ 0.03	\$ 0.13

Net income attributable to the non-controlling interest added back to net income in the fully dilutive computation has been adjusted for income taxes which would have been expensed had the income been recognized by Brilliant Earth Group, Inc., a taxable entity. The weighted average common shares outstanding in the diluted computation per share assumes all outstanding LLC Units are converted and the Company will elect to issue shares of common stock upon redemption rather than cash-settle.

For the three and **six** nine months ended **June 30, 2023** **September 30, 2023** and 2022, the dilutive impact of LLC Units convertible into common stock were included in the computation of diluted earnings per share under the if-converted method; the dilutive impact of unvested LLC Units and RSUs were included using the treasury stock method.

The following table presents the shares underlying **RSUs and stock options** and **RSUs** for the three and **six** nine months ended **June 30, 2023** **September 30, 2023** and 2022 that have been excluded from the computation of earnings per share because such impact is anti-dilutive:

	RSUs	Three Months Ended June 30,		Six Months Ended June 30,		RSUs	Three Months Ended September 30,		Nine Months Ended September 30,		
		2023		2022			2023		2023		
		2023	2022	2023	2022		2023	2022	2023	2022	
RSUs	RSUs	3,524,279	2,369,323	2,896,832	1,990,846	RSUs	3,226,891	2,250,505	3,075,461	2,039,301	
Stock options	Stock options	799,329	1,132,666	815,650	1,316,755	Stock options	788,020	955,961	806,339	1,182,592	

3. REVENUE

Disaggregation of Revenue

The following table discloses total net sales by geography for the three and **six** nine months ended **June 30, 2023** **September 30, 2023** and 2022 (in thousands):

		For the Three Months Ended June 30,				For the Six Months Ended June 30,					
		2023		2022		2023		2022			
United States	United States	\$ 104,854	\$ 102,232	\$ 197,469	\$ 195,998	United States	\$	United States	International	Total net sales	\$
International	International	5,330	6,577	10,413	12,849						
Total net sales	Total net sales	\$ 110,184	\$ 108,809	\$ 207,882	\$ 208,847						

Deferred Revenue

Transactions where payment has been received from customers, but control has not transferred, are recorded as customer deposits in deferred revenue and revenue recognition is deferred until delivery has occurred. Deferred revenue also includes payments on the Company's three-year extended service plan that customers have elected to purchase.

As of June 30, 2023 September 30, 2023, December 31, 2022, and December 31, 2022 December 31, 2021, total deferred revenue that includes our contract balances was \$22.3 million \$23.1 million, \$18.6 million, and \$18.6 million \$19.0 million, respectively, of which less than \$0.1 million and \$0.1 million, less than \$0.1 million, and \$0.2 million, respectively, were included within other long-term liabilities in the unaudited condensed consolidated balance sheets. liabilities.

During the six three months ended June 30, 2023 September 30, 2023 and 2022, the Company recognized \$17.8 million \$20.2 million and \$18.1 million \$21.4 million, respectively, that was deferred as of June 30, 2023 and June 30, 2022, respectively.

During the nine months ended September 30, 2023 and 2022, the Company recognized \$18.0 million and \$18.2 million of revenue, respectively, that was deferred as of December 31, 2022 and December 31, 2021, respectively.

Sales Returns and Allowances

A returns asset account and a refund liabilities account are maintained to record the effects of estimated product returns and sales returns allowance. Returns asset and refund liabilities are updated at the end of each financial reporting period and the effect of such changes are accounted for in the period in which such changes occur.

The Company estimates anticipated product returns in the form of a refund liability based on historical return percentages and current period sales levels and accrues a related returns asset for goods expected to be returned in salable condition less any expected costs to recover such goods, including return shipping costs that the Company may incur.

As of June 30, 2023 September 30, 2023 and December 31, 2022, refund liabilities balances were \$1.6 million \$1.5 million and \$2.3 million, respectively, and are included as a provision for sales returns and allowances within accrued expenses and other current liabilities in the unaudited condensed consolidated balance sheets. As of June 30, 2023 September 30, 2023 and December 31, 2022, returns asset balances were \$0.6 million \$0.6 million and \$0.9 million, respectively, and are included within prepaid expenses and other current assets in the unaudited condensed consolidated balance sheets.

4. INVENTORIES, NET

Inventories, net consist of the following (in thousands):

	Loose diamonds	June 30,		December 31,		September 30,		December 31,	
		2023	2022	2022	2023	2023	2022	2023	2022
Loose diamonds	Loose diamonds	\$ 11,507	\$ 11,894	Loose diamonds	\$ 8,986	\$ 11,894	\$		
Fine jewelry and other	Fine jewelry and other	28,269	27,744	Fine jewelry and other	28,626	27,744	\$		
Allowance for inventory obsolescence	Allowance for inventory obsolescence	(363)	(307)	Allowance for inventory obsolescence	(356)	(307)	\$		
Total inventories, net	Total inventories, net	\$ 39,413	\$ 39,331	Total inventories, net	\$ 37,256	\$ 39,331	\$		

The allowance for inventory obsolescence consists of the following (in thousands):

	June 30,		June 30,		September 30,		September 30,	
	2023		2022		2023		2022	
	Balance at beginning of period	Balance at beginning of period	\$ (307)	\$ (260)	Balance at beginning of period	\$ (307)	\$ (260)	Balance at beginning of period
Change in allowance for inventory obsolescence	Change in allowance for inventory obsolescence	(56)	57	Change in allowance for inventory obsolescence	(49)	(19)	Balance at end of period	Balance at end of period
Balance at end of period	Balance at end of period	\$ (363)	\$ (203)	Balance at end of period	\$ (356)	\$ (279)		

As of June 30, 2023 September 30, 2023 and December 31, 2022, the Company had \$23.0 million \$27.7 million and \$27.6 million, respectively, in consigned inventory held on behalf of suppliers which is not recorded in the unaudited condensed consolidated balance sheets.

5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following (in thousands):

	June 30,		December 31,		September 30,		December 31,	
	2023		2022		2023		2022	
Vendor expenses	Vendor expenses	\$ 12,122	\$ 14,769	Vendor expenses	\$ 12,565	\$ 14,769		
Inventory received not billed	Inventory received not billed	9,736	7,973	Inventory received not billed	9,827	7,973		
Payroll expenses	Payroll expenses	3,923	5,301	Payroll expenses	4,254	5,301		
Sales and other tax payable	Sales and other tax payable	3,002	4,137	Sales and other tax payable	2,764	4,137		
Provision for sales returns and allowances	Provision for sales returns and allowances	1,599	2,332	Provision for sales returns and allowances	1,541	2,332		
Current portion of TRA	Current portion of TRA	—	502	Current portion of TRA	245	502		
Other	Other	3,781	2,819	Other	3,877	2,819		
Total accrued expenses and other current liabilities	Total accrued expenses and other current liabilities	\$ 34,163	\$ 37,833	Total accrued expenses and other current liabilities	\$ 35,073	\$ 37,833		

Included in accrued expenses and other current liabilities is a provision for sales returns and allowances. Returns are estimated based on past experience and current expectations and are recorded as an adjustment to revenue. Activity for the six nine months ended June 30, 2023 September 30, 2023 and 2022 was as follows (in thousands):

	June 30,		June 30,		September 30,		September 30,	
	2023		2022		2023		2022	

Balance at beginning of period	Balance at beginning of period			Balance at beginning of period		
Provision	Provision	\$ 2,332	\$ 2,338	Provision	\$ 2,332	\$ 2,338
Returns and allowances	Returns and allowances	10,133	10,817	Returns and allowances	16,136	18,801
Balance at end of period	Balance at end of period	(10,866)	(11,609)	Returns and allowances	(16,927)	(19,530)
Balance at end of period	Balance at end of period	\$ 1,599	\$ 1,546	Balance at end of period	\$ 1,541	\$ 1,609

6. LEASES

The Company leases its executive offices, retail showrooms, office and operational locations under operating leases. The fixed, non-cancelable terms of our real estate leases are generally 5-10 years. Certain lease agreements include options to renew or terminate the lease, which are not reasonably certain to be exercised and therefore are not factored into the determination of lease payments. Most of the real estate leases require payment of real estate taxes, insurance and certain common area maintenance costs in addition to future minimum lease payments.

Total operating lease ROU assets and lease liabilities were as follows (in thousands):

Assets	Assets	Classification	As of June 30, 2023	As of June 30, 2022	Assets	Classification	As of September 30, 2023	As of September 30, 2022
Operating ROU assets at cost	Operating ROU assets at cost	Operating lease right of use assets	\$ 43,930	\$ 22,889	Operating ROU assets at cost	Operating lease right of use assets	\$ 42,175	\$ 25,136
Accumulated amortization	Accumulated amortization	Operating lease right of use assets	(5,597)	(1,462)	Accumulated amortization	Operating lease right of use assets	(6,716)	(2,272)
Net book value	Net book value		\$ 38,333	\$ 21,427	Net book value		\$ 35,459	\$ 22,864
Liabilities	Liabilities	Classification	As of June 30, 2023	As of June 30, 2022	Liabilities	Classification	As of September 30, 2023	As of September 30, 2022
Current:	Current:				Current:			
Operating leases	Operating leases	Current portion of operating lease liabilities	\$ 4,983	\$ 3,025	Operating leases	Current portion of operating lease liabilities	\$ 4,866	\$ 3,321
Noncurrent:	Noncurrent:				Noncurrent:			
Operating leases	Operating leases	Operating lease liabilities	39,712	21,399	Operating leases	Operating lease liabilities	37,066	23,166
Total lease liabilities	Total lease liabilities		\$ 44,695	\$ 24,424	Total lease liabilities		\$ 41,932	\$ 26,487

Total operating lease costs were as follows (in thousands):

Classification	For the three months ended June 30, 2023	For the three months ended June 30, 2022	For the six months ended June 30, 2023	For the six months ended June 30, 2022	Classification	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
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Operating lease costs	Selling, general and administrative lease costs expense	\$ 1,799	\$ 1,054	\$ 3,352	\$ 1,978	Selling, general and administrative lease costs expense	\$ 1,789	\$ 1,089	\$ 5,141	\$ 3,067
Variable lease costs	Selling, general and administrative lease costs expense	327	—	592	—	Selling, general and administrative lease costs expense	343	—	936	—
Total lease costs	Total lease costs	\$ 2,126	\$ 1,054	\$ 3,944	\$ 1,978	Total lease costs	\$ 2,132	\$ 1,089	\$ 6,077	\$ 3,067

The maturity analysis of the operating lease liabilities as of **June 30, 2023** **September 30, 2023** was as follows (in thousands):

