# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, DC 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 September 30, 2024**

**OR**

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

**For the transition period from to**

**Commission File Number: 001-39119**

# Leafly Holdings, Inc.
**(Exact Name of Registrant as Specified in its Charter)**

| | |
|---|---|
| **Delaware** | **84-2266022** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **113 Cherry Street, PMB 88154<br>Seattle, Washington** | **98104-2205** |
| (Address of principal executive offices) | (Zip Code) |

**Registrant's telephone number, including area code: (206) 455-9504**

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.0001 Par Value | LFLY | The Nasdaq Stock Market LLC |
| Warrants, exercisable for shares of common stock at an exercise price of $230.00 per share | LFLYW | The Nasdaq Stock Market LLC |

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 November 4, 2024, the registrant had 3,074,202 shares of common stock, $0.0001 par value per share, outstanding.

**INDEX**

**Cautionary Note Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q ("Quarterly Report") contains a number of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of present or historical fact included in or incorporated by reference in this Quarterly Report regarding Leafly Holdings, Inc.'s (referred to herein as, "Leafly" or the "Company" or "we", "our" or "us") future financial performance, strategy, operations, operating results, financial position, estimated revenues, losses, projected costs, prospects, plans and objectives of management are forward-looking statements. Forward-looking statements may appear throughout this Quarterly Report, including in the following sections: "Management's Discussion and Analysis of Financial Condition and Results of Operations" (Part I, Item 2). Words and variations of words, such as "may," "expect," "contemplate," "believe," "estimate," "project," "budget," "plan," "will," "could," "should," "predict," "potential," "can," "likely," "designed," "seek" and "continue" and similar expressions are intended to identify our forward-looking statements. You should read statements that contain these words carefully because they:

- discuss future expectations; or
- contain projections of future results of operations or financial condition; or
- state other "forward-looking" information.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report.

All forward-looking statements included herein are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. These cautionary statements are being made pursuant to federal securities laws with the intention of obtaining the benefits of the "safe harbor" provisions of such laws. Except to the extent required by applicable laws and regulations, Leafly undertakes no obligations to update these forward-looking statements to reflect events or circumstances after the date of this Quarterly Report or to reflect the occurrence of unanticipated events.

There may be events in the future that Leafly is not able to predict accurately or over which it has no control. The section in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Annual Report") and in this Quarterly Report entitled "Risk Factors," and the section of this Quarterly Report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other cautionary language discussed in this report provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations described by Leafly in such forward-looking statements.

These examples include:

- the substantial doubt regarding the Company's ability to continue as a going concern because it does not currently have the ability to repay the convertible notes due in January 2025;
- the Company's ability maintain the listing of Leafly's shares of common stock and warrants on the Nasdaq Capital Market (the "Capital Market"), which will be subject to certain approvals by the Nasdaq Stock Market LLC ("Nasdaq");
- the Company's inability to raise sufficient capital or financing in the future to execute its business plan and pay its debt and other obligations when due;
- the size, demands and growth potential of the markets for the Company's products and services and the Company's ability to serve those markets;
- the impact of worldwide economic conditions, including the resulting effect on consumer spending at local cannabis retailers and the level of advertising spending by such retailers;
- the degree of market acceptance and adoption of the Company's products, services and pricing changes;
- the Company's ability to attract and retain customers;
- the Company's success in retaining or recruiting officers, key employees or directors;
- the impact of the regulatory environment and complexities with compliance related to such environment, including compliance with restrictions imposed by federal law (under which cannabis is illegal) and slower legalization efforts at the state level; and
- factors relating to the business, operations and financial performance of the Company and its subsidiaries.

**Part I - Financial Information**

**Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**LEAFLY HOLDINGS, INC.**
**CONSOLIDATED BALANCE SHEETS**
**(in thousands, except share and per share amounts)**

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| **ASSETS** | | (Audited) |
| Current assets | | |
| Cash and cash equivalents | $ 13,567 | $ 15,293 |
| Accounts receivable, net of allowance for credit loss of $454 and $1,398, respectively | 1,922 | 2,635 |
| Prepaid expenses and other current assets | 1,339 | 1,074 |
| Total current assets | 16,828 | 19,002 |
| Property, equipment, and software, net | 2,604 | 2,554 |
| Restricted cash - long-term portion | 248 | 251 |
| Other assets | — | 28 |
| **Total assets** | $ 19,680 | $ 21,835 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' DEFICIT** | | |
| Current liabilities | | |
| Convertible promissory notes, net | $ 29,228 | $ — |
| Accounts payable | 567 | 813 |
| Accrued expenses and other current liabilities | 2,505 | 2,503 |
| Deferred revenue | 1,775 | 1,764 |
| **Total current liabilities** | 34,075 | 5,080 |
| | | |
| Non-current liabilities | | |
| Convertible promissory notes, net | — | 29,085 |
| Other long-term liabilities | 79 | 128 |
| **Total non-current liabilities** | 79 | 29,213 |
| Total liabilities | 34,154 | 34,293 |
| | | |
| Commitments and contingencies (Note 10) | | |
| | | |
| Stockholders' deficit | | |
| Preferred stock: $0.0001 par value; 5,000,000 and 5,000,000 authorized; 0 and 0 issued and outstanding; aggregate liquidation preference of $0 and $0 at September 30, 2024 and December 31, 2023, respectively | — | — |
| Common stock: $0.0001 par value; 200,000,000 and 200,000,000 authorized; 3,162,616 and 2,392,568 issued at September 30, 2024 and December 31, 2023, respectively | — | — |
| Treasury stock: 154,055 and 154,055 shares held at September 30, 2024 and December 31, 2023, respectively | (31,663) | (31,663) |
| Additional paid-in capital | 96,188 | 93,403 |
| Accumulated deficit | (78,999) | (74,198) |
| Total stockholders' deficit | (14,474) | (12,458) |
| **Total liabilities and stockholders' deficit** | $ 19,680 | $ 21,835 |

*See Notes to Condensed Consolidated Financial Statements.*

**LEAFLY HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(in thousands, except share and per share amounts)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| Revenue | $ 8,353 | $ 10,583 | $ 26,123 | $ 32,507 |
| Cost of revenue | 904 | 1,163 | 2,839 | 3,747 |
| Gross profit | 7,449 | 9,420 | 23,284 | 28,760 |
| Operating expenses | | | | |
| Sales and marketing | 2,149 | 2,563 | 7,143 | 10,326 |
| Product development | 2,205 | 2,533 | 6,995 | 8,133 |
| General and administrative | 3,642 | 5,799 | 12,087 | 17,475 |
| Total operating expenses | 7,996 | 10,895 | 26,225 | 35,934 |
| Loss from operations | (547) | (1,475) | (2,941) | (7,174) |
| Interest expense, net | (629) | (720) | (1,874) | (2,157) |
| Other income (expense), net | 37 | (15) | 14 | 288 |
| Net loss | $ (1,139) | $ (2,210) | $ (4,801) | $ (9,043) |
| | | | | |
| Net loss per share: | | | | |
| Basic | $ (0.46) | $ (1.10) | $ (2.05) | $ (4.58) |
| Diluted | $ (0.46) | $ (1.10) | $ (2.05) | $ (4.58) |
| | | | | |
| Weighted average shares outstanding: | | | | |
| Basic | 2,502,109 | 2,010,644 | 2,342,282 | 1,974,057 |
| Diluted | 2,502,109 | 2,010,644 | 2,342,282 | 1,974,057 |

*See Notes to Condensed Consolidated Financial Statements.*

**LEAFLY HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**

**(in thousands except share amounts)**

| | Three and Nine Months Ended September 30, 2024 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Preferred Stock | | Common Stock | | Treasury Stock | | Additional Paid-In Capital | Accumulated Deficit | Total |
| | Shares | Amount | Shares | Amount | Shares | Amount | | | |
| Balance at January 1, 2024 | — | $ — | 2,392,568 | $ — | (154,055) | $ (31,663) | $ 93,403 | $ (74,198) | $ (12,458) |
| Net loss | — | — | — | — | — | — | — | (2,387) | (2,387) |
| Stock-based compensation | — | — | — | — | — | — | 598 | — | 598 |
| Issuance of common stock under ESPP | — | — | 8,443 | — | — | — | 16 | — | 16 |
| Issuance of common stock upon vesting of restricted stock units | — | — | 63,019 | — | — | — | — | — | — |
| Tax payments related to shares retired for vested restricted stock units | — | — | (8,474) | — | — | — | (40) | — | (40) |
| Balance at March 31, 2024 | — | $ — | 2,455,556 | $ — | (154,055) | $ (31,663) | $ 93,977 | $ (76,585) | $ (14,271) |
| Net loss | — | — | — | — | — | — | — | (1,275) | (1,275) |
| Stock-based compensation | — | — | — | — | — | — | 607 | — | 607 |
| Conversion of 2022 Notes to common stock | — | — | 96,813 | — | — | — | 292 | — | 292 |
| Issuance of common stock upon vesting of restricted stock units | — | — | 73,677 | — | — | — | — | — | — |
| Tax payments related to shares retired for vested restricted stock units | — | — | (6,999) | — | — | — | (15) | — | (15) |
| Balance at July 1, 2024 | — | $ — | 2,619,047 | $ — | (154,055) | $ (31,663) | $ 94,861 | $ (77,860) | $ (14,662) |
| Net loss | — | — | — | — | — | — | — | (1,139) | (1,139) |
| Stock-based compensation | — | — | — | — | — | — | 424 | — | 424 |
| Issuance of common stock upon vesting of restricted stock units | — | — | 74,169 | — | — | — | — | — | — |
| Tax payments related to shares retired for vested restricted stock units | | | (5,831) | | | | (13) | | (13) |
| Issuance of common stock under ESPP | — | — | 5,231 | — | — | — | 8 | — | 8 |
| Net proceeds from ATM Offering | — | — | 470,000 | — | — | — | 908 | — | 908 |
| Balance at September 30, 2024 | — | $ — | 3,162,616 | $ — | (154,055) | $ (31,663) | $ 96,188 | $ (78,999) | $ (14,474) |

**LEAFLY HOLDINGS, INC**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT (Continued)**

**(in thousands except share amounts)**

| | Three and Nine Months Ended September 30, 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Preferred Stock | | Common Stock | | Treasury Stock | | Additional Paid-In Capital | Accumulated Deficit | Total |
| | Shares | Amount | Shares | Amount | Shares | Amount | | | |
| Balance at January 1, 2023 | — | $ — | 2,163,766 | $ — | (154,055) | $ (31,663) | $ 89,956 | $ (64,700) | $ (6,407) |
| Net loss | — | — | — | — | — | — | — | (5,397) | (5,397) |
| Stock-based compensation | — | — | — | — | — | — | 658 | — | 658 |
| Issuance of common stock under ESPP | — | — | 14,441 | — | — | — | 120 | — | 120 |
| Issuance of common stock upon vesting of restricted stock units | — | — | 14,255 | — | — | — | — | — | — |
| Balance at March 31, 2023 | — | $ — | 2,192,462 | $ — | (154,055) | $ (31,663) | $ 90,734 | $ (70,097) | $ (11,026) |
| Net loss | — | — | — | — | — | — | — | (1,436) | (1,436) |
| Stock-based compensation | — | — | — | — | — | — | 580 | — | 580 |
| Issuance of common stock upon vesting of restricted stock units | — | — | 30,333 | — | — | — | — | — | — |
| Balance at July 1, 2023 | — | $ — | 2,222,795 | $ — | (154,055) | $ (31,663) | $ 91,314 | $ (71,533) | $ (11,882) |
| Net loss | — | — | — | — | — | — | — | (2,210) | (2,210) |
| Stock-based compensation | — | — | — | — | — | — | 997 | — | 997 |
| Reverse stock split | — | — | 34,192 | — | — | — | — | — | — |
| Issuance of common stock under ESPP | — | — | 5,701 | — | — | — | 48 | — | 48 |
| Issuance of common stock upon vesting of restricted stock units | — | — | 48,112 | — | — | — | — | — | — |
| Balance at September 30, 2023 | — | $ — | 2,310,800 | $ — | (154,055) | $ (31,663) | $ 92,359 | $ (73,743) | $ (13,047) |

