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

# FORM 8-K

**CURRENT REPORT**
**PURSUANT TO SECTION 13 or 15(d)**
**OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of Report (Date of earliest event reported): **August 8, 2024**

**Aterian, Inc.**
(Exact Name of Registrant as Specified in its Charter)

| | | |
|---|---|---|
| **Delaware** | **001-38937** | **83-1739858** |
| (State or Other Jurisdiction of Incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

**Aterian, Inc.**
**350 Springfield Avenue Suite #200**
**Summit, NJ 07901**
(Address of Principal Executive Offices)(Zip Code)
**(347) 676-1681**
(Registrant's telephone number, including area code)
(Former Name, or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.0001 par value | ATER | The Nasdaq Stock Market LLC |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

**Item 2.02 Results of Operations and Financial Condition.**

On August 8, 2024, Aterian, Inc. (the "Company") issued a press release announcing its financial results for the three and six months ended June 30, 2024. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information in this Item 2.02, including the press release attached hereto as Exhibit 99.1, is intended to be furnished under Item 2.02 and Item 9.01 of Form 8-K and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits

| Number | Description |
|---|---|
| 99.1 | Press Release issued by Aterian, Inc., dated August 8, 2024 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

**SIGNATURES**

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

| | | |
|---|---|---|
| | | **ATERIAN, INC.** |
| Date: August 8, 2024 | By: | /s/ Arturo Rodriguez |
| | | Name: Arturo Rodriguez |
| | | Title: *Chief Executive Officer* |

Exhibit 99.1

**Aterian Reports Second Quarter 2024 Results**

*Second Quarter Net Loss Improved by 89.6% Year Over Year*

*Company Achieved Adjusted EBITDA Profitability*

**SUMMIT, NEW JERSEY, August 8, 2024 –** Aterian, Inc. (Nasdaq: ATER) (“Aterian” or the “Company”) today announced results for the second quarter ended June 30, 2024.

**Second Quarter Highlights**

- Second quarter 2024 net revenue declined 20.6% to $28.0 million, compared to $35.3 million in the second quarter of 2023, primarily reflecting the impact of our SKU rationalization efforts.
- Second quarter 2024 gross margin improved to 60.4%, compared to 42.2% in the second quarter of 2023, primarily reflecting the positive impact of our SKU rationalization efforts and less liquidation of high-cost inventory compared to the prior period.
- Second quarter 2024 contribution margin improved to 17.4% from (3.6)% in the second quarter of 2023, primarily reflecting the positive impact of our SKU rationalization efforts and less liquidation of high-cost inventory compared to the prior period.
- Second quarter 2024 operating loss of ($3.2) million improved compared to an operating loss of ($36.4) million in the second quarter of 2023, reflecting an improvement of 91.2%. Second quarter 2024 operating loss includes ($2.9) million of non-cash stock compensation while second quarter 2023 operating loss includes ($3.2) million of non-cash stock compensation, a non-cash loss on impairment of intangibles of ($22.8) million, and restructuring costs of $(1.2) million.
- Second quarter 2024 net loss of ($3.6) million improved from a ($34.8) million loss in the second quarter of 2023, reflecting an improvement of 89.6%.
- Second quarter 2024 adjusted EBITDA improved to $0.2 million from a loss of ($8.0) million in the second quarter of 2023, reflecting an improvement of 102.0%.
- Total cash balance at June 30, 2024 was $20.3 million.

**Third Quarter Outlook**

For the third quarter of 2024, Aterian Management believes that net revenue will be between $25.0 million and $27.0 million and that adjusted EBITDA will be between $0.0 million to $0.6 million. Management continues to believe that the Company will be profitable on an Adjusted EBITDA basis for the second half of 2024.

**Non-GAAP Financial Measures**

For more information on our non-GAAP financial measures and a reconciliation of GAAP to non-GAAP measures, please see the "Non-GAAP Financial Measures" section below. The most directly comparable GAAP financial measure for EBITDA and adjusted EBITDA is net loss and we expect to report a net loss for the three months ending September 30, 2024 and the six months ending December 31, 2024, due primarily to our operating losses, which includes stock-based compensation expense, change in fair value of warrant liability, and interest expense. We are unable to reconcile the forward-looking statements of EBITDA and adjusted EBITDA in this press release to their nearest GAAP measures because the nearest GAAP financial measures are not accessible on a forward-looking basis and reconciling information is not available without unreasonable effort.