		Amount	Amount	
For the six months ending December 31, 2023		\$ 3,025		
For the remainder of the year ending December 31, 2023			For the remainder of the year ending December 31, 2023	\$ 1,319
Years ending December 31,	Years ending December 31,		Years ending December 31,	
2024	2024	7,718	2024	7,720
2025	2025	7,768	2025	7,769
2026	2026	7,523	2026	7,525
2027	2027	6,135	2027	6,147
2028	2028	5,125	2028	5,127
Thereafter	Thereafter	16,119	Thereafter	16,126
Total minimum lease payments	Total minimum lease payments	53,413	Total minimum lease payments	51,733
Less: imputed interest	Less: imputed interest	(8,718)	Less: imputed interest	(9,801)
Net present value of operating lease liabilities	Net present value of operating lease liabilities	44,695	Net present value of operating lease liabilities	41,932
Less: current portion	Less: current portion	(4,983)	Less: current portion	(4,866)
Long-term portion	Long-term portion	\$ 39,712	Long-term portion	\$ 37,066

The table summarizes the weighted-average remaining lease term and weighted-average discount rate on long-term leases as follows (in thousands):

		June 30, 2023	June 30, 2022		September 30, 2023	September 30, 2022
Weighted-average remaining lease term - operating leases	Weighted-average remaining lease term - operating leases		7.5 years	Weighted-average remaining lease term - operating leases		7.3 years
Weighted-average discount rate - operating leases	Weighted-average discount rate - operating leases	4.5 %	4.2 %	Weighted-average discount rate - operating leases		5.5 %
Supplemental cash flow information related to operating leases is as follows:	Supplemental cash flow information related to operating leases is as follows:			Supplemental cash flow information related to operating leases is as follows:		
Cash paid for amounts included in the measurement of lease liabilities	Cash paid for amounts included in the measurement of lease liabilities	\$ 1,919	\$ 2,253	Cash paid for amounts included in the measurement of lease liabilities	\$ 2,927	\$ 3,393

ROU assets obtained in exchange for new operating lease liabilities	ROU assets obtained in exchange for new operating lease liabilities	\$ 14,204	\$ 3,716	ROU assets obtained in exchange for new operating lease liabilities	\$ 12,449	\$ 5,963
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7. DEBT

The following table summarizes the net carrying amount of the **Term Loans** Company's outstanding debt as of **June 30, 2023** **September 30, 2023** and December 31, 2022, net of debt issuance costs (in thousands):

	June 30, 2023			December 31, 2022			September 30, 2023			December 31, 2022			
	Debt		Net	Debt		Net	Debt		Net	Debt		Net	
	Outstanding principal	issuance costs	amount	Outstanding principal	issuance costs	amount	Outstanding principal	issuance costs	amount	Outstanding principal	issuance costs	amount	
Term Loans	\$ 61,750	\$ (576)	\$ 61,174	\$ 63,375	\$ (663)	\$ 62,712							
Total debt	\$ 61,750	\$ (576)	\$ 61,174	\$ 63,375	\$ (663)	\$ 62,712							
Current portion	3,250	\$ —	\$ 3,250	3,250	\$ —	\$ 3,250	Current portion	\$ 3,656	\$ —	\$ 3,656	\$ 3,250	\$ —	
Long term	58,500	(576)	57,924	60,125	(663)	59,462	Long term	57,281	(532)	56,749	60,125	(663)	59,462
Total debt	\$ 61,750	\$ (576)	\$ 61,174	\$ 63,375	\$ (663)	\$ 62,712	Total debt	\$ 60,937	\$ (532)	\$ 60,405	\$ 63,375	\$ (663)	\$ 62,712

Runway Term Loan Agreement - Runway Growth Credit Corp.

On September 30, 2019, the Company entered into a Loan and Security Agreement with Runway Growth Finance Corp. (f/k/a Runway Growth Credit Fund Inc.) ("Runway") which, as subsequently amended, provided for up to \$65.0 million of borrowings (as subsequently amended, the "Runway Term Loan"). The Runway Term Loan bore interest at a variable rate equal to LIBOR (at a floor of 0.50%) plus 7.75%. The Runway Term Loan was secured by substantially all of the assets of the Company and required us to comply with various affirmative and negative debt covenants.

In connection with the origination of the Runway Term Loan, a warrant for 333,333 Class P Units was issued. The fair value of the warrant was \$0.1 million at the time of issuance which was accounted for as a debt origination cost (contra-liability).

The Company was required to make interest-only payments on the Runway Term Loan through April 15, 2022, at which time the Runway Term Loan began amortizing, with equal monthly payments of principal, which would have fully amortized the principal amount of the Runway Term Loan by October 15, 2023, plus interest being paid by the Company to Runway in consecutive monthly installments until October 15, 2023. The Runway Term Loan carried a prepayment fee of 3.00% declining to 0.00% based on the anniversary date of payment, and a final payment fee equal to 4.5% of the principal amount repaid upon prepayment, plus \$0.2 million.

On May 24, 2022, concurrently with entry into the **SVB** Silicon Valley Bank ("SVB") Credit Agreement (as defined below), the Company repaid all outstanding amounts under the Runway Term Loan, totaling \$58.2 million with proceeds from the SVB Credit Agreement. In connection with the repayment and termination of the Runway Term Loan, the Company was required to pay a 1.00% prepayment fee, plus a final payment fee. The Runway Term Loan was scheduled to mature on October 15, 2023. As a result of the extinguishment of the Runway Term Loan, the Company recognized a loss on debt extinguishment of \$0.6 million associated with the prepayment fee and the write-off of unamortized debt issuance costs.

Credit Agreement - Silicon Valley Bank

On May 24, 2022 (the "Closing Date"), Brilliant Earth, LLC, as borrower, and **Silicon Valley Bank**, **SVB**, as administrative agent and collateral agent for the lenders, entered into a credit agreement (the "SVB Credit Agreement") which provides for a secured term loan credit facility of \$65.0 million (the "SVB Term Loan

Facility") and a secured revolving credit facility in an amount of up to \$40.0 million (the "SVB Revolving Credit Facility," and together with the SVB Term Loan Facility, the "SVB Credit Facilities").

The SVB Credit Facilities were used to refinance existing indebtedness, pay related fees and expenses, and will be used from and after the Closing Date for working capital and general corporate purposes. The Credit Facilities mature on May 24, 2027 (the "SVB Maturity Date").

The SVB Credit Facilities are secured by substantially all assets of Brilliant Earth, LLC and any of its future material subsidiaries, subject to customary exceptions. Brilliant Earth, LLC's future material subsidiaries (subject to certain customary exceptions) will guarantee repayment of the SVB Credit Facilities.

Borrowings under the SVB Credit Facilities bear interest at either (a) a secured overnight financing rate plus an annual adjustment of 0.125%, plus an applicable margin of 2.25% to 2.75%, depending on the Consolidated Total Leverage Ratio (defined below), or an alternate base rate plus an applicable margin of 1.25% to 1.75%, depending on the Consolidated Total Leverage Ratio, each subject to a 0.00% floor. In addition, Brilliant Earth, LLC has agreed to pay a commitment fee on the first day of each quarter on the unused amount of the SVB Revolving Credit Facility, equal to 0.25% to 0.35% per annum depending on the Consolidated Total Leverage Ratio. The Consolidated Total Leverage Ratio is defined as the ratio, as of the last day of any four fiscal quarter period, of (a) Consolidated Total Indebtedness of the Company and its subsidiaries to (b) the Consolidated EBITDA for such period (each term as further defined in the Credit Agreement).

The SVB Term Loan Facility is required to be repaid on the last day of each calendar quarter (commencing on September 30, 2022), in an amount equal to 1.25% per quarter through June 30, 2024, 1.875% per quarter from September 30, 2024 through June 30, 2025, and 2.50% per quarter thereafter, with the balance payable on the SVB Maturity Date. The SVB Term Loan Facility is also subject to certain mandatory prepayment requirements in connection with asset sales, casualty events and debt incurrence, subject to customary exceptions.

The SVB Credit Facilities are subject to customary affirmative covenants and negative covenants as well as financial maintenance covenants. The financial covenants are tested at the end of each fiscal quarter, and require that (a) the Company and its subsidiaries not have a Consolidated Fixed Charge Coverage Ratio (defined as the ratio of (i) Consolidated EBITDA, less cash taxes (including tax distributions), less certain capital expenditures, less cash dividends and other cash restricted payments, to (ii) the sum of cash interest expense and scheduled principal payments on outstanding debt (in each case, as further defined in the SVB Credit Agreement)) of less than 1.25 to 1.00, (b) the Company and its subsidiaries not have a Consolidated Total Leverage Ratio of more than 4.00 to 1.00, and (c) Brilliant Earth, LLC and its subsidiaries not have a Consolidated Borrower Leverage Ratio (defined substantially similar as Consolidated Total Leverage Ratio, but limited to Brilliant Earth, LLC and its subsidiaries) in excess of 3.00 to 1.00 (which level is subject to temporary increases to 4.00 to 1.00 in connection with certain acquisitions). As of **June 30, 2023** **September 30, 2023**, the Company was in compliance with such covenants.

At **June 30, 2023** **September 30, 2023**, deferred issuance costs included in other assets totaled **\$0.4 million** **\$0.3 million**, net of accumulated amortization of **\$0.1 million** **\$0.1 million**. At **June 30, 2023** **September 30, 2023**, deferred issuance costs included in long-term debt totaled **\$0.6 million** **\$0.5 million**, net of accumulated amortization of **\$0.2 million** **\$0.2 million**. These costs are being amortized to interest expense over the term of the loan.

The Company's debt effective interest rate was **8.21%** **8.49%** and **7.10%** **4.74%** for the three months ended **June 30, 2023** **September 30, 2023** and 2022, respectively. Interest expense was **\$1.2 million** **\$1.3 million**, and **\$1.1 million** **\$0.7 million** for the three months ended **June 30, 2023** **September 30, 2023** and 2022, respectively; and the amortization of deferred issuance

costs was **\$0.1 million** and **\$0.1 million** for the three months ended September 30, 2023 and 2022, respectively.

The Company's debt effective interest rate was **8.14%** and **7.58%** for the nine months ended September 30, 2023 and 2022, respectively. Interest expense was **\$3.6 million** and **\$3.2 million** for the nine months ended September 30, 2023 and 2022, respectively; and the amortization of deferred issuance costs was **\$0.1 million** and **\$0.4 million** for the three months ended June 30, 2023 and 2022, respectively.

The Company's debt effective interest rate was 7.96% and 9.07% for the six months ended June 30, 2023 and 2022, respectively. Interest expense was \$2.4 million and \$2.4 million for the six months ended June 30, 2023 and 2022, respectively; and the amortization of deferred issuance costs was \$0.1 million and \$0.5 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively.