*See Notes to Condensed Consolidated Financial Statements.*

**LEAFLY HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(in thousands)**

| | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|---|---|
| Cash flows from operating activities | | |
| Net loss | $ (4,801) | $ (9,043) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 1,030 | 697 |
| Stock-based compensation expense | 1,629 | 2,235 |
| Credit loss, net of recoveries | 460 | 2,350 |
| (Gain) loss on disposition of assets | (2) | 63 |
| Noncash amortization of debt discount | 436 | 409 |
| Noncash change in fair value of derivatives | (42) | (295) |
| Other | (1) | (1) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 253 | (2,461) |
| Prepaid expenses and other current assets | 1,162 | (467) |
| Accounts payable | (246) | (16) |
| Accrued expenses and other current liabilities | (205) | (3,246) |
| Deferred revenue | 11 | 137 |
| Net cash used in operating activities | (316) | (9,638) |
| | | |
| Cash flows from investing activities | | |
| Additions of property, equipment, and software | (1,080) | (1,042) |
| Proceeds from sale of property and equipment | 2 | 27 |
| Net cash used in investing activities | (1,078) | (1,015) |
| | | |
| Cash flows from financing activities | | |
| Issuance of common stock under ESPP | 24 | 168 |
| Tax payments related to shares retired for vested restricted stock units | (68) | — |
| Repayments of related party payables | (90) | 1 |
| Net proceeds from sale of stock via ATM Offering | 908 | — |
| Repayments of short-term financing arrangements | (1,109) | — |
| Net cash (used in) provided by financing activities | (335) | 169 |
| | | |
| Net decrease in cash, cash equivalents, and restricted cash | (1,729) | (10,484) |
| Cash, cash equivalents, and restricted cash, beginning of period | 15,544 | 25,202 |
| Cash, cash equivalents, and restricted cash, end of period | $ 13,815 | $ 14,718 |

| | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|---|---|
| **Supplemental disclosure of non-cash financing activities:** | | |
| Short-term financing of insurance payable | $ 1,399 | $ — |
| Conversion of promissory notes into common stock | 292 | — |

*See Notes to Condensed Consolidated Financial Statements.*

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(in thousands, except share and per share amounts)**

**NOTE 1 — Description of the Business and Business Combination**

*Description of the Business*

Leafly Holdings, Inc. ("Leafly" or "the Company") is an online cannabis discovery marketplace and resource for cannabis consumers. Leafly provides an information resource platform with a deep library of content, including detailed information about cannabis strains, retailers and current events. Leafly was incorporated in the state of Delaware on June 20, 2019 and is headquartered in Seattle, Washington.

The Company has three wholly-owned subsidiaries, Leafly Canada Ltd., Leafly Deutschland GmbH and Leafly, LLC ("Legacy Leafly"). Legacy Leafly is the accounting predecessor of Leafly. The accompanying consolidated financial statements include the financial results of the Company and its wholly-owned subsidiaries.

*Business Combination*

On February 4, 2022, Leafly consummated the previously announced mergers and related transactions (collectively, the "Merger") pursuant to the Agreement and Plan of Merger dated August 9, 2021 and amended on September 8, 2021 and on January 11, 2022 (as amended, the "Merger Agreement"). Legacy Leafly (formerly known as Leafly Holdings, Inc.) entered into the Merger Agreement with Merida Merger Corp. I ("Merida"), Merida Merger Sub, Inc., a Washington corporation ("Merger Sub I") and Merida Merger Sub II, LLC, a Washington limited liability company ("Merger Sub II" and, together with Merger Sub I, the "Merger Subs"). Merger Sub I merged with and into Legacy Leafly, with Legacy Leafly surviving as a wholly-owned subsidiary of Merida, and following the initial Merger and as part of a single integrated transaction with the initial Merger, Legacy Leafly merged with and into Merger Sub II, with Merger Sub II surviving as a wholly-owned subsidiary of Merida. As a result of these Mergers, Legacy Leafly became a wholly owned subsidiary of Merida and was renamed Leafly, LLC, Merida was renamed Leafly Holdings, Inc. ("New Leafly"), and the securityholders of Legacy Leafly became security holders of New Leafly. We sometimes refer to the Mergers described above and the other transactions contemplated by the Merger Agreement and the other agreements being entered into by Merida and Legacy Leafly in connection with the Mergers as the "Business Combination" and to Merida following the Business Combination as "New Leafly."

While the legal acquirer in the Business Combination is Merida, for financial accounting and reporting purposes under accounting principles generally accepted in the United States of America ("GAAP"), Legacy Leafly is the accounting acquirer with the Business Combination accounted for as a "reverse recapitalization." A reverse recapitalization does not result in a new basis of accounting, and the financial statements of the combined entity represent the continuation of the financial statements of Legacy Leafly. Under this accounting method, Merida is treated as the "*acquired*" company and Legacy Leafly is the accounting acquirer, with the transaction treated as a recapitalization of Legacy Leafly. Merida's assets, liabilities and results of operations were consolidated with Legacy Leafly's beginning on the date of the Business Combination. Except for certain derivative liabilities, the assets and liabilities of Merida were recognized at historical cost (which is consistent with carrying value) and were not material, with no goodwill or other intangible assets recorded. The derivative liabilities, which are discussed in Note 12, were recorded at fair value. The consolidated assets, liabilities, and results of operations of Legacy Leafly became the historical financial statements, and operations prior to the closing of the Business Combination presented for comparative purposes are those of Legacy Leafly. Pre-Merger shares of common stock and preferred stock were converted to shares of common stock of the combined company using the conversion ratio of 0.0164 and for comparative purposes, the shares and net loss per share of Legacy Leafly, prior to the Business Combination, have been retroactively restated using the conversion ratio.

**NOTE 2 — Basis of Presentation and Significant Accounting Policies**

**Basis of Presentation**

The interim condensed consolidated financial statements have been prepared in accordance with GAAP and the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial reporting and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2023 and 2022, and Management's Discussion and Analysis of Financial Condition and Results of Operations of Leafly for the year ended December 31, 2023, each of which was filed with the SEC on April 1, 2024 (the "2023 Financial Information").

These condensed consolidated financial statements are unaudited and, in management's opinion, include all adjustments, consisting of normal recurring estimates and accruals necessary for a fair presentation of our consolidated cash flows, operating results, and balance sheets for the periods presented. Actual results may differ from these estimates and assumptions. The results of operations for any interim periods are not necessarily indicative of the results that may be expected for the entire fiscal year or any other interim period. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted in accordance with the rules and regulations of the SEC for interim reporting. All intercompany balances and transactions have been eliminated upon consolidation.

**Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

Under the rules of Accounting Standards Codification ("ASC") Subtopic 205-40 "Presentation of Financial Statements-Going Concern" ("ASC 205-40"), reporting companies are required to evaluate whether conditions and/or events raise substantial doubt about their ability to meet their future financial obligations as they become due within one year after the date that the financial statements are issued. This evaluation takes into account a company's current available cash and projected cash needs over the one-year evaluation period but may not consider things beyond its control. The Company has $29,425 of 2022 Notes maturing on January 31, 2025 (Note 9) and based on the Company's current liquidity position would not be able to repay the 2022 Notes when due. In addition, Leafly has experienced revenue declines, incurred recurring operating losses, used cash from operations, and relied on the capital raised in the Business Combination to continue ongoing operations. These conditions, when considered in the aggregate, raise substantial doubt about Leafly's ability to continue as a going concern within one year of the date these financial statements are issued. In response to these conditions, Leafly management took the following actions:

•The Company implemented previous restructuring plans, most recently during the first quarter of 2023, which reduced its labor force and substantially decreased costs in fiscal year 2023 as compared to fiscal year 2022. The Company still expects to recognize the full-year impact of its 2023 restructuring in 2024.

•During the fourth quarter of 2023, the Company began exploring opportunities to address the upcoming maturity of its 2022 Notes. In December 2023 and May 2024, the Company worked with its noteholders and converted $300 and $275 (Note 9), respectively, of the outstanding principal to equity. In addition, during the three and nine months ended September 30, 2024, the Company sold 470,000 common shares for net proceeds of $908 under the ATM program (Note 11).

•In early 2024, the Company began an initiative to improve revenues by hiring additional sales professionals and implementing improved selling strategies. In addition, during the nine months ended September 30, 2024, total employees declined by 12 persons from 131 to 119.

•The Company continues to work with the advisors it engaged during the second quarter of 2024 to explore financing and strategic opportunities to maximize stakeholder value.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued**

**(in thousands, except share and per share amounts)**

The restructuring plans above have been implemented and have significantly contributed to the cash savings of the Company. The Company's management is closely monitoring and reducing operating expenses where it is able to, while ensuring the trajectory and viability of the business remains intact. However, the Company cannot meet its debt maturity obligations without a significant capital infusion or a lender's commitment to refinance the debt. After considering all available evidence, Leafly's management determined that, the combined impact of the cost reduction measures outlined in both actions above, Leafly's current negative working capital as of September 30, 2024 and planned operations will not be sufficient to meet its capital requirements for a period of at least 12 months from the date that these September 30, 2024 financial statements are issued and that substantial doubt exists about Leafly's ability to continue as a going concern.

The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

**Reverse Stock Split**

On September 12, 2023, the Company implemented a one-for-twenty reverse split of its common stock (Note 11). To facilitate comparative analysis, all statements in this Quarterly Report regarding numbers of shares of common stock and all references to prices of a share of common stock, if referencing events or circumstances occurring prior to September 12, 2023, have been retroactively restated to reflect the effect of the reverse stock split on a pro forma basis.

**Reclassifications**

Certain prior period amounts have been reclassified to conform to the current period presentation (e.g. change in fair value of derivatives are now classified within other income and expense and derivative liabilities are now included with other current and other long-term liabilities). These reclassifications had no effect on the reported net loss.

**Seasonality**

We may experience seasonality in our business, which we believe has moderate impacts on our overall revenue. In certain years, we've seen seasonal fluctuations that coincide with either federal holidays, generally in the fourth quarter, or industry holidays and events, generally in the spring. Our industry and business history is limited and therefore we cannot be certain that these are known trends or that other trends may develop.

**Emerging Growth Company Status**

Leafly is an emerging growth company ("EGC"), as defined in the Jumpstart Our Business Startups Act ("JOBS Act"). Under the JOBS Act, EGCs can delay adopting new or revised accounting standards issued until such time as those standards apply to private companies. The Company has elected to use this extended transition period. In providing this relief, the JOBS Act does not preclude the Company from adopting a new or revised accounting standard earlier than the time that such standard applies to private companies. Leafly will continue to use this relief until the earlier of the date that it (a) is no longer an EGC or (b) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenue and expenses in the condensed consolidated financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates. Such estimates include those related to the allowance for credit losses; the valuation allowance for deferred income tax assets; the fair value of the convertible promissory notes; the estimate of capitalized software costs and useful life of capitalized software; and the fair value of equity issuances. Management bases its estimates on historical experience, knowledge of current events and actions it may undertake in the future that management believes to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions.

(in thousands, except share and per share amounts)

**Significant Accounting Policies**

The unaudited interim financial statements should be read in conjunction with the Company's 2023 Financial Information, which describes the Company's significant accounting policies. There have been no material changes to the Company's significant accounting policies during the nine months ended September 30, 2024 compared to the Company's 2023 Financial Information.

**Recent Accounting Pronouncements**

*Accounting Pronouncements Issued But Not Yet Adopted*

In 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09—*Income Taxes (Topic 740)*. This ASU expands income tax disclosures to provide information to better assess how an entity's operations and related tax risks and tax planning and operational opportunities affect its tax rate and prospects for future cash flows. This ASU is effective for fiscal years beginning after December 15, 2024.

*Recently Adopted Accounting Pronouncements*

The Company adopted ASU 2023-07 effective January 1, 2024. ASU 2023-07 requires expanded segment reporting disclosures (Note 15).

Any other recently issued accounting standards or pronouncements not disclosed above have been excluded as they are not relevant to the Company, or they are not expected to have a material impact on the consolidated financial statements.

**NOTE 3 — Cash, Cash Equivalents, and Restricted Cash**

Cash, cash equivalents, and restricted cash consisted of the following:

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Cash and cash equivalents | $ 13,567 | $ 15,293 |
| Restricted cash - long-term portion | 248 | 251 |
| | $ 13,815 | $ 15,544 |

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued**

**(in thousands, except share and per share amounts)**

### NOTE 4 — Accounts Receivable, Net

Accounts receivable, net of $1,922 and $2,635 as of September 30, 2024 and December 31, 2023, respectively, consisted of amounts due from customers less an allowance for credit loss. For further information about revenue and deferred revenues, see Note 8.