As of June 30, 2023, there were no amounts outstanding under the SVB Revolving Credit Facility.

On March 10, 2023, SVB was closed by the California Department of Financial Protection and Innovation, and the Federal Deposit Insurance Corporation ("FDIC") was appointed as receiver. On March 14, 2023, the FDIC announced the establishment of Silicon Valley Bridge Bank, N.A., which assumed the deposits and obligations of SVB. On March 26, 2023, the FDIC announced that it had entered into a purchase and assumption agreement with First-Citizens Bank & Trust Company, Raleigh, North Carolina ("First Citizens") under which all deposits and loans of SVB were assumed by First Citizens.

As of June 30, 2023 September 30, 2023, there were no amounts outstanding under the SVB Revolving Credit Facility.

As of September 30, 2023, the aggregate future principal payments under the SVB Term Loan Facility were as follows (in thousands):

		Principal	Principal		
For the six months ending December 31,					
2023		\$ 1,625			
For the remainder of the year ending December 31, 2023				For the remainder of the year ending December 31,	
Years ending December 31,	Years ending December 31,		Years ending December 31,	2023	\$ 813
2024	2024	4,062	2024	4,062	
2025	2025	5,688	2025	5,688	
2026	2026	6,500	2026	6,500	
2027	2027	43,875	2027	43,874	
Total aggregate future principal payments	Total aggregate future principal payments	\$ 61,750	Total aggregate future principal payments	\$ 60,937	

8. EQUITY-BASED COMPENSATION

Grants of Restricted Stock Units

The following table summarizes the activity related to the Company's restricted stock units ("RSUs") for the six nine months ended June 30, 2023 September 30, 2023:

		Number of RSUs	Weighted average grant date fair value		Number of RSUs	Weighted average grant date fair value
Balance as of December 31, 2022, unvested	Balance as of December 31, 2022, unvested	3,158,686	\$ 9.01	Balance as of December 31, 2022, unvested	3,158,686	\$ 9.01
Granted	Granted	2,128,923	\$ 4.58	Granted	2,420,081	\$ 4.42
Vested	Vested	(664,385)	\$ 9.04	Vested	(867,897)	\$ 9.09
Forfeited	Forfeited	(572,258)	\$ 7.96	Forfeited	(666,078)	\$ 7.98
Balance as of June 30, 2023, unvested		<u>4,050,966</u>	\$ 6.82			
Balance as of September 30, 2023, unvested				Balance as of September 30, 2023, unvested	<u>4,044,792</u>	\$ 6.42

Total compensation expense for RSUs was approximately \$2.4 million \$2.3 million and \$4.4 million \$6.7 million for the three and **six** nine months ended June 30, 2023 September 30, 2023, respectively, and \$1.8 million \$2.0 million and \$3.2 million \$5.2 million for the three and **six** nine months ended June 30, 2022 September 30, 2022, respectively, and is included in selling, general and administrative expenses in the unaudited condensed consolidated statements of operations.

As of June 30, 2023 September 30, 2023, total compensation cost related to unvested RSUs not yet recognized is \$25.6 million \$23.4 million and is expected to be recognized over a weighted-average period of approximately 2.92.7 years.

Grants of Stock Options

The following table summarizes the activity related to the outstanding and exercisable stock options for the **six** nine months ended June 30, 2023 September 30, 2023:

	Number of options	Weighted average exercise price	Weighted average grant date fair value	Weighted average remaining contractual term (years)
Outstanding as of December 31, 2022	857,615	\$ 12.00	\$ 4.27	8.7
Forfeited	(62,177)	\$ 12.00	\$ 4.29	—
Outstanding as of June 30, 2023	<u><u>795,438</u></u>	\$ 12.00	\$ 4.27	8.2
Exercisable as of June 30, 2023	517,283	\$ 12.00	\$ 4.26	8.2
Unvested as of June 30, 2023	278,155	\$ 12.00	\$ 4.29	8.2
Vested and expected to vest as of June 30, 2023	<u><u>795,438</u></u>	\$ 12.00	\$ 4.27	8.2

	Number of options	Weighted average exercise price	Weighted average grant date fair value	Weighted average remaining contractual term (years)
Outstanding as of December 31, 2022	857,615	\$ 12.00	\$ 4.27	8.7
Forfeited	(88,128)	\$ 12.00	\$ 4.29	—
Outstanding as of September 30, 2023	<u><u>769,487</u></u>	\$ 12.00	\$ 4.27	8.0
Exercisable as of September 30, 2023	538,030	\$ 12.00	\$ 4.26	8.0
Unvested as of September 30, 2023	231,457	\$ 12.00	\$ 4.29	8.0
Vested and expected to vest as of September 30, 2023	<u><u>769,487</u></u>	\$ 12.00	\$ 4.27	8.0

As of June 30, 2023 September 30, 2023, the vested stock options did not have an aggregated intrinsic value as the exercise price exceeded the estimated fair market value of the stock options.

Total compensation expense for stock options was approximately \$0.2 million and \$0.4 million \$0.6 million, for the three and **six** nine months ended June 30, 2023 September 30, 2023, respectively, and \$0.3 million \$0.2 million and \$0.9 million \$1.2 million for the three and **six** nine months ended June 30, 2022 September 30, 2022, respectively, and is included in selling, general and administrative expenses in the unaudited condensed consolidated statements of operations.

As of June 30, 2023 September 30, 2023, total compensation cost related to unvested options not yet recognized is \$1.2 million \$1.0 million and is expected to be recognized over a weighted-average period of approximately 1.71.5 years.

Outstanding Restricted LLC Units

The following table summarizes the activity related to the unvested restricted LLC Units for the **six** nine months ended June September 30, 2023:

		Number of restricted LLC Units	Weighted average grant date fair value		Number of restricted LLC Units	Weighted average grant date fair value
Balance, December 31, 2022, unvested	Balance, December 31, 2022, unvested	615,000	\$ 0.61	Balance, December 31, 2022, unvested	615,000	\$ 0.61
Vested	Vested	(227,552)	\$ 0.47	Vested	(333,041)	\$ 0.48
Forfeited	Forfeited	(19,950)	\$ 0.32	Forfeited	(19,950)	\$ 0.32
Balance, June 30, 2023, unvested		367,498	\$ 0.71			
Balance, September 30, 2023, unvested				Balance, September 30, 2023, unvested	262,009	\$ 0.81

Total compensation expense for unvested restricted LLC Units was \$0.1 million \$0.1 million and \$0.1 million \$0.2 million for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, respectively, and \$0.1 million and \$0.1 million \$0.2 million for the three and **six** **nine** months ended **June 30, 2022** **September 30, 2022**, respectively, and is included in selling, general and administrative expenses in the unaudited condensed consolidated statements of operations.

As of **June** **September** 30, 2023, total compensation cost related to unvested restricted LLC Units not yet recognized is \$0.3 million \$0.2 million and is expected to be recognized over a weighted-average period of approximately **1.61** **1.4** years.

9. INCOME TAXES AND TAX RECEIVABLE AGREEMENT

Overview of Income Taxes

Brilliant Earth Group, Inc. is taxed as a subchapter C corporation and is subject to federal and state income taxes. Brilliant Earth Group, Inc.'s sole material asset is its ownership interest in Brilliant Earth, LLC, which is a limited liability company that is taxed as a partnership for U.S. federal and certain state and local income tax purposes. Brilliant Earth, LLC's net taxable income or loss and related tax credits, if any, are passed through to its members on a pro-rata basis and included in the member's tax returns. The income tax burden on the earnings taxed to the non-controlling interest holders is not reported by the Company in its unaudited condensed consolidated financial statements under U.S. GAAP.

The Company files U.S. federal and certain state income tax returns. The income tax returns of the Company are subject to examination by U.S. federal and state taxing authorities for various time periods, depending on those jurisdictions' rules, generally after the income tax returns are filed.

Tax Provision and Deferred Tax Asset

In calculating the provision for interim income taxes in accordance with ASC Topic 740, *Income Taxes*, an estimated annual effective tax rate is applied to year-to-date ordinary income. At the end of each interim period, Brilliant Earth Group, Inc. estimates the effective tax rate expected to be applicable for the full fiscal year. This differs from the method utilized at the end of an annual period. The Company's effective tax rate of **2.97%** **4.09%** for the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, differs from the U.S. federal statutory tax rate of 21% primarily due to income associated with the non-controlling interest, state tax expense and other permanent items.

The Company recorded net increases in deferred tax assets of \$0.4 million \$0.3 million during the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, with a corresponding increase to additional paid in capital, resulting from changes in the outside basis difference on Brilliant Earth's investment in LLC. The Company has determined it is more-likely-than-not that it will be able to realize this deferred tax asset in the future.

The Company's income tax provision was less than \$0.1 million \$0.1 million for both the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, respectively, and \$0.1 million \$0.2 million and \$0.2 million \$0.4 million for the three and **six** **nine** months ended **June 30, 2022** **September 30, 2022**, respectively.

Tax Receivable Agreement

As each of the Continuing Equity Owners elect to convert their LLC Interests into Class A common stock or Class D common stock, as applicable, Brilliant Earth Group, Inc. will succeed to their aggregate historical tax basis which will create a net tax benefit to the Company. These tax benefits are expected to be amortized over 15 years pursuant to Sections 743(b) and 197 of the Code. The Company will only recognize a deferred tax asset for financial reporting purposes when it is "more-likely-than-not" that the tax benefit will be realized.

In addition, as part of the IPO, the Company entered into a tax receivable agreement (the "TRA") with the Continuing Equity Owners to pay 85% of the tax savings from the tax basis adjustment to them as such savings are realized. Amounts payable under the TRA are contingent upon, among other things, generation of sufficient future taxable income during the term of the TRA. The amounts to be recorded for both the deferred tax assets and the liability for our obligations under the TRA will be estimated at the time of any purchase or redemption as a reduction to shareholders' equity, and the effects of changes in any of our estimates after this date will be included in net income. Similarly, the effect of subsequent changes in the enacted tax rates will be included in net income.

As of ~~June~~ September 30, 2023, related to the TRA, the Company has recorded (i) a deferred tax asset in the amount of ~~\$9.4 million~~ \$8.9 million, (ii) a corresponding estimated liability with a balance of ~~\$7.9 million~~ \$7.9 million representing 85% of the projected tax benefits to the Continuing Equity Owners; and (iii) ~~\$1.5 million~~ \$1.0 million of additional paid-in capital.

10. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

In the ordinary course of business, the Company may be subject from time to time to various proceedings, lawsuits, disputes or claims. In addition, the Company is regularly audited by various tax authorities. Although the Company cannot predict with assurance the outcome of any litigation or audit, it does not believe there are currently any such actions that, if resolved unfavorably, would have a material impact on the Company's financial condition, results of operations or cash flows. The Company accrues for loss contingencies when losses become probable and are reasonably estimable. If the reasonable estimate of the loss is a range and no amount within the range is a better estimate, the minimum amount of the range is recorded as a liability. The Company does not accrue for contingent losses that, in its judgment, are considered to be reasonably possible, but not probable; however, to the extent possible, the Company discloses the range of such reasonably possible losses.