The following table presents the allowance for credit loss and the changes therein:

| | Three Months Ended September 30, 2024 | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|---|---|---|---|
| Balance, beginning of period | $ 324 | $ 1,404 | $ 1,398 | $ 908 |
| Add: provision for credit loss, net of recoveries | 130 | 940 | 460 | 2,350 |
| Less: write-offs | — | (944) | (1,404) | (1,858) |
| Balance, end of period | $ 454 | $ 1,400 | $ 454 | $ 1,400 |

### NOTE 5 — Prepaid Expenses and Other Assets

Prepaid expenses and other assets consisted of the following:

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Prepaid subscriptions | $ 578 | $ 568 |
| Prepaid insurance | 627 | 350 |
| Other prepaid assets | 52 | 82 |
| Other current assets | 82 | 74 |
| Subtotal, current portion | 1,339 | 1,074 |
| Prepaid expenses, long-term portion | — | 28 |
| Total | $ 1,339 | $ 1,102 |

### NOTE 6 — Property, Equipment, and Software, Net

Property, equipment, and software consisted of the following:

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Furniture and equipment | $ 506 | $ 447 |
| Capitalized internal-use software | 4,668 | 3,655 |
| | 5,174 | 4,102 |
| Less: accumulated depreciation and amortization | (2,570) | (1,548) |
| | $ 2,604 | $ 2,554 |

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued**

**(in thousands, except share and per share amounts)**

The Company recognized depreciation and amortization expense as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Depreciation expense | $ 18 | $ 21 | $ 50 | $ 68 |
| Amortization of capitalized internal-use software | 360 | 255 | 980 | 629 |
| Total depreciation and amortization | $ 378 | $ 276 | $ 1,030 | $ 697 |

During the nine months ended September 30, 2024, the Company disposed of equipment with a book value of $0 for $2, resulting in a gain on disposal of $2. During the nine months ended September 30, 2023, the Company disposed of equipment with a book value of $90 for $27, resulting in a loss on disposal of $63.

**NOTE 7 — Accrued Expenses and Other Current Liabilities**

Accrued expenses consisted of the following:

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Short-term financing [1] | $ 288 | $ — |
| Other employee-related liabilities | 995 | 969 |
| Accrued interest | 387 | 999 |
| Accrued bonuses | 365 | — |
| Other accrued expenses [2] | 470 | 535 |
| | $ 2,505 | $ 2,503 |

1.On February 6, 2024, Leafly entered into a short-term financing arrangement to fund 75% of its directors and officers insurance policies. The original $1,399 was financed plus interest at 8.97% and is being repaid in 10 monthly installments of $146 which began on March 1, 2024. The lender has a security interest in the underlying insurance policy.

2.There are no individual items within this balance that exceed 10% of the total of the table.

**NOTE 8 — Deferred Revenue and Revenue by Type**

*Deferred Revenue*

Contract liabilities consist of deferred revenue, which is recorded on the Consolidated Balance Sheets when the Company has received consideration, or has the right to receive consideration, in advance of transferring the performance obligations under the contract to the customer.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued**

**(in thousands, except share and per share amounts)**

The following table presents the Company's deferred revenue balances and changes therein:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Balance, beginning of period | $ 1,852 | $ 2,017 | $ 1,764 | $ 1,958 |
| Add: net increase in current period contract liabilities | 1,562 | 1,991 | 1,743 | 2,083 |
| Less: revenue recognized from beginning balance | (1,639) | (1,913) | (1,732) | (1,946) |
| Balance, end of period | $ 1,775 | $ 2,095 | $ 1,775 | $ 2,095 |

A majority of the deferred revenue balance as of September 30, 2024 is expected to be recognized in the subsequent 12-month period. No other contract assets or liabilities are recorded on the Company's Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023.

*Revenue by Type and Geography*

The following table presents the Company's revenue by service type:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Advertising [1] | $ 8,218 | $ 10,386 | $ 25,637 | $ 32,126 |
| Other services [1] | 135 | 197 | 486 | 381 |
| | $ 8,353 | $ 10,583 | $ 26,123 | $ 32,507 |

1. Amounts for the prior period have been reclassified to conform to the current period presentation.

The following table presents the Company's revenue by geographic region:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| United States [1] | $ 8,137 | $ 10,155 | $ 25,180 | $ 31,213 |
| All other countries [1] | 216 | 428 | 943 | 1,294 |
| | $ 8,353 | $ 10,583 | $ 26,123 | $ 32,507 |

1. Amounts for the prior period have been reclassified to conform to the current period presentation.

The following table presents the Company's revenue by state:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Arizona | 24% | 20% | 24% | 20% |
| California | 12% | 12% | 12% | 12% |
| Oregon | 11% | 11% | 11% | 11% |

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

**(in thousands, except share and per share amounts)**

No other state comprised 10% or more of Leafly's revenue during the three or nine months ended September 30, 2024 and 2023. We have a diversified set of customers; no single customer accounted for 10% or more of our revenue for the three or nine months ended September 30, 2024 or 2023.

The following table presents the Company's revenue by timing of recognition:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Over Time** [1] | | | | |
| Retail [2] | $ 7,378 | $ 9,266 | $ 22,590 | $ 27,576 |
| Brands [3] | 692 | 929 | 2,415 | 3,571 |
| | 8,070 | 10,195 | 25,005 | 31,147 |
| **Point in time** [1] | | | | |
| Brands [4] | 283 | 388 | 1,118 | 1,360 |
| | $ 8,353 | $ 10,583 | $ 26,123 | $ 32,507 |

1. Amounts for the prior period have been reclassified to conform to the current period presentation.
2. Revenues from subscription services and display ads.
3. Revenues from brand profile subscriptions and digital media (including display ads and audience extension).
4. Revenues from channel advertising (including direct to consumer email).

Revenues recognized over time are associated with software subscriptions, display ads and audience extension. Revenues recognized at a point in time are associated with branded content and channel advertising. There are no material variations in delivery and revenue recognition periods within the over time category.

### NOTE 9 — Convertible Promissory Notes

#### 2022 Notes

Merida entered into a $30,000 convertible note purchase agreement (the "Note Purchase Agreement") in January 2022, which Legacy Leafly subsequently guaranteed and joined as a party to the agreement on February 4, 2022 in connection with the Business Combination (the "2022 Notes"). Accordingly, post-Business Combination, the 2022 Notes are presented as a liability on Leafly's balance sheet, net of debt issuance costs and debt discount. The Company recognized debt issuance costs of $714 paid in cash, and a debt discount of $924 paid in shares transferred by Merida Holdings, LLC (the "Sponsor") to the holders of the 2022 Notes upon issuance. The 2022 Notes bear interest at 8% annually (with an effective interest rate of 9.92% for the nine months ended September 30, 2024), paid in cash semi-annually in arrears on July 31 and January 31 of each year, and mature on January 31, 2025.

The 2022 Notes are unsecured convertible senior notes due 2025. They are convertible at the option of the holders at any time before maturity at an initial conversion share price of $250.00 per $1,000 principal amount of 2022 Notes and per $1,000 of accrued but unpaid interest on any converted 2022 Notes. In addition, the Company may, at its election, force the conversion of the 2022 Notes on or after January 31, 2024, if the volume-weighted average trading price of the Company's common stock exceeds $360.00 for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days. The Company also has the option, on or after January 31, 2023 and prior to the 40th trading day immediately before the maturity date and subject to the holders' ability to optionally convert, to redeem all or a portion of the 2022 Notes at a cash redemption price equal to 100% of the principal amount of the 2022 Notes, plus accrued and unpaid interest, if any. The holders of the 2022 Notes have the right to cause the Company to repurchase for cash all or a portion of the 2022 Notes held by such holder upon the occurrence of a "fundamental change" (as defined in the Note Purchase Agreement) or in connection with certain asset sales, in each case at a price equal to 100% of par plus accrued and unpaid interest, if any.

*Partial Conversions*

On December 19, 2023, the Company and each of the 2022 Note holders executed a notice of conversion and consent (the "Conversion Notice") to effect a temporary and limited adjustment to the conversion price under the Note. Pursuant to the Conversion Notice, the conversion price under the Note was equal to the dollar amount that was 5% less than the last reported sale price of the Company's common stock on the trading day prior to the date of the Conversion Notice, or $4.978 (the "Conversion Price Adjustment"). The Conversion Price Adjustment was available for a period of five business days from the date of the Conversion Notice or until conversion requests for up to $300 were received, whichever was earlier. On December 19, 2023, one Holder tendered a conversion request for $300 at the Conversion Price Adjustment, resulting in the issuance of an aggregate of 60,265 shares of common stock and a corresponding reduction in the outstanding amount of the 2022 Notes of $300. The Company accounted for the transaction as a debt modification and recognized the change in the fair value of the conversion feature as additional debt discount and an increase to additional paid-in capital of $24. Following such tender and in accordance with the terms of the Conversion Notice, the Conversion Price Adjustment was terminated.

On May 7, 2024, the Company and each of the 2022 Note holders executed a notice of conversion and consent (the "Second Conversion Notice") to effect a temporary and limited adjustment to the conversion price under the 2022 Notes. Pursuant to the Second Conversion Notice, the conversion price under the 2022 Notes was equal to the dollar amount that was 5% less than the last reported sale price of the Company's common stock on the trading day prior to the date of the Second Conversion Notice, or $2.8405 (the "Second Conversion Price Adjustment"). The Second Conversion Price Adjustment was available for a period of five business days from the date of the Second Conversion Notice or until conversion requests for up to $275 were received, whichever was earlier. On May 7, 2024, one holder tendered a conversion request for $275 at the Second Conversion Price Adjustment, resulting in the issuance of an aggregate of 96,813 shares of common stock and a corresponding reduction in the outstanding amount of the 2022 Notes of $275. The Company accounted for the transaction as a debt modification and recognized the change in the fair value of the conversion feature as additional debt discount and an increase to additional paid-in capital of $18. Following such tender and in accordance with the terms of the Conversion Notice, the Conversion Price Adjustment was terminated. The Company shall pay applicable accrued interest payable and owing on the converted amount through the effective date of the conversion in accordance with the terms of the 2022 Notes in cash on the next interest payment date.

Except as set forth above, the terms of the 2022 Notes remain the same.

*Carrying Amount and Fair Value*

As of September 30, 2024, the net carrying amount of the 2022 Notes was $29,228, which reflects the partial conversions noted above and includes unamortized issuance costs and debt discount of $197, which will be amortized over the remaining term. The estimated fair value of the convertible debt instruments was approximately $28,900 as of September 30, 2024. The fair value of the 2022 Notes was measured using the Bloomberg OVCV model and CNVI model which modifies the underlying OVCV program. These models incorporate inputs for volatility, Leafly's stock price, time to maturity, the risk-free rate and Leafly's credit spread, some of which are considered Level 3 inputs in the fair value hierarchy.

**NOTE 10 — Commitments and Contingencies**

In the normal course of business, the Company may receive inquiries or become involved in legal disputes regarding various litigation matters. In the opinion of management, any potential liabilities resulting from such claims would not have a material adverse effect on the Company's consolidated financial statements.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued**

**(in thousands, except share and per share amounts)**

*Leases*

The Company does not have any leases with an original term longer than 12 months as of September 30, 2024. The Company has short-term arrangements with immaterial rental obligations for office space.

*Nasdaq Notifications of Noncompliance*

From January 1, 2024 until March 25, 2024, Leafly was out of compliance with Nasdaq Listing Rule 5605(c)(2)(A) (the "Audit Committee Rule"), which requires our Board of Directors' (the "Board") Audit Committee to be composed of at least three independent members. On January 3, 2024, we received a letter from the Nasdaq's Listing Qualifications Staff (the "Staff") confirming Leafly's noncompliance with the Audit Committee Rule and providing Leafly with a cure period to regain compliance (i) until the earlier of Leafly's next annual meeting of stockholders or January 2, 2025; or (ii) if the next annual meeting of stockholders is held before July 1, 2024, no later than July 1, 2024. On March 25, 2024, the Board appointed two new independent directors, Jeffrey Monat and Andres Nannetti, to the Board and to the Board's Audit Committee. As a result, on April 1, 2024, the Company received written notice from the Staff confirming that the Company regained compliance with the Audit Committee Rule and this matter is now closed.

On April 9, 2024, the Company received a letter from the Staff (the "Notice") notifying the Company that it no longer complies with Nasdaq's requirements contained in Nasdaq Listing Rule 5550 for companies traded on the Capital Market. Nasdaq Listing Rule 5550 requires a company listed on the Capital Market to continuously meet at least one of the following requirements set forth in Nasdaq Listing Rule 5550(b) (the "Continued Listing Standards"):

| Continued Listing Standard | Requirement |
|---|---|
| "Stockholders' Equity" | Minimum $2.5 million |
| "Market Value of Listed Securities" | Minimum $35 million |
| "Net Income" | Minimum $500 thousand from continuing operations – most recent fiscal year or in two of three of last three fiscal years |

As confirmed by the Notice, the Company does not currently meet any of the Continued Listing Standards. The Notice had no immediate effect on the listing of the Company's common stock or warrants, and its common stock and warrants will continue to trade on the Capital Market under the symbols "LFLY" and "LFLYW," respectively. As set forth in the Notice, within 45 calendar days from the date of the Notice, the Company had the right to submit to Nasdaq a plan to regain compliance with Nasdaq's Stockholders' Equity and/or Market Value of Listed Securities standards, and the Staff may grant an extension of up to 180 calendar days from the date of the Notice to evidence compliance. As provided in Nasdaq Listing Rule 5810(c)(2)(D), the Staff will not accept a compliance plan for deficiencies in net income from continuing operations since compliance requires stated levels of net income during completed fiscal years and therefore it can only be demonstrated through audited financial statements. On May 24, 2024, the Company submitted a proposed plan of compliance to Nasdaq showing how it intends to regain compliance with the Stockholders' Equity standard, and subsequently, upon request by Nasdaq, the Company provided updates on its progress under the proposed plan. On October 4, 2024, the Company received a plan denial and delisting determination letter from the Staff. The Company requested a hearing before a Nasdaq Hearing Panel ("Panel"). Any suspension or delisting of the Company's common stock and warrants on the Capital Market has been stayed, pending the scheduled hearing and a final written decision from the Panel. The Panel hearing is scheduled for December 5, 2024. If the Panel denies the Company's appeal, then the Company's common stock and warrants will be delisted from the Capital Market. There can be no assurance that the Panel will grant the Company an extension period or that the Company will ultimately meet all applicable criteria for continued listing on the Capital Market.

The Company is party to a number of agreements pursuant to which it has contractual covenants that it remains listed on the Capital Market or another national securities exchange, including pursuant to the 2022 Notes. In the event Leafly's securities are delisted from the Capital Market, the Company will be in breach of such covenants. Such breach, if not cured or waived by holders of such securities, could result in litigation and, with respect to the 2022 Notes, would result in an acceleration of principal amount of the 2022 Notes. Any of the foregoing would materially and adversely affect the Company's business, financial condition and results of operations.

**NOTE 11 — Stockholders' Deficit**

**Common Stock**

*Reverse Stock Split*

On July 12, 2023, during the Company's 2023 Annual Meeting of Stockholders, Leafly's stockholders approved a proposal for a reverse stock split (the "Reverse Stock Split") as part of the Company's plan to regain compliance with the Bid Price Requirement under Nasdaq listing rules (Note 10). Effective September 12, 2023, the Company effected a one-for-twenty (1-for-20) Reverse Stock Split of its common stock. As a result of the Reverse Stock Split, Leafly issued 34,192 shares under the provisions of the Reverse Stock Split and no fractional shares were issued in connection with the Reverse Stock Split.

To facilitate comparative analysis, all statements in this Quarterly Report regarding numbers of shares of common stock and all references to prices of a share of common stock, if referencing events or circumstances occurring prior to September 12, 2023, have been retroactively restated to reflect the effect of the Reverse Stock Split on a pro forma basis.

*Authorized Shares*

As of September 30, 2024 and December 31, 2023, Leafly's authorized capital stock consisted of:

- 200,000,000 shares of Leafly common stock, $0.0001 par value per share; and
- 5,000,000 shares of Leafly preferred stock, $0.0001 par value per share.

*Sponsor Shares Subject to Earn-Out Conditions*

In accordance with the Merger Agreement, upon closing of the Business Combination, 81,260 of the shares of the Company's common stock held by the Sponsor were placed in escrow and subjected to earn-out conditions ("Escrow Shares"). Of these Escrow Shares, 50% will be released from escrow if and when the Company's common stock trades at or above $270.00 for 20 out of 30 consecutive trading days at any time during the two-year period following closing of the Business Combination, and the remaining 50% will be released from escrow if and when the Company's common stock trades at or above $310.00 for 20 out of 30 consecutive trading days at any time during the three-year period following closing of the Business Combination. In addition, all 81,260 Escrow Shares will be released upon a change in control.

We account for the Escrow Shares as derivative liabilities, remeasured to fair value on a recurring basis, with changes in fair value recorded to earnings.

*ATM Offering*

On June 27, 2024, the Company entered into an Equity Distribution Agreement (the "Equity Distribution Agreement") with The Benchmark Company, LLC (the "Agent") pursuant to which the Company could sell (the "ATM Offering"), at its option, up to an aggregate of $2,519 in shares of Leafly common stock through the Agent and, as of September 30, 2024, $1,266 remains under this limit. The ATM Offering was made pursuant to a shelf registration statement by methods deemed to be "at the market," as defined in Rule 415 promulgated under the Securities Act of 1933, as amended. The Company agreed to pay the Agent a commission in cash equal to 3% of the gross proceeds from the sale of shares in the ATM Offering. The offering of Shares pursuant to the Equity Distribution Agreement will terminate upon the earliest of (i) the issuance and sale of all Shares under the Equity Distribution Agreement, (ii) the termination of the Equity Distribution Agreement as permitted therein, including if we are delisted from the Capital Market, and (iii) June 27, 2025. The Company has agreed to reimburse the Agent for the fees and disbursements of its counsel, payable upon execution of the Equity Distribution Agreement, in an amount not to exceed $50 in connection with the establishment of this at-the-market offering program, in addition to certain ongoing fees of its legal counsel. During the three and nine months ended September 30, 2024, the Company sold 470,000 shares of common stock at an average price of $2.42 per share and raised gross proceeds totaling $1,137 under the ATM Offering including commissions of $34. In addition, during the nine months ended September 30, 2024, the Company incurred $195 of costs in connection with launching its ATM Offering.

**Treasury Stock**

Effective August 1, 2022, the Company repurchased 154,055 shares of its common stock at a weighted-average price of $205.60 per share for a total of $31,663. These repurchases were in settlement of the forward purchase agreements issued in the Business Combination.

**Stockholder Earn-Out Rights**

Leafly stockholders, as of immediately prior to the closing of the Business Combination, were granted upon closing of the Business Combination, contingent rights to receive up to 271,454 shares of common stock (the "Rights") if the Company achieves certain earn-out conditions prior to the third anniversary of the Business Combination. None of the conditions have been achieved to date. The Company accounts for the Rights as derivative liabilities, which are remeasured to their current fair value as of the end of each reporting period, with changes in the fair value recorded to earnings.

**Preferred Stock**

The Board is authorized, subject to limitations prescribed by the law of the State of Delaware, to issue Leafly preferred stock from time to time in one or more series. The Board is authorized to establish the number of shares to be included in each such series and to fix the voting rights, if any, designations, powers, preferences and relative, participating, optional, special and other rights, if any, and any qualifications, limitations and restrictions thereof, applicable to the shares of each series. The Board is able, without stockholder approval, to issue Leafly preferred stock with voting and other rights that could adversely affect the voting power and other rights of the holders of the Leafly common stock and could have anti-takeover effects. The ability of the Board to issue Leafly preferred stock without stockholder approval could have the effect of delaying, deferring or preventing a change of control of Leafly or the removal of existing management. Leafly did not have any issued and outstanding shares of preferred stock as of September 30, 2024 or December 31, 2023.

**NOTE 12 — Warrants**

**Warrants**

*Public Warrants*

At each of September 30, 2024 and December 31, 2023, there were 7,105,772 warrants outstanding to purchase an aggregate of 355,288 shares of common stock that had been included in the units issued in Merida's initial public offering (the "Public Warrants"). Each Public Warrant entitles the holder to purchase 0.05 shares of common stock at an exercise price of $230.00

per whole share. Public Warrants may only be exercised for a whole number of shares. No fractional shares will be issued upon exercise of the Public Warrants. The Public Warrants became exercisable 30 days after the closing of the Business Combination. The Public Warrants may not be exercisable for cash unless the Company has an effective and current registration statement covering the shares of common stock issuable upon exercise of the Public Warrants and a current prospectus relating to such shares of common stock.

Notwithstanding the foregoing, during any period when the Company shall have failed to maintain an effective registration statement, warrant holders may exercise their Public Warrants on a cashless basis pursuant to the exemption provided by Section 3(a)(9) of the Securities Act, provided that such exemption is available. If that exemption, or another exemption, is not available, holders will not be able to exercise their Public Warrants on a cashless basis. The Public Warrants will expire five years after the Closing of the Business Combination or earlier upon redemption or liquidation.

The Company may redeem the Public Warrants:

- in whole and not in part;
- at a price of $0.20 per warrant;
- upon not less than 30 days' prior written notice of redemption;
- if, and only if, the reported last sale price of the Company's common stock equals or exceeds $360.00 per share for any 20 trading days within a 30-trading day period commencing after the warrants became exercisable and ending on the third business day prior to the notice of redemption to the warrant holders; and
- if, and only if, there is a current registration statement in effect with respect to the shares of common stock underlying the warrants.

If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a "cashless basis," as described in the warrant agreement.

*Private Warrants*

At each of September 30, 2024 and December 31, 2023, there were 3,345,215 warrants outstanding to purchase an aggregate of 167,260 shares of common stock that Merida had sold to the Sponsor and EarlyBirdCapital in a private placement that took place simultaneously with Merida's initial public offering (the "Private Warrants"). The Private Warrants are identical to the Public Warrants, except that the Private Warrants and the shares of common stock issuable upon the exercise of the Private Warrants were not transferable, assignable or salable until after the closing of the Business Combination, subject to certain limited exceptions. Additionally, the Private Warrants are exercisable for cash or on a cashless basis, at the holder's option, and are non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Warrants are redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants. The exercise price and number of shares of common stock issuable upon exercise of the Private Warrants may be adjusted in certain circumstances including in the event of a stock dividend, or recapitalization, reorganization, merger or consolidation. However, the Private Warrants will not be adjusted for issuance of common stock at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the Private Warrants. During the year ended December 31, 2023, Private Warrant holders converted 77,951 Private Warrants to Public Warrants. No such conversions were made during the nine months ended September 30, 2024.

The Company accounts for the Private Warrants as derivative liabilities, remeasured to fair value on a recurring basis, with changes in the fair value recorded to earnings.

**NOTE 13 — Equity Incentive and Other Plans**

The Company currently has four equity plans: the New Leafly 2021 Equity Incentive Plan (the "2021 Plan"), the Legacy Leafly 2018 Equity Incentive Plan (the "2018 Plan"), the New Leafy Earn-Out Plan (the "Earn-Out Plan"), and the New Leafly 2021 Employee Stock Purchase Plan (the "ESPP"). Activity under the 2021 Plan and the ESPP are detailed below. There were no options or other equity awards granted under the 2018 Plan or the Earn-Out Plan during the nine months ended September 30, 2024 or the year ended December 31, 2023.

**Stock-Based Compensation**

***2021 Plan***

The 2021 Plan became effective immediately upon closing of the Business Combination. Pursuant to the 2021 Plan, 225,125 shares of common stock were initially reserved for issuance. During the term of the 2021 Plan, the number of shares of common stock thereunder automatically increases on each January 1, commencing on January 1, 2023, and ending on (and including) January 1, 2031, by the lesser of (i) 10% of the fully diluted shares of common stock as of the last day of the preceding fiscal year and (ii) 225,125 shares (adjusted pursuant to the terms of the 2021 Plan). Effective January 1, 2024, 225,144 shares of common stock were available for issuance under the 2021 Plan and 36,289 remained available at September 30, 2024.

*2023 Awards*

- On March 14, 2023, the Company granted 31,567 annual incentive plan Restricted Stock Units ("RSUs"), which vested over four months.
- On July 25, 2023, the Company granted: 125,559 service-based RSUs to employees, which are scheduled to vest over a two-year period from the initial vest date; 32,724 RSUs to non-employee Board members, which vested in full on August 20, 2023; and 23,634 Performance Stock Units ("PSUs") to senior management, with vesting contingent upon the Company meeting certain fiscal year 2023 financial performance metrics, as specified in the award agreements.
  - On January 30, 2024, Leafly's compensation committee approved the vesting of 30,560 PSUs related to the achievement of the Company's 2023 ending cash performance target related to PSUs that were granted in 2022 and 2023.
  - On February 28, 2024, the compensation committee set the 2024 performance targets for the 6,926 remaining PSUs that were granted in 2022.
- On November 30, 2023, the Company granted 23,634 RSUs to senior management and on December 19, 2023, the Company granted a total of 19,440 RSUs to employees, all of which are scheduled to vest over a one-year period from the initial vest date.
- On December 19, 2023, the Company granted 7,900 RSUs to employees which are scheduled to vest over a two-year period from the initial vest date and 1,800 RSUs to non-employee Board members, which are scheduled to vest on July 12, 2024.