On December 5, 2022, plaintiff Veronica Cusimano, a former employee of the Company, filed a representative action against the Company pursuant to the Private Attorneys General Act of 2004 in California Superior Court, Los Angeles County. The complaint alleges, on behalf of the plaintiff and similarly situated employees and former employees in California, various claims under the California Labor Code related to wages, overtime, meal and rest breaks, reimbursement of business expenses, wage statements and records, and other similar allegations. The plaintiff seeks civil penalties, attorneys' fees and costs in unspecified amounts, and other unspecified damages. On February 10, 2023, the Company filed a petition to compel arbitration on the basis of an agreement between the plaintiff and the Company to arbitrate any claims between them. On April 28, 2023, the petition was denied. The Company intends to vigorously defend the alleged individual and representative claims, and, on May 9, 2023, the Company appealed the Superior Court's denial of its petition to compel arbitration to the California Court of Appeal, Second Appellate District. At this time, any liability related to the alleged claims is not currently probable or reasonably estimable.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the information presented in the unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and related notes as disclosed in our 2022 Form 10-K. In addition to historical information, the following discussion contains forward-looking statements, such as statements regarding our expectation for future performance, growth, liquidity and capital resources, that involve risks, uncertainties and assumptions that could cause actual results to differ materially from our expectations. Our actual results may 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 "Cautionary Note Regarding Forward-Looking Statements," and "Risk Factors" in this Quarterly Report on Form 10-Q and Part I, Item 1A. "Risk Factors" in our 2022 Form 10-K. We assume no obligation to update any of these forward-looking statements.

Company Overview

Brilliant Earth is an innovative, ~~digital-first~~ digitally native jewelry company, and a global leader in ethically sourced fine jewelry. We offer exclusive designs with superior craftsmanship and supply chain transparency, delivered to customers through a highly personalized omnichannel experience.

Our extensive collection of premium-quality diamond engagement and wedding rings, gemstone rings, and fine jewelry is conceptualized by our leading in-house design studio and then brought to life by expert jewelers. From our award-winning jewelry designs to our responsibly sourced materials, at Brilliant Earth we aspire to exceptional standards in everything we do.

Our mission is to create a more transparent, sustainable, compassionate, and inclusive jewelry industry, and we are proud to offer customers distinctive and thoughtfully designed products that they can truly feel good about wearing.

We were founded in 2005 as an e-commerce company with an ambitious mission and a single showroom in San Francisco. We have rapidly scaled our business while remaining focused on our mission and elevating the omnichannel customer experience. Through our intuitive digital commerce platform and personalized individual appointments in our showrooms, we cater to the shopping preferences of tech-savvy next-generation consumers. We create an educational, joyful, and approachable experience that is unique in the jewelry industry. As of **June 30, 2023** **September 30, 2023**, Brilliant Earth has sold to consumers in over 50 countries.

Throughout our history, we have invested in technology to create a seamless customer experience, inform our data-driven decision-making, improve efficiencies, and advance our mission. Our technology enables dynamic product visualization, augmented reality try-on, blockchain-enabled transparency, and rapid fulfillment of our flagship Create Your Own product, a custom design process. We leverage powerful data capabilities to improve our marketing and operational efficiencies, personalize the customer experience, curate showroom inventory and merchandising, inform real estate decisions, and develop new product designs that reflect consumer preferences. We believe the Brilliant Earth digital experience drives higher satisfaction, engagement, and conversion both online and in-showroom.

We have achieved strong financial performance and rapid growth since our founding, and believe we are in the early stages of realizing our potential in a significant market opportunity.

Below is a summary of our performance for the three months ended **June 30, 2023** **September 30, 2023**:

- Net sales of **\$110.2 million** **\$114.2 million**, up **1.3%** **2.5%** compared to **\$108.8 million** **\$111.4 million** for the three months ended **June 30, 2022** **September 30, 2022**;
- Net income of **\$1.2 million** **\$2.0 million**, down **67.1%** **65.1%** compared to **\$3.8 million** **\$5.7 million** for the three months ended **June 30, 2022** **September 30, 2022**;
- Net income margin of **1.1%** **1.8%**, compared to **3.4%** **5.1%** for the three months ended **June 30, 2022** **September 30, 2022**;
- Adjusted EBITDA of **\$7.7 million** **\$7.6 million**, down **19.6%** **23.5%**, compared to **\$9.6 million** **\$10.0 million** for the three months ended **June 30, 2022** **September 30, 2022**; and
- Adjusted EBITDA margin of **7.0%** **6.7%**, compared to **8.8%** **8.9%** for the three months ended **June 30, 2022** **September 30, 2022**.

Below is a summary of our performance for the **six** **nine** months ended **June 30, 2023** **September 30, 2023**:

- Net sales of **\$207.9 million** **\$322.0 million**, down **0.5%** up **0.6%** compared to **\$208.8 million** **\$320.3 million** for the **six** **nine** months ended **June 30, 2022** **September 30, 2022**;
- Net income of **\$0.8 million** **\$2.8 million**, down **88.8%** **78.2%** compared to **\$7.1 million** **\$12.8 million** for the **six** **nine** months ended **June 30, 2022** **September 30, 2022**;
- Net income margin of **0.4%** **0.9%**, compared to **3.4%** **4.0%** for the **six** **nine** months ended **June 30, 2022** **September 30, 2022**;
- Adjusted EBITDA of **\$13.3 million** **\$20.9 million**, down **26.2%** **25.2%**, compared to **\$18.0 million** **\$28.0 million** for the **six** **nine** months ended **June 30, 2022** **September 30, 2022**; and
- Adjusted EBITDA margin of **6.4%** **6.5%**, compared to **8.6%** **8.7%** for the **six** **nine** months ended **June 30, 2022** **September 30, 2022**.

See the section below titled "Non-GAAP Financial Measures" for information regarding Adjusted EBITDA and Adjusted EBITDA Margin, including reconciliations to the most directly comparable financial measures prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

We operate in one operating and reporting segment, the retail sale of diamonds, gemstones and jewelry.

Key Factors Affecting Our Performance

Our Ability to Increase Brand Awareness

Increasing brand awareness and growing favorable brand equity have been and remain key to our growth. We have a significant opportunity to continue to grow our brand awareness, broaden our customer reach, and maximize lifetime value through brand and performance marketing. We have made and expect to continue to make significant investments to strengthen the Brilliant Earth brand through our dynamic marketing strategy, which includes brand marketing campaigns across email, digital, social media, earned media, and media placements with key influencers. In order to compete effectively and increase our share of the jewelry market, we must maintain our strong customer experience, produce compelling products, and continue our mission of creating a more transparent, sustainable, compassionate and inclusive jewelry industry. Our performance will also depend on our ability to

increase the number of consumers aware of Brilliant Earth and our product assortment. We believe our brand strength will enable us to continue to expand across categories and channels, to deepen relationships with consumers, and to expand our presence in U.S. and international markets.

Cost-Effective Acquisition of New Customers and Retention of Existing Customers.

We have historically had attractive customer acquisition economics, including substantial first order profitability. To continue to grow our business, we must continue to acquire new customers and retain existing customers in a cost-effective manner. The success of our customer acquisition strategy depends on a number of factors, including the level and pattern of consumer spending in the product categories in which we operate, and our ability to cost-effectively drive traffic to our website and showrooms and to convert these visitors to customers. With our strong brand resonance and passionate customer base, we generate significant earned and organic traffic, impressions, and media placements. We continually evolve our dynamic marketing strategies, optimizing our messaging, creative assets, and spending across channels. We also believe our expanded fine jewelry assortment and strategic customer acquisition will continue to drive fine jewelry orders from new customers and repeat orders from existing customers.

Our Ability to Continue Successfully Growing and Managing our Omnichannel Presence

Our ability to successfully grow and manage our omnichannel presence in new markets and locations is an important factor our success. Historically, we have been successful in new geographic markets we have entered, and we are in the early stages of expanding our premium showroom footprint nationwide. We intend to continue leveraging our marketing strategy and growing brand awareness to drive increased qualified consumer traffic to and sales from our website and premium showrooms.

We believe growing and managing our showrooms will drive accelerated growth by increasing our average order value ("AOV") compared to e-commerce orders, improving conversion in the showrooms' metro regions compared to pre-opening conversion, and raising our brand awareness. As of June 30, 2023, we have 32 showroom locations. We intend to strategically open showrooms in the future, and we believe we can achieve broad national showroom coverage with far fewer locations than many traditional retailers. We rely on this highly efficient showroom model to complement our digital strategy and to continue to drive growth and profitability.

Our Ability to Successfully Introduce New Products

Product expansion allows us significant opportunity to drive new and repeat purchases by expanding purchase occasions beyond engagement and bridal. We intend to leverage our in-house design capabilities and nimble data-driven product development to expand product assortment for special occasions and self-purchase. In addition, we will have more opportunity to enhance and leverage our customer relationship management ("CRM") and data-segmentation capabilities to increase repeat purchases and lifetime value. We have consistently invested in technology to create a seamless customer experience, including dynamic visualization, augmented reality try-on, and automated, rapid fulfillment, and we intend to continue investing in technology to enhance the digital and showroom experience and help drive conversion. Expanding affiliations and brand collaborations will also broaden our existing assortment, reinforce our brand ethos, and feature like-minded designers, which will help to drive both new and repeat purchases.

International Expansion

We are in the early stages of expanding globally, and a larger geographic footprint will help drive future growth. Our early proof-points from localizing our website for Canada, Australia, and the United Kingdom, and our sales to customers from over 50 countries, provide encouraging signs for future global expansion. We see strong potential in launching e-commerce in new overseas markets and new showrooms in countries where we have already established a localized digital presence. We plan to drive brand awareness through localized marketing channels and expect our data-driven technology platform to continue providing insights for product recommendations and inventory management.

Operational and Marketing Efficiency

We have a unique, asset-light operating model with attractive working capital dynamics, capital-efficient showrooms, and a vast virtual inventory of premium natural and lab-grown diamonds that allows us to offer a broad selection of diamonds while keeping our balance sheet inventory low. This has driven attractive inventory turns and allows us to operate with negative working capital, which we define as our current assets less cash minus our current liabilities. Our showroom strategy avoids the inefficiencies of traditional, retail-first jewelers. Our showrooms are appointment-driven with large catchment regions, so we are less reliant on expensive high foot traffic retail locations. We also curate showroom inventory for scheduled visits and require limited inventory in each location. Our tech-enabled jewelry specialist team supports online customers when not in appointment, maximizing workforce utilization. As we continue to scale our business, our future success is dependent on maintaining this capital efficient operating model and driving continued operational improvement as we expand to new locations both in the U.S. and internationally.

Costs of Operating as a Public Company

The costs of operating as a public company are significant. We are subject to the reporting, listing, and compliance requirements of various governing bodies and applicable securities laws and regulations. Since becoming a public company, compliance with rules and regulations has increased and may continue to increase our legal, financial, and technology compliance costs, and to make some activities more difficult, time-consuming, and costly. Remaining compliant and satisfying our obligations as a public company, while maintaining forecasted gross margins and operating results, and attracting and retaining qualified persons to serve on our board of directors, our board committees, or as our executive officers will be critical to our future success.

Macroeconomic Trends

We believe we are well-positioned at the intersection of key macro-level trends impacting our industry. Consumers are increasingly becoming more conscious of the products they purchase, seeking brands that stand for sustainability, supply chain transparency, and social and environmental responsibility. This has contributed to our strong brand affinity and loyalty, and further differentiates us from our competitors. Consumers are increasingly favoring seamless omnichannel shopping experiences, and we believe our model is well-suited to satisfy these consumer preferences. The current inflationary environment and changes in macro-level consumer spending trends, due to volatile macro-economic conditions could negatively impact our operating results.

Seasonality

A larger share of annual revenues and profits traditionally occur in the fourth quarter because it includes the November and December holiday sales period.

Components of Results of Operations

Net Sales

Our sales are recorded net of estimated sales returns and allowances and sales tax collected from customers. Our net sales primarily consist of revenue from diamond, jewelry, and gemstone retail sales through our website and dedicated jewelry specialists via chat, phone, email, virtual appointment, or in our showrooms. Our net sales are derived primarily in the U.S., but we also sell products to customers outside the U.S. Our website platform allows us to sell to a worldwide customer base, even in markets where we do not have a physical presence. Payment for all of our sales occurs prior to fulfillment. Customers pick up the items in our showrooms, or we deliver purchases to customers, with delivery typically within one to two business days after shipment. We recognize revenue upon pick-up or delivery if an order is shipped. We also offer third-party financing options.

We allow for certain returns within 30 days of when an order is available for shipment or pickup. We also provide one complimentary resizing for standard ring styles within 60 days of when an order is available for shipment or pickup, a lifetime manufacturing warranty (except on estate and vintage jewelry and center diamonds/gemstones), and a lifetime diamond upgrade program on all diamonds that meet certain criteria. We offer an extended protection plan through a third-party that has terms ranging from two years to lifetime that vary based on the item purchased.

Revenue is deferred on transactions where payment has been received from the customer, but control has not yet transferred. Revenue related to customer purchases of our in-house extended service plan is deferred and recognized ratably over the service plan term.

Cost of Sales

Cost of sales consists primarily of merchandise costs for the purchase of diamonds and gemstones from our global base of diamond and gemstone suppliers, and the cost of jewelry production from our third-party jewelry manufacturing suppliers. Cost of sales includes merchandise costs, inbound freight charges, costs of shipping orders to customers and certain fulfillment and inventory-related compensation costs. Our cost of sales includes reserves for disposal of obsolete, slow-moving or defective items, and shrinkage, which we estimate and record on a periodic basis.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of marketing, advertising, and promotional expenses; payroll and related benefit costs for our employees, including equity-based compensation expense; merchant processing fees; certain facility-related costs; customer service; technology; and depreciation and amortization expenses, as well as professional fees and other general corporate expenses.

Interest Expense

Interest expense primarily consists of interest incurred under the Company's prior Loan and Security Agreement with Runway Growth Finance Corp. (as amended, the "Runway Term Loan Agreement") and the SVB Credit Facility. Facilities.

Other Income, (Expense), Net

Other income, (expense), net consists primarily of interest income and other miscellaneous income and expenses such as losses on exchange rates on consumer payments.

Income Tax Benefit (Expense) Expense

Income tax benefit (expense) expense represents the federal and state income or franchise taxes assessed on Brilliant Earth Group, Inc.'s share of taxable income (loss) for the period.

Results of Operations

The results of operations data in the following tables for the periods presented have been derived from the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Comparison of Three Months Ended June 30, 2023 September 30, 2023 and 2022

The following table sets forth our statements of operations for the three months ended June 30, 2023 September 30, 2023 and 2022, including amounts and percentages of net sales for each period and the period-to-period change in dollars and percent (amounts in thousands):

		Three months ended June 30,						Three months ended September 30,						
		2023		2022		Period change		2023		2022		Period change		
		Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	
Net sales	Net sales	\$ 110,184	100.0 %	\$ 108,809	100.0 %	\$ 1,375	1.3 %	Net sales	\$ 114,154	100.0 %	\$ 111,405	100.0 %	\$ 2,749	2.5 %
Cost of sales	Cost of sales	46,695	42.4 %	50,988	46.9 %	(4,293)	(8.4) %	Cost of sales	47,327	41.5 %	50,487	45.3 %	(3,160)	(6.3) %
Gross profit	Gross profit	63,489	57.6 %	57,821	53.1 %	5,668	9.8 %	Gross profit	66,827	58.5 %	60,918	54.7 %	5,909	9.7 %
Operating expenses:	Operating expenses:							Operating expenses:						
Selling, general and administrative	Selling, general and administrative	62,129	56.4 %	52,145	47.9 %	9,984	19.1 %	Selling, general and administrative	64,813	56.8 %	54,615	49.0 %	10,198	18.7 %
Income from operations	Income from operations	1,360	1.2 %	5,676	5.2 %	(4,316)	(76.0) %	Income from operations	2,014	1.8 %	6,303	5.7 %	(4,289)	(68.0) %
Interest expense	Interest expense	(1,280)	(1.2) %	(1,146)	(1.1) %	(134)	11.7 %	Interest expense	(1,322)	(1.2) %	(778)	(0.7) %	(544)	69.9 %
Other income (expense), net	Other income (expense), net	1,192	1.1 %	(49)	— %	1,241	(2532.7) %							
Loss on extinguishment of debt	Loss on extinguishment of debt	—	— %	(617)	(0.6) %	617	*nm							
Other income, net	Other income, net							Other income, net	1,401	1.2 %	374	0.3 %	1,027	274.6 %
Net income before tax	Net income before tax	1,272	1.2 %	3,864	3.6 %	(2,592)	(67.1) %	Net income before tax	2,093	1.8 %	5,899	5.3 %	(3,806)	(64.5) %
Income tax expense	Income tax expense	(37)	— %	(113)	(0.1) %	76	(67.3) %	Income tax expense	(95)	(0.1) %	(180)	(0.2) %	85	(47.2) %
Net income	Net income	1,235	1.1 %	3,751	3.4 %	(2,516)	(67.1) %	Net income	1,998	1.8 %	5,719	5.1 %	(3,721)	(65.1) %
Net income allocable to non-controlling interest	Net income allocable to non-controlling interest	1,087	1.0 %	3,327	3.1 %	(2,240)	(67.3) %	Net income allocable to non-controlling interest	1,753	1.5 %	5,073	4.6 %	(3,320)	(65.4) %
Net income allocable to Brilliant Earth Group, Inc.	Net income allocable to Brilliant Earth Group, Inc.	\$ 148	0.1 %	\$ 424	0.4 %	\$ (276)	(65.1) %	Net income allocable to Brilliant Earth Group, Inc.	\$ 245	0.2 %	\$ 646	0.6 %	\$ (401)	(62.1) %

Amounts may not sum due to rounding	Amounts may not sum due to rounding	Amounts may not sum due to rounding
*nm - Not meaningful		

Net Sales

Net sales for the three months ended June 30, 2023 September 30, 2023 increased by \$1.4 \$2.7 million, or 1.3% 2.5%, compared to the three months ended June 30, 2022 September 30, 2022. The increase in net sales was comprised of an increase of 21.2% 16.7% in order volumes partially offset by a decrease of 16.4% 12.2% in AOV. The increase of 21.2% 16.7% in order volumes was due to:

- continued effectiveness of our customer acquisition and conversion activities;
- strong omnichannel performance across the Company's products and new product collection releases; and
- the opening of new showrooms.

The decrease in AOV was driven by an increase in sales of lower price point products, including fine jewelry and a moderation in sales growth of products above the \$10,000 price point and an increase in sales of lower price point fine jewelry point.

Gross Profit

Gross profit for the three months ended June 30, 2023 September 30, 2023 increased by \$5.7 million \$5.9 million, or 9.8% 9.7%, compared to the three months ended June 30, 2022 September 30, 2022. Gross margin, expressed as a percentage and calculated as gross profit divided by net sales, increased by 450 380 basis points for the three months ended June 30, 2023 September 30, 2023 compared to the three months ended June 30, 2022 September 30, 2022, primarily driven by our premium brand and differentiated product offerings, performance of our pricing engine, procurement efficiencies and benefits from our extended warranty program. The increase in gross margin was partially offset by a 7.3% 4.9% increase in average platinum spot prices and an increase of 5.5% 11.3% in average gold spot prices for the three months ended June 30, 2023 September 30, 2023 as compared to the three months ended June 30, 2022 September 30, 2022.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended June 30, 2023 September 30, 2023 increased by \$10.0 million \$10.2 million, or 19.1% 18.7% compared to the three months ended June 30, 2022 September 30, 2022. Selling, general and administrative expenses as a percentage of net sales increased by 850 780 basis points for the quarter ended June 30, 2023 September 30, 2023 compared to the quarter ended June 30, 2022 September 30, 2022. The increase in selling, general and administrative expenses was driven by an increase in marketing, other general and administrative, and employment expenses, which increased by \$5.5 million \$5.4 million, \$2.6 million \$3.5 million, and \$1.9 million \$1.3 million, respectively, from the quarter ended June 30, 2022 September 30, 2022 to the quarter ended June 30, 2023 September 30, 2023.

The increase in marketing expenses was driven by increased investments in marketing and advertising to increase brand awareness and support strategic growth initiatives. The increase in other general and administrative expenses was a result of overall Company growth and principally driven by a \$0.8 million \$1.2 million increase in information technology and other software-related costs, a \$0.8 million increase in rent and lease related expenses, a \$0.5 million \$0.6 million increase in depreciation, a \$0.5 million increase in other general administrative expenses, a \$0.5 million increase in information technology and other software-related costs, and a \$0.4 million \$0.5 million increase of pre-opening expenses from the opening of new showrooms. The increase in employment expenses was driven by an increase in salaries and wages, equity-based compensation, and other benefits expense primarily due to the addition of staff to support our growth.