(in thousands, except share and per share amounts)

*2024 Awards*

- During the first quarter of 2024, Leafly awarded a total of 187,024 RSUs, of which 176,168 are scheduled to vest quarterly in 25% increments over one year and 10,856 RSUs are scheduled to vest 50% after one year and 12.5% quarterly thereafter, to Leafly executives and other employees.
- During the second quarter of 2024, Leafly awarded a total of 24,250 RSUs, of which 22,500 were awarded to the Company's Board members and are scheduled to vest on June 1, 2025 and the remainder vested immediately.

*Stock Options*

The fair value of each stock option award was estimated on the date of grant using the Black-Scholes option pricing model. No options were granted under the 2021 Plan during the nine months ended September 30, 2024 or the year ended December 31, 2023.

Stock option activity under the 2021 Plan for the periods presented was as follows:

| | Number of Shares | Weighted Average Exercise Price | Aggregate Intrinsic Value | Weighted Average Remaining Contractual Term (in years) |
|---|---|---|---|---|
| Outstanding at January 1, 2024 | 4,976 | $ 39.60 | $ — | 8.64 |
| Outstanding at March 31, 2024 | 4,976 | 39.60 | $ — | 8.39 |
| Outstanding at June 30, 2024 | 4,976 | $ 39.60 | $ — | 8.14 |
| Forfeited or expired | (4,952) | 39.60 | | |
| Outstanding at September 30, 2024 | 24 | $ 39.60 | $ — | 7.88 |
| | | | | |
| Vested and exercisable | 17 | $ 39.60 | $ — | 7.88 |

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued**

**(in thousands, except share and per share amounts)**

As of September 30, 2024, there was no unrecognized compensation cost related to stock options granted under the 2021 Plan.

*Restricted Stock Units and Performance Stock Units*

RSU and PSU activity under the 2021 Plan for the periods presented was as follows:

| | Number of Shares | Weighted Average Grant Date Fair Value | Total Fair Value |
|---|---|---|---|
| Unvested at January 1, 2024 | 209,946 | $ 8.74 | |
| Granted | 187,024 | 3.21 | $ 600 |
| Vested | (63,019) | 7.60 | $ 291 |
| Forfeited | (7,814) | 8.63 | |
| Unvested at March 31, 2024 | 326,137 | 5.77 | |
| Granted | 24,250 | 1.50 | $ 36 |
| Vested | (73,677) | 4.93 | $ 161 |
| Forfeited | (1,599) | 4.18 | |
| Unvested at June 30, 2024 | 275,111 | 5.69 | |
| Vested | (74,164) | 5.02 | $ 169 |
| Forfeited | (7,945) | 5.71 | |
| Unvested at September 30, 2024 | 193,002 | $ 5.86 | |

As of September 30, 2024, there was $821 total unrecognized compensation cost related to unvested RSUs and $4 total unrecognized compensation cost related to PSUs granted under the 2021 Plan, a majority of which relates to performance-based awards. The total cost is expected to be recognized over a weighted-average remaining period of 1.01 years.

***2018 Plan***

The 2018 Plan became effective on April 17, 2018. The 2018 Plan terminated upon closing of the Business Combination in 2022, but then-outstanding options under the 2018 Plan remain outstanding pursuant to their terms, with adjustments to the number of shares and exercise prices to reflect the terms of the Business Combination.

The fair value of each stock option award to employees was estimated on the date of grant using the Black-Scholes option pricing model. No grants were made under the 2018 Plan during the nine months ended September 30, 2024 or the year ended December 31, 2023.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued**

**(in thousands, except share and per share amounts)**

Stock option activity under the 2018 Plan for the periods presented was as follows:

| | Number of Shares[1] | Weighted Average Exercise Price | Aggregate Intrinsic Value | Weighted Average Remaining Contractual Term (in years) |
|---|---|---|---|---|
| Outstanding at January 1, 2024 | 116,451 | $ 34.24 | $ 3 | 4.65 |
| Forfeited or expired | (201) | 135.21 | | |
| Outstanding at March 31, 2024 | 116,250 | 34.06 | $ — | 4.35 |
| Forfeited or expired | (1,269) | 36.94 | | |
| Outstanding at June 30, 2024 | 114,981 | 33.96 | $ — | 4.13 |
| Forfeited or expired | (19) | 22.00 | | |
| Outstanding at September 30, 2024 | 114,962 | $ 33.96 | $ — | 3.88 |
| | | | | |
| Vested and exercisable | 72,488 | $ 28.61 | $ — | 5.20 |

1.Includes 62,159 and 52,803 awards as of September 30, 2024 and 63,648 and 52,803 awards as of December 31, 2023 accounted for as service-based and market-based options, respectively, that are vested, that the Company currently deems probable of vesting, or in the case of market-based options, that the Company is expensing so long as the respective service conditions are met. The market-based options will vest only if the price of the Company's common stock reaches a $1 billion market capitalization target for any 20 days during a 30-day period on or before February 4, 2026, the fourth anniversary of the closing of the Business Combination.

As of September 30, 2024, there was: (i) $124 of unrecognized compensation cost related to service-based 2018 Plan option awards, which is expected to be recognized over a remaining weighted-average service period of approximately 0.95 years.

***Stock-Based Compensation Expense***

The following table presents the classification of stock-based compensation expense under the 2021 Plan, the 2018 Plan and the ESPP:

| | Three Months Ended September 30, 2024 | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|---|---|---|---|
| Sales and marketing | $ 50 | $ 94 | $ 179 | $ 230 |
| Product development | 117 | 141 | 351 | 347 |
| General and administrative | 257 | 762 | 1,099 | 1,658 |
| | $ 424 | $ 997 | $ 1,629 | $ 2,235 |

***Employee Stock Purchase Plan***

The ESPP became effective immediately upon closing of the Business Combination. Pursuant to the ESPP, 56,281 shares of common stock were initially reserved for issuance. During the term of the ESPP, the number of shares of common stock thereunder automatically increases on each January 1, commencing on January 1, 2023 and ending on (and including) January 1, 2031, by the lesser of (i) 2.5% of the fully diluted shares of common stock as of the last day of the preceding fiscal year and (ii) 56,281 shares (as adjusted pursuant to the terms of the ESPP). Effective January 1, 2024, 59,304 shares of common stock were available for issuance under the ESPP and 45,630 remained available at September 30, 2024.

- On March 15, 2023, eligible employees purchased 14,441 shares for a total purchase price of $120.

(in thousands, except share and per share amounts)

- On September 15, 2023, eligible employees purchased 5,701 shares for a total purchase price of $48.
- On March 15, 2024, eligible employees purchased 8,443 shares for a total purchase price of $16.
- On September 15, 2024, eligible employees purchased 5,231 shares for a total purchase price of $8.

The Company's current offering period runs from September 16, 2024 through March 15, 2025. Stock-based compensation expense related the ESPP was as follows for the periods presented:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| ESPP expense (included in stock-based compensation) | $ 3 | $ 11 | $ 17 | $ 78 |

**Earn-Out Plan**

The Earn-Out Plan became effective immediately upon closing of the Business Combination. Pursuant to the Earn-Out Plan, approximately 28,546 shares of common stock have been reserved for issuance to employees and certain other eligible parties in the form of RSUs. These RSUs will vest if the Company achieves certain thresholds prior to the third anniversary of the closing of the Business Combination. No RSUs have been awarded under the Earn-Out Plan as of September 30, 2024.

**Defined Contribution Plan**

The Company recognized expense from matching contributions to the Company-sponsored defined contribution retirement (401k) plan as follows for the periods presented:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| 401(k) matching contributions | $ 131 | $ 134 | $ 410 | $ 520 |

**NOTE 14 — Related Party Transactions**

At December 31, 2022, the Company owed $10 to two members of its Board, which is included in accrued expenses and other current liabilities on Leafly's consolidated balance sheet and was repaid during the first quarter of 2023. There were no such payments during the three months and nine months ended September 30, 2024.

Effective September 1, 2023, the Company entered into a consulting agreement with Peter Lee, at that time a member of the Company's Board and currently President and Chief Operating Officer and a Board member, at a rate of $30 per month for an initial term of two months, extendable for a second term of two months, for a total maximum term of four months. Under the agreement, Mr. Lee was providing the Company with certain consultancy services related to the Company's business strategies. During the year ended December 31, 2023, Mr. Lee earned $120 under the agreement and, at December 31, 2023, the Company owed $90 to Mr. Lee, which was included in accrued expenses and other current liabilities on Leafly's consolidated balance sheet at December 31, 2023 and was repaid during the nine months ended September 30, 2024.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued**

**(in thousands, except share and per share amounts)**

**NOTE 15 — Segment Reporting**

Segment revenue, cost of sales and gross profit were as follows during the periods presented:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| **Revenue:** | | | | |
| Retail | $ 7,378 | $ 9,266 | $ 22,590 | $ 27,576 |
| Brands | 975 | 1,317 | 3,533 | 4,931 |
| Total revenue | $ 8,353 | $ 10,583 | $ 26,123 | $ 32,507 |
| | | | | |
| **Retail Cost of Sales:** | | | | |
| Merchant Processing fees | $ 176 | $ 209 | $ 526 | $ 619 |
| Business platform | 155 | 267 | 523 | 961 |
| Website infrastructure | 195 | 239 | 591 | 719 |
| Labor allocation | 267 | 275 | 797 | 862 |
| | 793 | 990 | 2,437 | 3,161 |
| **Brands Cost of Sales:** | | | | |
| Merchant Processing fees | 23 | 43 | 83 | 128 |
| Website infrastructure | 26 | 50 | 92 | 142 |
| Labor allocation | 35 | 57 | 125 | 170 |
| Other | 27 | 23 | 102 | 146 |
| | 111 | 173 | 402 | 586 |
| Total cost of sales | $ 904 | $ 1,163 | $ 2,839 | $ 3,747 |
| | | | | |
| **Gross profit:** | | | | |
| Retail | $ 6,585 | $ 8,276 | $ 20,153 | $ 24,415 |
| Brands | 864 | 1,144 | 3,131 | 4,345 |
| Total gross profit | $ 7,449 | $ 9,420 | $ 23,284 | $ 28,760 |

Assets are not allocated to segments for internal reporting presentations, nor are depreciation and amortization.

**Geographic Areas**

The Company's operations are primarily in the U.S. and to a lesser extent, in Canada. Refer to Note 8 for revenue classified by major geographic area.

**NOTE 16 — Income Taxes**

The Company's effective tax rate was 0% for the three months and nine months ended September 30, 2024 and 2023. The effective tax rate was lower than the U.S. federal statutory rate of 21% due to the Company's full valuation allowance recorded against its deferred tax assets.

The Company had net operating loss carryforwards ("NOLs") for federal, state and foreign income tax purposes of approximately $81,324, $60,498 and $5,327, respectively, as of December 31, 2023. The Company's state NOL will begin to expire in 2039, all of the Company's federal NOLs will last indefinitely and the Company's foreign NOL will begin to expire in 2037.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes restrictions on the utilization of NOLs in the event of an "ownership change" of a corporation. Accordingly, a company's ability to use NOLs may be limited as prescribed under Code Section 382 ("IRC Section 382"). Events which may cause limitations in the amount of the NOLs that the Company may use in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. Utilization of the federal and state NOLs may be subject to substantial annual limitation due to the ownership change limitations provided by the IRC Section 382 and similar state provisions. The annual limitation may result in the expiration of the net operating loss before utilization. The Company has not performed an IRC Section 382 study as of December 31, 2023 due to its full valuation allowance.

ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. There were no unrecognized tax benefits and no amounts accrued for interest and penalties as of September 30, 2024 and December 31, 2023. The Company is currently not aware of any issues under review that could result in significant payments, accruals, or material deviation from its position. The Company is subject to income tax examinations by major taxing authorities since inception.

Under the Tax Cuts and Jobs Act of 2017, research and development costs are no longer fully deductible and are required to be capitalized and amortized for U.S. tax purposes effective January 1, 2022. The mandatory capitalization requirement had no material impact to the Company during the year ended December 31, 2023 and the nine months ended September 30, 2024.

The Company files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. Management believes all the income tax returns filed since inception remain open to examination by the major domestic and foreign taxing jurisdictions to which the Company is subject due to NOLs.

**NOTE 17 — Net Loss Per Share**

Basic and diluted net loss per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. Under the two-class method, basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Shares repurchased and held in treasury by the Company are removed from the weighted-average number of shares of common stock outstanding as of the date of repurchase.