Interest Expense

Interest expense for the three months ended June 30, 2023 increased by \$0.1 million, or 11.7% compared to the three months ended June 30, 2022, primarily due to increases in the variable interest rate pursuant to the SVB Credit Agreement entered into on May 24, 2022.

Other Income (Expense), net

Other income (expense), net for the three months ended June 30, 2023 changed by \$1.2 million, primarily due to increased interest income earned on our cash balances. Additionally, these amounts for all periods presented include immaterial losses on exchange rates on consumer payments and other miscellaneous income.

Comparison of Six Months Ended June 30, 2023 and 2022

The following table sets forth our statements of operations for the six months ended June 30, 2023 and 2022, including amounts and percentages of net sales for each period and the period-to-period change in dollars and percent (amounts in thousands):

	Six months ended June 30,					
	2023		2022		Period change	
	Amount	Percent	Amount	Percent	Amount	Percent
Condensed consolidated statements of operations data:						
Net sales	\$ 207,882	100.0 %	\$ 208,847	100.0 %	\$ (965)	(0.5)%
Cost of sales	90,717	43.6 %	100,910	48.3 %	(10,193)	(10.1)%
Gross profit	117,165	56.4 %	107,937	51.7 %	9,228	8.5 %
Operating expenses:						
Selling, general and administrative	115,895	55.8 %	96,961	46.4 %	18,934	19.5 %
 Income from operations	1,270	0.6 %	10,976	5.3 %	(9,706)	(88.4)%
Interest expense	(2,486)	(1.2)%	(2,922)	(1.4)%	436	(14.9)%
Other income (expense), net	2,035	1.0 %	(108)	(0.1)%	2,143	(1984.3)%
Loss on extinguishment of debt	—	— %	(617)	(0.3)%	617	*nm
 Net income before tax	819	0.4 %	7,329	3.5 %	(6,510)	(88.8)%
Income tax expense	(24)	— %	(209)	(0.1)%	185	(88.5)%
 Net income	795	0.4 %	7,120	3.4 %	(6,325)	(88.8)%
Net income allocable to non-controlling interest	699	0.3 %	6,340	3.0 %	(5,641)	(89.0)%
 Net income allocable to Brilliant Earth Group, Inc.	\$ 96	— %	\$ 780	0.4 %	\$ (684)	(87.7)%

Amounts may not sum due to rounding

*nm - Not meaningful

Net Sales

Net sales for the six months ended June 30, 2023 decreased by \$1.0 million, or 0.5%, compared to the six months ended June 30, 2022. The decrease in net sales was comprised of a decrease of 14.1% in AOV, partially offset by an increase of 15.9% in order volumes. The decrease in AOV was driven by moderation in sales growth of products above the \$10,000 price point and an increase in sales of lower price point fine jewelry. The increase of 15.9% in order volumes was due to:

- continued effectiveness of our customer acquisition and conversion activities;
- strong omnichannel performance across the Company's products and new product collection releases; and
- the opening of new showrooms.

Gross Profit

Gross profit for the six months ended June 30, 2023 increased by \$9.2 million, or 8.5%, compared to the six months ended June 30, 2022. Gross margin, expressed as a percentage and calculated as gross profit divided by net sales, increased by 470 basis points for the six months ended June 30, 2023 compared to the six months ended June 30, 2022, primarily driven by our premium brand and differentiated product offerings, performance of our pricing engine, procurement efficiencies and benefits from our extended warranty program. The increase in gross margin was partially offset by a 1.5% increase in average platinum spot prices showrooms, and a 3.0%\$0.4 million increase in average gold spot prices for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the six months ended June 30, 2023 increased by \$18.9 million, or 19.5% compared to the six months ended June 30, 2022. Selling, general and administrative expenses as a percentage of net sales increased by 940 basis points for the period ended June 30, 2023 compared to the period ended June 30, 2022. The increase in selling, general and administrative expenses was driven by an increase in marketing, other general and administrative, and employment expenses, which increased by \$8.2 million, \$5.9 million, and \$4.8 million, respectively, from the six months ended June 30, 2022 to the six months ended June 30, 2023.

The increase in marketing expenses was driven by increased investments in marketing and advertising to increase brand awareness and support strategic growth initiatives. The increase in other general and administrative expenses as a result of overall Company growth was principally driven by a \$1.7 million increase in information technology and other software-related costs, a \$1.7 million increase in pre-opening expenses from the opening of new showrooms, a \$1.4 million increase in rent and lease related expenses, and a \$1.1 million increase in depreciation, which was partially offset by a \$0.1 million decrease in other general administrative expenses. The increase in employment expenses was driven by an increase in salaries and wages, equity-based compensation, and other benefits expense primarily due to the addition of staff to support our growth.

Interest Expense

Interest expense for the **six** months ended **June 30, 2023** decreased **September 30, 2023** increased by **\$0.4 million** **\$0.5 million**, or **14.9%** **69.9%** compared to the **six** months ended **June 30, 2022** **September 30, 2022**, primarily due to a reduction **increases** in the **variable** interest rate pursuant to the SVB Credit Agreement **executed** **entered into** on May 24, 2022 as compared to the interest rate pursuant to the Runway Term Loan Agreement.

Other Income, (Expense), net

Other income, (expense), net for the **six** months ended **June 30, 2023** changed **September 30, 2023** increased by **\$2.1 million** **\$1.0 million**, primarily due to increased interest income earned on our cash balances. Additionally, these amounts for all periods presented include immaterial losses on exchange rates on consumer payments and other miscellaneous income.

Comparison of Nine Months Ended September 30, 2023 and 2022

The following table sets forth our statements of operations for the nine months ended September 30, 2023 and 2022, including amounts and percentages of net sales for each period and the period-to-period change in dollars and percent (amounts in thousands):

	Nine Months Ended September 30,					
	2023		2022		Period change	
	Amount	Percent	Amount	Percent	Amount	Percent
Net sales	\$ 322,036	100.0 %	\$ 320,252	100.0 %	\$ 1,784	0.6 %
Cost of sales	138,044	42.9 %	151,397	47.3 %	(13,353)	(8.8)%
Gross profit	183,992	57.1 %	168,855	52.7 %	15,137	9.0 %
Operating expenses:						
Selling, general and administrative	180,708	56.1 %	151,576	47.3 %	29,132	19.2 %
Income from operations	3,284	1.0 %	17,279	5.4 %	(13,995)	(81.0)%
Interest expense	(3,808)	(1.2)%	(3,700)	(1.2)%	(108)	2.9 %
Other income, net	3,436	1.1 %	266	0.1 %	3,170	1191.7 %
Loss on extinguishment of debt	—	— %	(617)	(0.2)%	617	*nm
Net income before tax	2,912	0.9 %	13,228	4.1 %	(10,316)	(78.0)%
Income tax expense	(119)	— %	(389)	(0.1)%	270	(69.4)%
Net income	2,793	0.9 %	12,839	4.0 %	(10,046)	(78.2)%
Net income allocable to non-controlling interest	2,452	0.8 %	11,413	3.6 %	(8,961)	(78.5)%
Net income allocable to Brilliant Earth Group, Inc.	\$ 341	0.1 %	\$ 1,426	0.4 %	\$ (1,085)	(76.1)%

Amounts may not sum due to rounding

*nm - Not meaningful

Net Sales

Net sales for the nine months ended September 30, 2023 increased by \$1.8 million, or 0.6%, compared to the nine months ended September 30, 2022. The increase in net sales was comprised of an increase of 16.2% in order volumes partially offset by a decrease of 13.4% in AOV. The increase of 16.2% in order volumes was due to:

- continued effectiveness of our customer acquisition activities;
- strong omnichannel performance across the Company's products and new product collection releases; and
- the opening of new showrooms.

The decrease in AOV was driven by an increase in sales of lower price point products, including fine jewelry and a moderation in sales growth of products above the \$10,000 price point.

Gross Profit

Gross profit for the nine months ended September 30, 2023 increased by \$15.1 million, or 9.0%, compared to the nine months ended September 30, 2022. Gross margin, expressed as a percentage and calculated as gross profit divided by net sales, increased by 440 basis points for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, primarily driven by our premium brand and differentiated product offerings, performance of our pricing engine, procurement efficiencies and benefits from our extended warranty program. The increase in gross margin was partially offset by a 2.6% increase in average platinum spot prices and a 5.6% increase in average gold spot prices for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine months ended September 30, 2023 increased by \$29.1 million, or 19.2% compared to the nine months ended September 30, 2022. Selling, general and administrative expenses as a percentage of net sales increased by 880 basis points for the period ended September 30, 2023 compared to the period ended September 30, 2022. The increase in selling, general and administrative expenses was driven by an increase in marketing, other general and administrative, and employment expenses, which increased by \$13.7 million, \$9.3 million, and \$6.1 million, respectively, from the nine months ended September 30, 2022 to the nine months ended September 30, 2023.

The increase in marketing expenses was driven by increased investments in marketing and advertising to increase brand awareness and support strategic growth initiatives. The increase in other general and administrative expenses as a result of overall Company growth was principally driven by a \$2.9 million increase in information technology and other software-related costs, a \$2.2 million increase in pre-opening expenses from the opening of new showrooms, a \$2.2 million increase in rent and lease related expenses, and a \$1.7 million increase in depreciation, and a \$0.3 million increase in other general administrative expenses. The increase in employment expenses was driven by an increase in salaries and wages, equity-based compensation, and other benefits expense primarily due to the addition of staff to support our growth.

Interest Expense

Interest expense for the nine months ended September 30, 2023 increased by \$0.1 million, or 2.9% compared to the nine months ended September 30, 2022, primarily due to increases in the variable interest rate pursuant to the SVB Credit Agreement entered into on May 24, 2022.

Other Income, net

Other income, net for the nine months ended September 30, 2023 changed by \$3.2 million, primarily due to increased interest income earned on our cash balances. Additionally, these amounts for all periods presented include immaterial losses on exchange rates on consumer payments and other miscellaneous income.

Key Metrics

We monitor the key business metrics set forth below to help us evaluate our business and growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts, and assess operational efficiencies. The calculation of the key metrics discussed below may differ from

other similarly titled metrics used by other companies, securities analysts or investors.

The following table sets forth our key performance indicators for the periods presented (amounts in thousands, except for total orders and AOV):

Three months ended June 30,				Six months ended June 30,				Three Months Ended September 30,				Nine Months Ended September 30,						
		2023	2022	Change	Change	2023	2022	Change	Change	2023	2022	Change	Change	2023	2022	Change	Change	
Net Sales	Net Sales	\$ 110,184	\$ 108,809	\$ 1,375	1.3 %	\$ 207,882	\$ 208,847	(965)	(0.5) %	Net Sales	\$ 114,154	\$ 111,405	\$ 2,749	2.5 %	\$ 322,036	\$ 320,252	1,784	0.6 %
Total Orders	Total Orders	42,849	35,366	7,483	21.2 %	78,480	67,738	10,742	15.9 %	Total Orders	43,161	36,977	6,184	16.7 %	121,641	104,715	16,926	16.2 %
AOV	AOV	\$ 2,571	\$ 3,077	\$ (506)	(16.4) %	\$ 2,649	\$ 3,083	\$ (434)	(14.1) %	AOV	\$ 2,645	\$ 3,013	\$ (368)	(12.2) %	\$ 2,647	\$ 3,058	\$ (411)	(13.4) %

Net Sales

Net sales is defined above in *"Components of Results of Operations"*.

Total Orders

We define total orders as the total number of customer orders delivered less total orders returned in a given period (excluding those repair, resize, and other orders which have no revenue). We view total orders as a key indicator of the velocity of our business and an indication of the desirability of our products to our customers. Total orders, together with AOV, is an indicator of the net sales we expect to recognize in a given period. Total orders may fluctuate based on the number of visitors to our website and showrooms, and our ability to convert these visitors to customers. We believe that total orders is a measure that is useful to investors and management in understanding our ongoing operations and in an analysis of ongoing operating trends.

Average Order Value

We define average order value, or AOV, as net sales in a given period divided by total orders in that period. We believe that AOV is a measure that is useful to investors and management in understanding our ongoing operations and in an analysis of ongoing operating trends. AOV varies depending on the product type and number of items per order. AOV may also fluctuate as we expand into and increase our presence in additional product lines and price points, and open additional showrooms.

Non-GAAP Financial Measures

We report our financial results in accordance with GAAP. However, management believes that certain non-GAAP financial measures provide users of our financial information with additional useful information in evaluating our performance and liquidity, as applicable, and to more readily compare these financial measures between past and future periods. There are limitations to the use of the non-GAAP financial measures presented in this Quarterly Report on Form 10-Q. For example, our non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA and Adjusted EBITDA margin, which are non-GAAP financial measures, are included in this Quarterly Report on Form 10-Q because they are used by management and our board of directors to assess our financial performance. We define Adjusted EBITDA as net income excluding interest expense, income taxes, depreciation expense, amortization of cloud-based software implementation costs, showroom pre-opening expense, equity-based compensation expense, showroom pre-opening expense, loss on extinguishment of debt, certain non-operating expenses and income, and other unusual and/or infrequent costs, which we do not consider in our evaluation of ongoing operating performance. We define Adjusted EBITDA margin as Adjusted EBITDA calculated as a percentage of net sales. These non-GAAP financial measures provide users of our financial information with useful information in evaluating our operating performance and exclude certain items from net income that may vary substantially in frequency and magnitude from period to period. These non-GAAP financial measures are not meant to be considered as indicators of performance in isolation from or as a substitute for net income prepared in accordance with GAAP and should be read only in conjunction with financial information presented on a GAAP basis. Reconciliations of each of Adjusted EBITDA and Adjusted EBITDA margin to its most directly comparable GAAP financial measure, net income and net income margin, are presented below. We encourage you to review the reconciliations in conjunction with the presentation of the non-GAAP financial

measures for each of the periods presented. In future periods, we may exclude similar items, may incur income and expenses similar to these excluded items, and may include other expenses, costs and non-recurring items.

The following table presents a reconciliation of net income and net income margin, the most comparable GAAP financial measures, to Adjusted EBITDA and Adjusted EBITDA margin, respectively, for the periods presented (amounts in thousands):

		Three months ended		Six months ended		Three Months Ended		Nine Months Ended		
		June 30,		June 30,		September 30,		September 30,		
		2023	2022	2023	2022	2023	2022	2023	2022	
Net income	Net income	\$ 1,235	\$ 3,751	\$ 795	\$ 7,120	Net income	\$ 1,998	\$ 5,719	\$ 2,793	\$ 12,839
Interest expense	Interest expense	1,280	1,146	2,486	2,922	Interest expense	1,322	778	3,808	3,700
Income tax (benefit) expense		37	113	24	209					
Income tax expense						Income tax expense	95	180	119	389
Depreciation expense	Depreciation expense	940	398	1,891	747	Depreciation expense	1,105	501	2,996	1,248
Amortization of cloud-based software implementation costs	Amortization of cloud-based software implementation costs	139	36	263	36	Amortization of cloud-based software implementation costs	145	50	408	86
Showroom pre-opening expense	Showroom pre-opening expense	1,671	1,331	3,443	1,806	Showroom pre-opening expense	1,311	796	4,754	2,602
Equity-based compensation expense	Equity-based compensation expense	2,627	2,148	4,885	4,252	Equity-based compensation expense	2,569	2,311	7,454	6,563
Loss on extinguishment of debt	Loss on extinguishment of debt	—	617	—	617	Loss on extinguishment of debt	—	—	—	617
Other (income) expense, net ⁽¹⁾	(1,192)	49	(2,035)	108						
Other income, net ⁽¹⁾						Other income, net ⁽¹⁾	(1,401)	(374)	(3,436)	(266)
Transaction costs and other expense ⁽²⁾	Transaction costs and other expense ⁽²⁾	1,000	34	1,532	180	Transaction costs and other expense ⁽²⁾	480	—	2,012	180
Adjusted EBITDA	Adjusted EBITDA	\$ 7,737	\$ 9,623	\$ 13,284	\$ 17,997	Adjusted EBITDA	\$ 7,624	\$ 9,961	\$ 20,908	\$ 27,958
Net income margin	Net income margin	1.1 %	3.4 %	0.4 %	3.4 % margin	Net income margin	1.8 %	5.1 %	0.9 %	4.0 %
Adjusted EBITDA margin	Adjusted EBITDA margin	7.0 %	8.8 %	6.4 %	8.6 % EBITDA margin	Adjusted EBITDA margin	6.7 %	8.9 %	6.5 %	8.7 %

(1) Other (income) expense, income, net consists primarily of interest and other miscellaneous income, partially offset by expenses such as losses on exchange rates on consumer payments.

(2) These expenses are those that we did not incur in the normal course of business. These expenses for both For the three and six nine month period ended June 30, 2023 includes September 30, 2023, costs included a \$1 million charitable contribution.

Liquidity and Capital Resources

Overview

Our primary requirements for liquidity and capital are for purchases of inventory, payment of operating expenses, tax distributions to LLC members, debt service, and capital expenditures. Historically, these cash requirements have been met through cash provided by operating activities, cash

and cash equivalents, proceeds from capital-raising activities and borrowings under our loan facilities. We have historically had negative working capital driven by our high inventory turns and typical collection of payment from customers prior to payment of suppliers. As of **June 30, 2023** **September 30, 2023**, we had a cash balance, excluding restricted cash, of **\$149.6 million** **\$147.1 million**, and working capital, excluding non-restricted cash, of **(\$23.6) million** **22.0 million**.

In addition, we have the SVB Term Loan Facility with a principal balance of **\$61.8 million** **\$60.9 million**, excluding unamortized debt issuance costs of **\$0.6 million** **\$0.5 million**, of which **\$58.5 million** **\$57.3 million** is classified as long-term.

For the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, the Company declared and paid **\$5.1 million** **\$9.9 million** of distributions to, or on behalf of, members associated with their estimated income tax obligations. We are committed to continue to make quarterly distributions in connection with member estimated income tax obligations which we expect to fund with cash flow from operations.

We believe, based on our current projections, that we have sufficient sources of liquidity to meet our projected operating, debt service, and tax distribution requirements for at least the next 12 months following the filing of this Quarterly Report on Form 10-Q.

Additional future liquidity needs may include **public company costs, payments** under the TRA, and state and federal taxes to the extent not offset by our deferred income tax assets, including those arising as a result of purchases or exchanges of common units for Class A and Class D common stock. Although the actual timing and amount of any payments that may be made under the TRA will vary, we expect that the payments that we will be required to make to the Continuing Equity Owners will be significant. Any payments made by us to the Continuing Equity Owners under the TRA will generally reduce the amount of overall cash flow that might have otherwise been available to us or to Brilliant Earth, LLC, and, to the extent that we are unable to make payments under the TRA for any reason, the unpaid amounts generally will be deferred and will accrue interest until paid by us; provided, however, that nonpayment for a specified period may constitute a material breach of a material obligation under the TRA and therefore may accelerate payments due under the TRA.

To the extent that our current liquidity is insufficient to fund future activities, we may need to raise additional funds, such as attempts to raise additional capital through the sale of equity securities or through debt financing arrangements. If we raise additional funds by issuing equity securities, the ownership of our existing stockholders will be diluted. **The incurrence of Any** additional debt financing would result in debt service obligations, and any future instruments governing such debt could provide for operating and financing covenants that could restrict our operations. We cannot ensure that we could obtain refinancing or additional financing on favorable terms or at all.

Cash Flow Analysis

The following table summarizes our cash flows for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022 (in thousands):

	Six months ended June 30,		Nine Months Ended September 30,			
	2023	2022	2023	2022		
Net cash provided by operating activities	Net cash provided by operating activities	\$ 10,870	\$ 4,873	Net cash provided by operating activities	\$ 15,514	\$ 9,019
Net cash used in investing activities	Net cash used in investing activities	(9,159)	(4,068)	Net cash used in investing activities	(10,729)	(6,566)
Net cash used in financing activities	Net cash used in financing activities	(6,753)	(18,137)	Net cash used in financing activities	(12,299)	(22,387)
Net decrease in cash, cash equivalents and restricted cash	Net decrease in cash, cash equivalents and restricted cash	(5,042)	(17,332)	Net decrease in cash, cash equivalents and restricted cash	(7,514)	(19,934)
Cash, cash equivalents and restricted cash at beginning of period	Cash, cash equivalents and restricted cash at beginning of period	154,854	173,070	Cash, cash equivalents and restricted cash at beginning of period	154,854	173,070

Cash, cash equivalents and restricted cash at end of period	Cash, cash equivalents and restricted cash at end of period	\$ 149,812	\$ 155,738	Cash, cash equivalents and restricted cash at end of period	\$ 147,340	\$ 153,136
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Net Cash Provided by Operating Activities

For the six nine months ended June 30, 2023 September 30, 2023, net cash provided by operating activities was \$10.9 million \$15.5 million compared to net cash provided by operating activities of \$4.9 million \$9.0 million for the six nine months ended June 30, 2022 September 30, 2022, an increase of \$6.0 million \$6.5 million. This increase was primarily driven by an increase of \$1.9 million in non-cash expense addbacks, and \$10.4 million \$13.5 million from changes in assets and liabilities related to operating activities, partially offset by a decrease in net income adjusted for non-cash expense addbacks of \$6.3 million \$7.0 million. The increase in non-cash expenses addbacks was primarily due to a \$2.1 million increase in depreciation and non-cash operating lease costs and a \$0.6 million increase in equity-based compensation, partially offset by a \$0.9 million decrease in loss on extinguishment of debt and amortization of debt issuance costs associated with the repayment of the Runway Term Loan and issuance of the SVB Term Loan Facility. The increase from changes in assets and liabilities related to operating activities was primarily due to an increase of \$15.3 million \$24.7 million in inventories, prepaid expenses and other current assets, other assets, and deferred revenue, offset by \$4.9 million \$11.3 million decrease in accounts payable, accrued expenses and other current liabilities and operating lease liabilities.