The Company considers its preferred stock to be participating securities. As of September 30, 2024 and 2023, the Company had 81,260 outstanding shares of common stock that are in escrow and subject to earn-out conditions and thus forfeiture, which do not meet the criteria for participating securities (see Note 11 for additional information). Net loss is attributed to common stockholders and participating securities based on their participation rights. Net loss is not attributed to the preferred stock as the holders of the preferred stock do not have a contractual obligation to share in any losses.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(in thousands, except share and per share amounts)

Diluted earnings per share attributable to common stockholders adjusts basic earnings per share for the potentially dilutive impact of non-participating shares of common stock that are subject to forfeiture, stock options, preferred stock, convertible notes, and other securities outstanding. Certain securities are antidilutive and as such, are excluded from the calculation of diluted earnings per share and disclosed separately. Because of the nature of the calculation, particular securities may be dilutive in some periods and anti-dilutive in other periods.

The following table presents the computation of basic and diluted net loss per share attributable to common stockholders, as a group, for the periods presented:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Total undistributed loss | $ (1,139) | $ (2,210) | $ (4,801) | $ (9,043) |
| Common stock and common stock equivalents | 2,502,109 | 2,010,644 | 2,342,282 | 1,974,057 |
| Basic net loss per share | $ (0.46) | $ (1.10) | $ (2.05) | $ (4.58) |
| Diluted net loss per share | $ (0.46) | $ (1.10) | $ (2.05) | $ (4.58) |

The following shares of common stock subject to certain instruments were excluded from the computation of diluted net income per share attributable to common stockholders for the periods presented as their effect would have been antidilutive:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Shares subject to warrants | 522,549 | 522,549 | 522,549 | 522,549 |
| Shares subject to convertible promissory notes | 123,617 | 124,000 | 123,617 | 124,000 |
| Shares subject to ESPP | 6,973 | 13,170 | 5,626 | 11,299 |
| Escrow Shares | 81,260 | 81,260 | 81,260 | 81,260 |
| Shares subject to outstanding common stock options, RSUs and PSUs | 339,534 | 284,657 | 355,790 | 239,613 |
| Shares subject to stockholder earn-out rights | 271,454 | 271,454 | 271,454 | 271,454 |
| | 1,345,387 | 1,297,090 | 1,360,296 | 1,250,175 |

See Note 9 for additional information regarding convertible promissory notes, Note 11 for additional information regarding stockholder earn-out rights, preferred stock, and Escrow Shares, Note 12 for additional information regarding warrants, and Note 13 for additional information regarding stock options, RSUs and PSUs.

**NOTE 18 — Subsequent Event**

*Nasdaq Delisting Notification*

Refer to Note 10 for further information on the plan denial and delisting determination letter that the Company received from the Staff on October 4, 2024 and the pending appeal.

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

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with our financial statements and the notes related thereto which are included in "Part I, Item 1. Financial Statements" of this Quarterly Report on Form 10-Q. Certain information contained in the discussion and analysis set forth below includes forward-looking statements. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those set forth under "Item 1A. Risk Factors" and elsewhere in our 2023 Annual Report. See "Cautionary Note Regarding Forward-Looking Statements" above for more information about forward-looking statements in this Quarterly Report on Form 10-Q.

Amounts in this section are presented in thousands, except for per share numbers and percentages.

### Business Overview

Leafly is a leading online cannabis discovery marketplace and resource for cannabis consumers. Leafly provides an information resource platform with a deep library of content, including detailed information about cannabis strains, retailers and cannabis products. We are a trusted destination to discover legal cannabis products and order them from licensed retailers with offerings that include subscription-based products and digital advertising. Legacy Leafly was founded in 2010 and is headquartered in Seattle with 119 total employees, including 116 in the U.S. and 3 in Canada as of September 30, 2024.

Leafly is one of the cannabis industry's leading marketplaces for brands and retailers to reach one of the largest audiences of consumers interested in cannabis. Our platform includes educational information, strains data, and lifestyle content, enabling consumers to use Leafly's content library to have an informed shopping experience. Leafly reduces the friction caused by fragmented regulation of cannabis across North America by offering a compliant digital marketplace that connects cannabis consumers with legal and licensed retailers and brands nearest them.

Leafly allows each shopper to tailor their journey, by selecting the store, brand, and cannabis form-factor that appeals to them. Once that shopper builds a basket and is ready to order, our non-plant-touching business model sends that order reservation to the store for payment and fulfillment. By matching stores and shoppers, we deliver value to all constituencies. We monetize our platform primarily through the sale of subscription packages, bundling e-commerce software and advertising solutions, as well as non-subscription-based advertising to retailers and brands.

### Key Metrics

In addition to the measures presented in our consolidated financial statements, our management regularly monitors certain metrics in the operation of our business:

#### *Ending Retail Accounts*

Ending retail accounts is the number of paying retailer accounts with Leafly as of the last month of the respective period. Retail accounts can include more than one retailer. We believe this metric is helpful for investors because it represents a portion of the volume element of our revenue and provides an indication of our market share. Management believes this metric offers useful information in understanding consumer behavior, trends in our business, and our overall operating results.

#### *Retailer Average Revenue Per Account ("ARPA")*

Retailer ARPA is calculated as monthly retail revenue, on an account basis, divided by the number of retail accounts that were active during that same month. An active account is one that had an active paying subscription with Leafly in the month. We believe this metric is helpful for investors because it represents the price element of our revenue. Management believes this metric offers useful information in understanding consumer behavior, trends in our business, and our overall operating results.

**Results of Operations**

***Key Metrics***

The table below presents these measures for the respective periods:

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | **2024** | **2023** | **Change** | **Change (%)** |
| **Key Operating Metrics:** | | | | |
| Ending retail accounts[1] | 3,554 | 4,466 | (912) | -20% |
| Retailer ARPA[2] | $ 695 | $ 644 | $ 51 | 8% |

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | **2024** | **2023** | **Change** | **Change (%)** |
| **Key Operating Metrics:** | | | | |
| Ending retail accounts[1] | 3,554 | 4,466 | (912) | -20% |
| Retailer ARPA[2] | $ 685 | $ 585 | $ 100 | 17% |

1. Represents the amount outstanding on the last day of the month of the respective period.
2. Calculated as a simple average of monthly retailer ARPA for the period presented.

There was a 20% decline in year-over-year ending retail accounts for each of the three months and nine months ended September 30, 2024, compared to the same periods in 2023 primarily related to customer budget constraints and Leafly's ongoing removal of non-paying customers from the platform over the last 12 months. In addition, sequentially, ending retail accounts declined 1% from 3,595 at June 30, 2024.

The 8% increase in ARPA for the three months ended September 30, 2024, compared to the same period in 2023 was primarily the result of the removal of lower ARPA accounts from the platform, coupled with targeted price increases on Leafly products over the last twelve months. Sequentially, ARPA increased 2% from $684 at June 30, 2024 due to the reduction of lower ARPA accounts in 2024.

***Revenue***

We generate our revenue through the sale of online advertising and online order reservation enablement on the Leafly platform for suppliers in our Retail and Brands segments. Within our Retail segment, we monetize our multi-sided retail marketplace through monthly subscriptions that enable retailers to advertise to and acquire potential shoppers. Our solutions allow retailers, where legally permissible, to accept online orders from shoppers who visit Leafly.com or use a Leafly-powered online order reservation solution, including our iOS app. Within our Brands segment, our revenue is derived by creating custom advertising campaigns for both small and large brands that target Leafly's broad and diverse audience and offering brands profile listings on our platform, which are sold on a monthly recurring subscription or annual basis. Advertising opportunities include on-site digital display, native placements, email, branded content, and off-site audience extension. Leafly's advertising partners span a variety of verticals including hardware and accessories, THC-infused products, hemp, CBD, and seed.

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Change ($) | Change (%) |
| **Revenue:** | | | | |
| Retail | $ 7,378 | $ 9,266 | $ (1,888) | -20% |
| Brands | 975 | 1,317 | (342) | -26% |
| Total revenue | $ 8,353 | $ 10,583 | $ (2,230) | -21% |

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Change ($) | Change (%) |
| **Revenue:** | | | | |
| Retail | $ 22,590 | $ 27,576 | $ (4,986) | -18% |
| Brands | 3,533 | 4,931 | (1,398) | -28% |
| Total revenue | $ 26,123 | $ 32,507 | $ (6,384) | -20% |

*Retail*

Retail revenues decreased $1,888 for the three months ended September 30, 2024 as compared to the same period in 2023 primarily due to a $870 decrease in subscriptions revenue, a $979 decrease in digital display ads, and a decrease in other revenues of $39 for the three months ended September 30, 2024 as compared to the same period in 2023. The net 20% decrease was driven by the reduction in ending retail accounts discussed above.

Retail revenues decreased $4,986 for the nine months ended September 30, 2024 as compared to the same period in 2023 primarily due to a $2,045 decrease in subscriptions revenue and a $3,030 decrease in digital display ads. These decreases were slightly offset by an increase in other revenues of $89 for the nine months ended September 30, 2024 as compared to the same period in 2023. The net 18% decrease was driven by the reduction in ending retail accounts discussed above.

*Brands*

For the three months ended September 30, 2024 as compared to the same period in 2023, Brands revenue decreased $342, due to a reduction in display ads of $200, a decrease in other revenues of $26, a branded content decrease of $89 and a direct-to-consumer marketing revenue decrease of $27. The decrease in brands revenue was driven primarily by reduced spend by our brand customers due primarily to changes in the macro environment and customer budget constraints.

For the nine months ended September 30, 2024 as compared to the same period in 2023, Brands revenue decreased $1,398, due to a reduction in display ads of $950, a decrease in other revenues of $164, a branded content decrease of $88 and a direct-to-consumer marketing revenue decrease of $196. The decrease in brands revenue was driven primarily by reduced spend by our brand customers due primarily to changes in the macro environment and customer budget constraints.

***Cost of Revenue***

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Change ($) | Change (%) |
| **Cost of sales:** [1] | | | | |
| Retail | $ 793 | $ 990 | $ (197) | -20% |
| Brands | 111 | 173 | (62) | -36% |
| Total cost of sales | $ 904 | $ 1,163 | $ (259) | -22% |

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Change ($) | Change (%) |
| **Cost of sales:** [1] | | | | |
| Retail | $ 2,437 | $ 3,161 | $ (724) | -23% |
| Brands | 402 | 586 | (184) | -31% |
| Total cost of sales | $ 2,839 | $ 3,747 | $ (908) | -24% |

1.Prior period amounts have been revised to reflect the current period presentation.

*Retail*

Retail cost of sales reductions were driven by increased efficiency and lower platform costs, driving an improvement in gross margin of 89.3% versus 89.3% and 89.2% versus 88.5% for the three and nine months ended September 30, 2024, respectively, as compared to the same periods in 2023 as described below.

For the three months ended September 30, 2024 as compared to the same period in 2023, retail cost of revenue decreased $197 due to decreased business platform and merchant processing costs of $145 and decreased website infrastructure costs of $44 and decreased labor allocation costs of $8.

For the nine months ended September 30, 2024 as compared to the same period in 2023, retail cost of revenue decreased $724 due to decreased business platform and merchant processing costs of $531, decreased labor allocation costs of $65 and decreased website infrastructure costs of $128.

*Brands*

Brands cost of sales reductions were a consequence of declining revenues and, to a lesser extent, increased efficiency as described below with a slight improvement in gross margin of 88.6% versus 86.9% and 88.6% versus 88.1% for the three and nine months ended September 30, 2024, respectively, as compared to the same periods in 2023.

Brands cost of revenue decreased $62 for the three months ended September 30, 2024 as compared to the same period in 2023, of which $40 corresponds to decreased associated revenue. Brands cost of revenue also decreased $22 for the three months ended September 30, 2024 as compared to the same period in 2023, due to reduced labor allocation costs.

Brands cost of revenue decreased $184 for the nine months ended September 30, 2024 as compared to the same period in 2023, of which $139 corresponds to decreased associated revenue. Brands cost of revenue also decreased $45 for the nine months ended September 30, 2024 as compared to the same period in 2023, due to reduced labor allocation costs.

***Operating Expenses***

As described below, operating expenses declined significantly overall as a result of the reductions in force and cost reduction activities in early 2023.