Net Cash Used In Investing Activities

For the six nine months ended June 30, 2023 September 30, 2023, net cash used in investing activities was \$9.2 million \$10.7 million compared to \$4.1 million \$6.6 million for the six nine months ended June 30, 2022 September 30, 2022. The increase of \$5.1 million \$4.2 million was principally due to an increase in purchases of property and equipment related to new facilities leased during the period.

Net Cash Used In Financing Activities

For the six nine months ended June 30, 2023 September 30, 2023, net cash used in financing activities was \$6.8 million \$12.3 million compared to \$18.1 million \$22.4 million for the six nine months ended June 30, 2022 September 30, 2022. The decrease of \$11.4 million \$10.1 million was primarily due to lower tax distributions paid to members pursuant to the LLC Agreement of \$9.8 million \$8.4 million and the debt activity that occurred in 2022 but did not occur in 2023 (the consisting of the repayment of the Runway Term Loan and issuance of the SVB Term Loan Facility) resulting Facility, which resulted in a net decrease of \$3.2 million \$3.3 million, partially offset by a \$1.6 million paid increase in payments on the SVB Term Loan Facility.

Silicon Valley Bank Credit Facilities

On May 24, 2022, Brilliant Earth, LLC, as borrower, and Silicon Valley Bank ("SVB"), as administrative agent and collateral agent for the lenders, entered into a SVB Credit Agreement, which provides for a secured SVB Term Loan Facility of \$65.0 million and a secured SVB Revolving Credit Facility in an amount of up to \$40.0 million. See Note 7. "Debt" to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. As of June 30, 2023 September 30, 2023, there were no amounts outstanding under the SVB Revolving Credit Facility.

On March 10, 2023, SVB was closed by the California Department of Financial Protection and Innovation, and the Federal Deposit Insurance Corporation ("FDIC") was appointed as receiver. On March 14, 2023, the FDIC announced the establishment of Silicon Valley Bridge Bank, N.A., which assumed the deposits and obligations of SVB. On March 26, 2023, the FDIC announced that it had entered into a purchase and assumption agreement with First-Citizens Bank & Trust Company, Raleigh, North Carolina ("First Citizens") under which all deposits and loans of SVB were assumed by First Citizens.

Additional Liquidity Requirements

We are a holding company and have no material assets other than our ownership of LLC Interests. We have no independent means of generating revenue. The Brilliant Earth LLC Agreement in effect since the time of the IPO provides for the payment of certain distributions to the Continuing Equity Owners and to us in amounts sufficient to cover the income taxes imposed on such members with respect to the allocation of taxable income from Brilliant Earth, LLC as well as to cover our obligations under the TRA and other administrative expenses.

Regarding the ability of Brilliant Earth, LLC to make distributions to us, the terms of their financing arrangements, including the SVB Credit Facilities, contain covenants that may restrict Brilliant Earth, LLC from paying such distributions, subject to certain exceptions. Further, Brilliant Earth, LLC is generally prohibited under Delaware law from making a distribution to a member to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of Brilliant Earth, LLC (with certain exceptions), as applicable, exceed the fair value of its assets.

In addition, under the TRA, we are required to make cash payments to the Continuing Equity Owners equal to 85% of the tax benefits, if any, that we actually realize (or in certain circumstances are deemed to realize), as a result of (1) increases in our allocable share of the tax basis of Brilliant Earth, LLC's assets resulting from (a) our purchase of LLC Interests from each Continuing Equity Owner; (b) future redemptions or exchanges of LLC Interests for Class A common stock or cash; and (c) certain distributions (or deemed distributions) by Brilliant Earth, LLC; and (2) certain tax benefits arising from payments made under the TRA. We expect the amount of the cash payments that we will be required to make under the TRA will be significant. The actual amount and timing of any payments under the TRA will vary depending upon a number of factors, including the timing of redemptions or exchanges by the Continuing Equity Owners, the amount of gain recognized by the Continuing Equity Owners, the amount and timing of the taxable income we generate in the future, and the federal tax rates then applicable. Any payments made by us to the Continuing Equity Owners under the TRA will generally reduce the amount of overall cash flow that might have otherwise been available to us.

Additionally, in the event we declare any cash dividends, we intend to cause Brilliant Earth, LLC to make distributions to us in amounts sufficient to fund such cash dividends declared by us to our shareholders. Deterioration in the financial condition, earnings, or cash flow of Brilliant Earth, LLC for any reason could limit or impair their ability to pay such distributions.

If we do not have sufficient funds to pay taxes or other liabilities or to fund our operations, we may have to borrow funds, which could materially adversely affect our liquidity and financial condition and subject us to various restrictions imposed by any such lenders. To the extent that we are unable to make payments under the TRA for any reason, such payments generally will be deferred and will accrue interest until paid; provided, however, that nonpayment for a specified period may constitute a material breach of a material obligation under the TRA and therefore accelerate payments due under the TRA. In addition, if Brilliant Earth, LLC does not have sufficient funds to make distributions, our ability to declare and pay cash dividends will also be restricted or impaired.

Critical Accounting Policies and Estimates

There have been no changes to the Company's critical accounting policies and estimates from those described under "Critical Accounting Policies and Estimates" in the Management's Discussion and Analysis of Financial Condition and Results of Operations of our 2022 Form 10-K.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, see Note 1 to our unaudited condensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

JOBS Act

We qualify as an "emerging growth company" pursuant to the provisions of the JOBS Act, enacted on April 5, 2012. Section 102 of the JOBS Act provides that, among other reporting exemptions, an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. We are electing to delay the adoption of new or revised accounting standards, and as a result, we may not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. As a result, our unaudited condensed consolidated financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

The exemptions afforded to emerging growth companies will apply until we no longer meet the requirements of being an emerging growth company. We will remain an emerging growth company until the earlier of (a) the last day of the fiscal year (i) following the fifth anniversary of the completion of our IPO (December 31, 2026), (ii) in which we have total annual gross revenue of at least \$1.235 billion or (iii) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds \$700.0 million as of the last business day of our prior second fiscal quarter, and (b) the date on which we have issued more than \$1.07 billion \$1.0 billion in non-convertible debt during the prior three-year period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

Limitations on effectiveness of control and procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls relative to their costs.

Evaluation of disclosure controls and procedures

Our management, with the participation of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of **June 30, 2023** **September 30, 2023**, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended **June 30, 2023** **September 30, 2023** that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

We are, from time to time, party to various claims and legal proceedings arising out of our ordinary course of business, but we do not believe that any of these claims or proceedings will have a material effect on our business, consolidated financial condition or results of operations.

On December 5, 2022, plaintiff Veronica Cusimano, a former employee of the Company, filed a representative action against the Company pursuant to the Private Attorneys General Act of 2004 in California Superior Court, Los Angeles County. The complaint alleges, on behalf of the plaintiff and similarly situated employees and former employees in California, various claims under the California Labor Code related to wages, overtime, meal and rest breaks, reimbursement of business expenses, wage statements and records, and other similar allegations. The plaintiff seeks civil penalties, attorneys' fees and costs in unspecified amounts, and other unspecified damages. On February 10, 2023, the Company filed a petition to compel arbitration on the basis of an agreement between the plaintiff and the Company to arbitrate any claims between them. On April 28, 2023, the petition was denied. The Company intends to vigorously defend the alleged individual and representative claims, and, on May 9, 2023, the Company appealed the Superior Court's denial of its petition to compel arbitration to the California Court of Appeal, Second Appellate District. At this time, any liability related to the alleged claims is not currently probable or reasonably estimable.

Item 1A. Risk Factors

The Company's risk factors are described in Part I, Item 1A, "Risk Factors" of our 2022 Form 10-K. These factors could materially adversely affect our business, financial condition, liquidity, results of operations and capital position, and could cause our actual results to differ materially from our historical results or the results contemplated by any forward-looking statements contained in this Quarterly Report on Form 10-Q. There have been no material changes to our risk factors as previously disclosed in our 2022 Form 10-K.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(a) None.

(b) None.

(c) Not applicable.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				
		Form	File No.	Exhibit	Filing Date	Filed / Furnished Herewith
3.1	Amended and Restated Certificate of Incorporation of Brilliant Earth Group, Inc.	8-K	001-40836	3.1	9/27/2021	*
3.2	Amended and Restated Bylaws of Brilliant Earth Group, Inc.	8-K	001-40836	3.2	9/27/2021	
4.1	Specimen Stock Certificate evidencing shares of Class A Common Stock	S-1/A	001-40836	4.1	9/14/2021	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a).					*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a).					*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.					**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.					**
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					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					*

* Filed herewith.

** Furnished herewith.

Signatures

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

Brilliant Earth Group, Inc.

August 10, November 9, 2023 By/s/ Jeffrey Kuo

Jeffrey Kuo

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

4445

Exhibit 31.1

CERTIFICATION

I, Beth Gerstein, certify that:

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

Date: August 10, 2023 November 9, 2023

By: /s/ Beth Gerstein

Name: Beth Gerstein

Title: Chief Executive Officer
(*Principal Executive Officer*)

Exhibit 31.2

CERTIFICATION

I, Jeffrey Kuo, certify that:

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

Date: August 10, 2023 November 9, 2023

By: /s/ Jeffrey Kuo

Name: Jeffrey Kuo
Title: Chief Financial Officer
(*Principal Financial Officer*)

Exhibit 32.1

**Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Brilliant Earth Group, Inc. (the "Company") for the period ended **June 30, 2023** **September 30, 2023** (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, the undersigned, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

Date: **August 10, 2023** **November 9, 2023** By: **/s/** **/s/** Beth Gerstein

Name: Beth Gerstein
Title: Chief Executive Officer
(*Principal Executive Officer*)

Exhibit 32.2

**Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Brilliant Earth Group, Inc. (the "Company") for the period ended **June 30, 2023** **September 30, 2023** (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, the undersigned, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

Date: **August 10, 2023** **November 9, 2023** By: **/s/** **/s/** Jeffrey Kuo

Name: Jeffrey Kuo
Title: Chief Financial Officer
(*Principal Financial Officer*)

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