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Change ($) | Change (%) |
| **Operating expenses:** | | | | |
| Sales and marketing | $ 2,149 | $ 2,563 | $ (414) | -16% |
| Product development | 2,205 | 2,533 | (328) | -13% |
| General and administrative | 3,642 | 5,799 | (2,157) | -37% |
| Total operating expenses | $ 7,996 | $ 10,895 | $ (2,899) | -27% |

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Change ($) | Change (%) |
| **Operating expenses:** | | | | |
| Sales and marketing | $ 7,143 | $ 10,326 | $ (3,183) | -31% |
| Product development | 6,995 | 8,133 | (1,138) | -14% |
| General and administrative | 12,087 | 17,475 | (5,388) | -31% |
| Total operating expenses | $ 26,225 | $ 35,934 | $ (9,709) | -27% |

*Sales and Marketing*

Sales and marketing expenses decreased $414 for the three months ended September 30, 2024 as compared to the same period in 2023 due to: a $346 decrease in compensation costs and a $68 reduction in other costs.

Sales and marketing expenses decreased $3,183 for the nine months ended September 30, 2024 as compared to the same period in 2023 due to: a $2,948 decrease in compensation costs and a $256 reduction in other costs partially offset by an increase in advertising and professional services of $21.

*Product Development*

Product development expenses decreased $328 for the three months ended September 30, 2024 as compared to the same period in 2023 due to a $366 decrease in compensation costs (or $328 excluding capitalized costs) and a $64 reduction in other costs, which were partially offset by a $102 increase in depreciation expense primarily related to capitalized internal use software. Product development expenses are reported net of $483 and $254 of costs capitalized to internal-use software for the three months ended September 30, 2024 and 2023, respectively.

Product development expenses decreased $1,138 for the nine months ended September 30, 2024 as compared to the same period in 2023 due to a $1,321 decrease in compensation costs (or $1,283 excluding capitalized costs); and a $279 reduction in other costs, partially offset by a $346 increase in depreciation expense primarily related to capitalized internal use software and a $116 increase in professional services. Product development expenses are reported net of $1,080 and $1,042 of costs capitalized to internal-use software for the nine months ended September 30, 2024 and 2023, respectively.

*General and Administrative*

General and administrative expenses decreased $2,157 for the three months ended September 30, 2024 as compared to the same period in 2023 due to a $905 decrease in bad debts expense due to recoveries in the current year period, a $585 decrease in compensation costs, $454 reduction in insurance expense, an $82 decrease in legal and professional services and a $131 decline in other costs.

General and administrative expenses decreased $5,388 for the nine months ended September 30, 2024 as compared to the same period in 2023 due to a $1,890 decrease in bad debts expense due to recoveries in the current year period, a $1,454 decrease in legal and professional services, a $1,373 reduction in insurance, a $761 decrease in compensation costs and a $193 decline in other costs partially offset by a $283 increase in business tax expenses related to franchise and license taxes.

Legal and professional services expenses include $100 and $304 for the three and nine months ended September 30, 2024, respectively, related to advisors for strategic alternatives as discussed below under *Liquidity and Capital Resources — Going Concern*.

Table of Contents

### *Other Income and Expense*

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Change ($) | Change (%) [1] |
| **Other income (expense):** | | | | |
| Interest expense, net | $ (629) | $ (720) | $ 91 | -13% |
| Other income (expense), net | 37 | (15) | 52 | -347% |
| Total other income (expense) | $ (592) | $ (735) | $ 143 | -19% |

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | Change ($) | Change (%) [1] |
| **Other income (expense):** | | | | |
| Interest expense, net | $ (1,874) | $ (2,157) | $ 283 | -13% |
| Other income (expense), net | 14 | 288 | (274) | -95% |
| Total other income (expense) | $ (1,860) | $ (1,869) | $ 9 | 0% |

Interest expense, net decreased by $91 and $283 for the three and nine months ended September 30, 2024 compared to the same periods in 2023 due primarily to a $101 and $354 increase, respectively, in interest income related to an increase in average balances invested.

Other income (expense), net increased by $52 and decreased by $274 for the three and nine months ended September 30, 2024 as compared to the same periods in 2023 due primarily to a $0 and $253 reduction, respectively, in the change in fair value of derivatives.

### *Net Loss*

Net loss was $1,139 and $4,801 for the three months and nine months ended September 30, 2024, respectively, compared to net loss of $2,210 and $9,043 for the three and nine months ended September 30, 2023, respectively. The reductions in net loss were primarily due to the realization of cost savings from the 2023 reduction in force and cost cutting measures, as discussed above.

## Non-GAAP Financial Measures

### *Earnings Before Interest, Taxes and Depreciation and Amortization (EBITDA) and Adjusted EBITDA*

To provide investors with additional information regarding our financial results, we have disclosed EBITDA and Adjusted EBITDA, both of which are non-GAAP financial measures that we calculate as net loss before interest, taxes and depreciation and amortization expense in the case of EBITDA and further adjusted to exclude non-cash, unusual and/or infrequent costs in the case of Adjusted EBITDA. Below we have provided a reconciliation of net loss (the most directly comparable GAAP financial measure) to EBITDA and from EBITDA to Adjusted EBITDA.

We present EBITDA and Adjusted EBITDA because these metrics are key measures used by our management to evaluate our operating performance, generate future operating plans, and make strategic decisions regarding the allocation of investment capacity. Accordingly, we believe that EBITDA and Adjusted EBITDA provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management.

EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider these in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are as follows:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and both EBITDA and Adjusted EBITDA do not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs; and
- EBITDA and Adjusted EBITDA do not reflect interest or tax payments that may represent a reduction in cash available to us.

Because of these limitations, you should consider EBITDA and Adjusted EBITDA alongside other financial performance measures, including net loss and our other GAAP results.

A reconciliation of net loss to non-GAAP EBITDA and Adjusted EBITDA follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net loss | $ (1,139) | $ (2,210) | $ (4,801) | $ (9,043) |
| Interest expense, net | 629 | 720 | 1,874 | 2,157 |
| Depreciation and amortization expense | 378 | 276 | 1,030 | 697 |
| EBITDA | (132) | (1,214) | (1,897) | (6,189) |
| Stock-based compensation | 424 | 997 | 1,629 | 2,235 |
| Transaction related expenses - strategic alternatives, reverse stock split | 100 | 55 | 304 | 55 |
| Reduction in force | — | — | — | 754 |
| Change in fair value of derivatives | (14) | (14) | (42) | (295) |
| Adjusted EBITDA | $ 378 | $ (176) | $ (6) | $ (3,440) |

The favorable changes in EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2024 versus the same periods in 2023 are primarily due to cost savings resulting from Leafly's reductions in force and cost cutting measures described above.

**Financial Condition**

***Cash, Cash Equivalents, and Restricted Cash***

Cash, cash equivalents, and restricted cash totaled $13,815 and $15,544 as of September 30, 2024 and December 31, 2023, respectively. Explanations of our cash flows for the periods presented follow.

***Cash Flows***

*Nine Months Ended September 30, 2024*

During the nine months ended September 30, 2024, we utilized a total of $1,729 of cash to fund cash operating losses of approximately $1,291 partially offset by favorable changes in current assets and liabilities of $975, investing activities (primarily capitalized software costs) of $1,078, and financing activities of $335 (primarily the $1,109 repayment of the short-term financing partially offset by $908 of funds raised in the ATM Offering net of offering costs). The changes in current assets and liabilities during the nine months ended September 30, 2024 included reductions in accounts payable and accrued expenses of $451 as well as a decrease in prepaid expenses and other current assets of $1,162.

*Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023*

As compared to the nine months ended September 30, 2023, cash used in operations decreased by $9,322 to $316 for the nine months ended September 30, 2024, mainly due to decreased net loss from operations as a result of the reductions in force, the cost cutting measures employed in 2023 and the payment of 2022 bonuses in early 2023. Cash used in investing activities increased $63 to $1,078 for the nine months ended September 30, 2024 primarily due to higher software capitalization in the current year period. Cash and restricted cash used by financing activities increased $504 from the 2023 period to a use of $335 for the nine months ended September 30, 2024 (primarily the $1,109 repayment of the short-term financing partially offset by $908 of funds raised in the ATM Offering net of offering costs in 2024).

### *Deferred Revenue*

Deferred revenue is primarily related to software subscriptions and display ads. The revenue deferred at September 30, 2024 is expected to be recognized in the near term. See Note 8 to our consolidated financial statements within this Quarterly Report for further discussion.

### *Contractual Obligations and Other Planned Uses of Capital*

We are obligated to repay the operating liabilities on our Consolidated Balance Sheets, such as accrued liabilities. In addition, we are obligated to pay any 2022 Notes when they come due on January 31, 2025 that do not ultimately convert to equity. See Note 9 to our consolidated financial statements within this Quarterly Report for more information.

### Liquidity and Capital Resources

We primarily fund our operations and capital expenditures through cash flows generated by operations and our cash, cash equivalents and restricted cash on hand. Our principal liquidity needs in the "near-term" (within the next twelve months) include the direct costs associated with revenues earned, operating expenses, payment of principal and interest on the 2022 Notes and tax payments. The 2022 Notes bear interest at 8% annually, paid in cash semi-annually in arrears on July 31 and January 31 of each year, and mature on January 31, 2025.

To the extent existing sources of liquidity are not sufficient to fund future activities, meet our payment obligations under the 2022 Notes or pursue strategic opportunities, we may need to raise additional funds, which we may seek to do through equity or debt financings, or seek to refinance the 2022 Notes. Any additional equity financing may be dilutive to stockholders. Debt financing, if available, may involve agreements that include equity conversion rights, covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, expending capital, or pursuing certain business opportunities. There can be no assurance that, if needed, we will be able to obtain additional or adequate financing or to refinance or restructure our indebtedness on terms favorable to us, if at all. See, Part I, Item 1A Risk Factors in our 2023 Annual Report under the headings "*— We may need to raise additional capital, which may not be available on favorable terms, if at all, causing dilution to our stockholders, restricting our operations or adversely affecting our ability to operate our business." and "— Risks Relating to our Indebtedness."* In addition, if our securities are delisted, our ability to raise additional equity financing will be limited, and we may no longer have access to our ATM Program. See *Section 1A. Risk Factors – "Our failure to regain compliance with the continued listing requirements of the Nasdaq Capital Market could result in a delisting of our common stock."*

### *Going Concern*

Under the rules of ASC Subtopic 205-40 *"Presentation of Financial Statements — Going Concern"* ("ASC 205-40"), reporting companies are required to evaluate whether conditions and/or events raise substantial doubt about their ability to meet their future financial obligations as they become due within one year after the date that the financial statements are issued. This evaluation takes into account a company's current available cash and projected cash needs over the one-year evaluation period but may not consider things beyond its control.

We have $29,425 of 2022 Notes maturing on January 31, 2025 and based on our current liquidity position would not be able to repay the 2022 Notes when due. Note 9 to our consolidated financial statements within this Quarterly Report provides additional information regarding the 2022 Notes. In addition, as noted above, we have experienced revenue declines, incurred recurring operating losses, used cash from operations, and relied on the capital raised in the Business Combination to continue ongoing operations. We have incurred operating losses since our inception and had an accumulated deficit of $78,999 and $74,198 at September 30, 2024 and December 31, 2023, respectively. These conditions, when considered in the aggregate, raise substantial doubt about our ability to continue as a going concern within one year of the date the financial statements included in this Quarterly Report are issued. In response to these conditions, we took the following actions:

- We implemented previous restructuring plans, most recently in the first quarter of 2023, which reduced our labor force and substantially decreased costs in fiscal year 2023 as compared to fiscal year 2022. We still expect to recognize the full-year impact of our 2023 restructuring in 2024.
- During the fourth quarter of 2023, we began exploring opportunities to address the upcoming maturity of our 2022 Notes. In December 2023 and May 2024, we worked with our noteholders and converted $300 and $275, respectively, of the outstanding principal to equity (Note 9). In addition, during the three and nine months ended September 30, 2024, we sold 470,000 common shares for net proceeds of $908 under our ATM program (Note 11).
- In early 2024, we began an initiative that we believe will improve revenues by hiring additional sales professionals and implementing improved selling strategies. In addition, during the nine months ended September 30, 2024, total employees declined by 12 persons from 131 to 119.
- We continue to work with the advisors we engaged during the second quarter of 2024 to explore financing and strategic opportunities to maximize stakeholder value.

The restructuring plans above have been implemented and are expected to continue contributing to the cash savings of the Company. We are closely monitoring and reducing operating expenses where we are able to, while intending to ensure the trajectory and viability of the business remains intact. However, we cannot meet our debt maturity obligations without a significant capital infusion or a lender's commitment to refinance our debt. After considering all available evidence, Leafly determined that the combined impact of our cost reduction measures outlined in both actions above and planned operations will be not sufficient to meet our capital requirements for a period of at least twelve months from the date that our September 30, 2024 financial statements are issued. We believe substantial doubt exists about our ability to continue as a going concern within one year of the date these financial statements are issued. Management will continue to evaluate our liquidity and capital resources.

We believe that our capital resources are not sufficient to fund our operations for at least the following 12 months, because we do not currently have the ability to repay our 2022 Notes due in January 2025.

***ATM Offering***

On June 27, 2024, we entered into the Equity Distribution Agreement with the Agent pursuant to which we could sell, at our option, up to an aggregate of $2,519 in shares of our common stock through the Agent under the ATM Offering. During the three and nine months ended September 30, 2024, we raised net proceeds totaling $908 under the ATM Offering (Note 11).

**Noncompliance with Nasdaq Continued Listing Standards**

From January 1, 2024 until March 25, 2024, we were out of compliance with the Audit Committee Rule, which requires our Board's Audit Committee to be composed of at least three independent members. On January 3, 2024, we received a letter from the Staff confirming our noncompliance with the Audit Committee Rule and providing us with a cure period to regain compliance (i) until the earlier of our next annual meeting of stockholders or January 2, 2025; or (ii) if the next annual meeting of stockholders was held before July 1, 2024, then we had to evidence compliance no later than July 1, 2024. As a result of the Board's appointment on March 25, 2024 of two new independent directors, Messrs. Monat and Nannetti, to the Board and to the Board's Audit Committee, on April 1, 2024, we received written notice from the Staff confirming that we regained compliance with the Audit Committee Rule and this matter is now closed.

On April 9, 2024, we received the Notice from the Staff notifying us that we no longer comply with Nasdaq's requirements contained in Nasdaq Listing Rule 5550 for companies traded on the Capital Market. Nasdaq Listing Rule 5550 requires a company listed on the Capital Market to continuously meet at least one of the Continued Listing Standards set forth in Nasdaq Listing Rule 5550(b), as follows:

| Continued Listing Standard | Requirement |
|---|---|
| "Stockholders' Equity" | Minimum $2.5 million |
| "Market Value of Listed Securities" | Minimum $35 million |
| "Net Income" | Minimum $500 thousand from continuing operations – most recent fiscal year or in two of three of last three fiscal years |

As confirmed by the Notice, we do not currently meet any of the Continued Listing Standards. The Notice has no immediate effect on the listing of the Company's common stock or warrants, and its common stock and warrants will continue to trade on the Capital Market under the symbols "LFLY" and "LFLYW," respectively. As set forth in the Notice, within 45 calendar days from the date of the Notice, we had the right to submit to Nasdaq a plan to regain compliance with Nasdaq's Stockholders' Equity and/or Market Value of Listed Securities standards, and the Staff may grant an extension of up to 180 calendar days from the date of the Notice to evidence compliance. On May 24, 2024, we submitted a proposed plan of compliance to Nasdaq showing how we intend to regain compliance with the Stockholders' Equity standard, and subsequently, upon request by Nasdaq, we provided updates on our progress under the proposed plan. On October 4, 2024, the Company received a plan denial and delisting determination letter from the Staff. The Company requested a hearing before a Nasdaq Hearing Panel ("Panel"). Any suspension or delisting of the Company's common stock and warrants on the Capital Market has been stayed, pending the scheduled hearing and a final written decision from the Panel. The Panel hearing is scheduled for December 5, 2024. If the Panel denies the Company's appeal, then the Company's common stock and warrants will be delisted from the Capital Market. There can be no assurance that the Panel will grant the Company an extension period or that the Company will ultimately meet all applicable criteria for continued listing on the Capital Market.

**Off-Balance Sheet Arrangements**

We did not have any off-balance sheet arrangements as of September 30, 2024.

**Contractual Obligations**

Other than our 2022 Notes (see Note 9 to our consolidated financial statements), we do not have any long-term debt, lease obligations or other long-term liabilities. We have entered into several multi-year licensing and administration agreements in the ordinary course of business, the cost of which are reflected within general and administrative expense within our statements of operations as costs are incurred.

**Critical Accounting Estimates**

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and income and expenses during the periods reported. Actual results could materially differ from those estimates.

We believe there have been no material changes to the items that we disclosed as our critical accounting estimates under Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our 2023 Annual

Report.

**Recently Issued and Adopted Accounting Pronouncements**

Reference is made to Note 2 for information about recently issued accounting pronouncements.

## Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Leafly is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information otherwise required with respect to market risk.

## Item 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Because there are inherent limitations in all control systems, a control system, no matter how well conceived and operated, can provide only reasonable, as opposed to absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, at the reasonable assurance level, as of the end of the period covered by this Quarterly Report.

### Changes in Internal Control over Financial Reporting

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

## Part II - Other Information

### Item 1. LEGAL PROCEEDINGS.

We are involved in legal and administrative proceedings and litigation arising in the ordinary course of business. We believe that the potential liability, if any, in excess of amounts already accrued from all proceedings, claims and litigation will not have a material effect on our financial position, cash flows or results of operations when resolved in a future period. In addition, based upon information available to us and our review of lawsuits and claims filed or pending against us to date, we believe there are no material pending legal proceedings to which we or any of our subsidiaries is a party or of which any of our or our subsidiaries' property is the subject.

### Item 1A. RISK FACTORS.

Risk factors that affect our business and financial results are discussed in Part I, Item 1A of our 2023 Annual Report. As of the date of this report, other than as set forth below, we are not aware of any material changes in the risk factors disclosed in our 2023 Annual Report. You should carefully consider the risks and uncertainties described herein and in our 2023 Annual Report, which have the potential to affect our business, financial condition, results of operations, cash flows or prospects in a material and adverse manner. The risks described herein and in our 2023 Annual Report are not the only risks we face, as there are additional risks and uncertainties not currently known to us or that we currently deem to be immaterial which may in the future adversely affect our business, financial condition and/or operating results.

***Our failure to regain compliance with the continued listing requirements of the Nasdaq Capital Market could result in a delisting of our common stock.***

On April 9, 2024, we received a notification from Nasdaq's Listing Qualifications Staff ("Staff") notifying us that we no longer comply with Nasdaq Listing Rule 5550(b) (the "Continued Listing Standards"). On May 24, 2024, we timely submitted a proposed plan of compliance to Nasdaq showing how we intend to regain compliance with the Stockholders' Equity standard, and subsequently, upon request by Nasdaq, we provided updates on our progress under the proposed plan. On October 4, 2024, the Company received a plan denial and delisting determination letter from the Staff. The Company requested a hearing before a Nasdaq Hearing Panel ("Panel"). Any suspension or delisting of the Company's common stock and warrants on the Capital Market has been stayed, pending the scheduled hearing and a final written decision from the Panel, and our common stock and warrants continue to trade on the Nasdaq Capital Market (the "Capital Market") under the symbols "LFLY" and "LFLYW," respectively. The Panel hearing is scheduled for December 5, 2024. If the Panel denies the Company's appeal, then the Company's common stock and warrants will be delisted from the Capital Market. There can be no assurance that the Panel will grant the Company an extension period or that the Company will ultimately meet all applicable criteria for continued listing on the Capital Market.

If we are delisted from the Capital Market, it is unlikely we would qualify for listing on another national securities exchange in the United States and trading of our common stock and warrants may take place on an over-the-counter market established for unlisted securities, such as the OTCQX, the OTCQB or the Pink Market maintained by OTC Markets Group Inc. We cannot assure you that our common stock and/or warrants, if delisted from Nasdaq, will ever be listed on another securities exchange or quoted on an over-the counter quotation system. An investor would likely find it less convenient to sell, or to obtain accurate quotations in seeking to buy, our common stock and warrants on an over-the-counter market, and many investors would likely not buy or sell our common stock and warrants due to difficulty in accessing over-the-counter markets, policies preventing them from trading in securities not listed on a national exchange or other reasons. Accordingly, delisting from the Capital Market could make trading our securities more difficult for investors, likely leading to declines in our share price, trading volume and liquidity. Delisting from Nasdaq could also result in negative publicity and make it more difficult for us to raise additional capital. The absence of such a listing may adversely affect the acceptance of our common stock as transaction consideration or the value accorded our common stock by other parties. Further, if we are delisted, we would also incur additional costs under state blue sky laws in connection with any sales of our securities. These requirements could severely limit the market liquidity of our securities and the ability of holders to sell our securities in the secondary market.

If our common stock is delisted, it may come within the definition of "penny stock" as defined in the Exchange Act and would be covered by Rule 15g-9 of the Exchange Act. Rule 15g-9 imposes additional sales practice requirements on broker-dealers who sell securities to persons other than established customers and accredited investors which may further limit the market liquidity of our common stock and the ability of our stockholders to sell our common stock in the secondary market. The regulations relating to penny stocks, coupled with the typically higher cost per trade to the investor of penny stocks due to factors such as broker commissions generally representing a higher percentage of the price of a penny stock than of a higher-priced stock, would further limit the ability of investors to trade in our common stock.

Furthermore, we are party to a number of agreements pursuant to which we have contractual covenants that we remain listed on the Capital Market or another national securities exchange, including pursuant to the 2022 Notes. In the event our securities are delisted from the Capital Market, we will be in breach of such covenants. Such breach, if not cured or waived by holders of such securities, could result in litigation and, with respect to the 2022 Notes, would result in an acceleration of principal amount of the 2022 Notes. Any of the foregoing would materially and adversely affect our business, financial condition and results of operations.

**Item 5. OTHER INFORMATION.**

During the three months ended September 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

**Item 6. EXHIBITS.**

The following documents are included as exhibits to this Quarterly Report:

| Exhibit Number | | Exhibit Description | Incorporated by Reference Form | Period Ending | Exhibit | Filing Date |
|---|---|---|---|---|---|---|
| 31.1 | * | Certification of Chief Executive Officer of Leafly pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | |
| 31.2 | * | Certification of Chief Financial Officer of Leafly pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | |
| 32.1 | # | Certifications of Chief Executive Officer and Chief Financial Officer of Leafly pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | |
| 101.INS | *** | Inline XBRL Instance Document | | | | |
| 101.SCH | **** | Inline XBRL Taxonomy Extension Schema with Embedded Linkbases Document | | | | |
| 104 | *** | Cover Page Interactive Data File | | | | |

* Filed herewith.

*** The XBRL Instance Document and Cover Page Interactive Data File do not appear in the Interactive Data File because their XBRL tags are embedded within the Inline XBRL document.

**** Submitted electronically herewith.

\# In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibit 32 hereto are deemed to accompany this Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Exchange Act or deemed to be incorporated by reference into any filing under the Exchange Act or the Securities Act except to the extent that the registrant specifically incorporates it by reference.

## SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 8, 2024.

Leafly Holdings, Inc.

By: /s/ Yoko Miyashita
Yoko Miyashita
Chief Executive Officer

By: /s/ Suresh Krishnaswamy
Suresh Krishnaswamy
Chief Financial Officer

**Exhibit 31.1**

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

I, Yoko Miyashita, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 of Leafly Holdings, Inc.;

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

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

4.The registrant's other certifying officer 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: November 8, 2024

By: /s/ Yoko Miyashita
**Yoko Miyashita**
**Chief Executive Officer**
**(Principal Executive Officer)**

**Exhibit 31.2**

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

I, Suresh Krishnaswamy, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 of Leafly Holdings, Inc.;

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

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

4.The registrant's other certifying officer 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.

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| Date: November 8, 2024 | By: | /s/ Suresh Krishnaswamy<br>**Suresh Krishnaswamy**<br>**Chief Financial Officer**<br>**(Principal Financial Officer**<br>**and Principal Accounting Officer)** |

**Exhibit 32.1**

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

I, Yoko Miyashita, the Chief Executive Officer of Leafly Holdings, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Leafly Holdings, Inc. for the quarter ended September 30, 2024, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Leafly Holdings, Inc.

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|---|---|---|
| Date: November 8, 2024 | By: | /s/ Yoko Miyashita |
| | | **Yoko Miyashita** |
| | | **Chief Executive Officer** |
| | | **(Principal Executive Officer)** |

I, Suresh Krishnaswamy, the Chief Financial Officer of Leafly Holdings, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Leafly Holdings, Inc. for the quarter ended September 30, 2024, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Leafly Holdings, Inc.

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|---|---|---|
| Date: November 8, 2024 | By: | /s/ Suresh Krishnaswamy |
| | | **Suresh Krishnaswamy** |
| | | **Chief Financial Officer** |
| | | **(Principal Financial Officer** |
| | | **and Principal Accounting Officer)** |

This certification accompanies the Quarterly Report on Form 10-Q of Leafly Holdings, Inc. for the quarter ended September 30, 2024, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Leafly Holdings, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of such Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.