**Webcast and Conference Call Information**

Aterian will host a live conference call to discuss financial results today, August 8, 2024, at 5:00 p.m. Eastern Time, which will be accessible by telephone and the internet. To access the call, participants from within the U.S. should dial (800) 715-9871 and participants from outside the U.S. should dial (646) 307-1963 and ask to be joined into the Aterian, Inc. call or use conference ID 2310458. Participants may also access the call through a live webcast at https://ir.aterian.io. The archived online replay will be available for a limited time after the call in the Investors Relations section of the Aterian website.

**About Aterian, Inc.**

Aterian, Inc. (Nasdaq: ATER) is a technology-enabled consumer products company that builds and acquires leading e-commerce brands with top selling consumer products, in multiple categories, including home and kitchen appliances, health and wellness and air quality devices. The Company sells across the world's largest online marketplaces with a focus on Amazon and Walmart in the U.S. and on its own direct to consumer websites. Our primary brands include Squatty Potty, hOmeLabs, Mueller Living, Pursteam, Healing Solutions and Photo Paper Direct.

**Forward Looking Statements**

All statements other than statements of historical facts included in this press release that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements including, in particular, the statements regarding our projected third quarter net revenue and adjusted EBITDA, our guidance to achieve adjusted EBITDA profitability in the second half of 2024 and the current global environment and inflation. These forward-looking statements are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties and other factors, all of which are difficult to predict and many of which are beyond our control and could cause actual results to differ materially and adversely from those described in the forward-looking statements. These risks include, but are not limited to, those related to our ability to continue as a going concern, our ability to meet financial covenants with our lenders, our ability to maintain and to grow market share in existing and new product categories; our ability to continue to profitably sell the SKUs we operate; our ability to maintain Amazon's Prime badge on our seller accounts or reinstate the Prime badge in the event of any removal of such badge by Amazon; our ability to create operating leverage and efficiency when integrating companies that we acquire, including through the use of our team's expertise, the economies of scale of our supply chain and automation driven by our platform; those related to our ability to grow internationally and through the launch of products under our brands and the acquisition of additional brands; those related to consumer demand, our cash flows, financial condition, forecasting and revenue growth rate; our supply chain including sourcing, manufacturing, warehousing and fulfillment; our ability to manage expenses, working capital and capital expenditures efficiently; our business model and our technology platform; our ability to disrupt the consumer products industry; our ability to generate profitability and stockholder value; international tariffs and trade measures; inventory management, product liability claims, recalls or other safety and regulatory concerns; reliance on third party online marketplaces; seasonal and quarterly variations in our revenue; acquisitions of other companies and technologies and our ability to integrate such companies and technologies with our business; our ability to continue to access debt and equity capital (including on terms advantageous to the Company) and the extent of our leverage; and other factors discussed in the "Risk Factors" section of our most recent periodic reports filed with the Securities and Exchange Commission ("SEC"), all of which you may obtain for free on the SEC's website at www.sec.gov.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, we do not know whether our expectations will prove correct. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof, even if subsequently made available by us on our website or otherwise. We do not undertake any obligation to update, amend or clarify these forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

**Investor Contact:**

Ilya Grozovsky
Vice President, Investor Relations & Corporate Development
Aterian, Inc.
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aterian.io

**ATERIAN, INC.**
**Consolidated Balance Sheets**
***(in thousands, except share and per share data)***

| | December 31, 2023 | June 30, 2024 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash | $ 20,023 | $ 20,328 |
| Accounts receivable, net | 4,225 | 3,763 |
| Inventory | 20,390 | 18,378 |
| Prepaid and other current assets | 4,998 | 5,720 |
| Total current assets | 49,636 | 48,189 |
| Property and equipment, net | 775 | 730 |
| Intangible assets, net | 11,320 | 10,549 |
| Other non-current assets | 138 | 384 |
| Total assets | $ 61,869 | $ 59,852 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Credit facility | $ 11,098 | $ 9,590 |
| Accounts payable | 4,190 | 8,811 |
| Seller notes | 1,049 | 677 |
| Accrued and other current liabilities | 9,110 | 9,610 |
| Total current liabilities | 25,447 | 28,688 |
| Other liabilities | 391 | 277 |
| Total liabilities | 25,838 | 28,965 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock, $0.0001 par value, 500,000,000 shares authorized and 7,508,246 and 8,587,159 shares outstanding at December 31, 2023 and June 30, 2024, respectively (*) | 9 | 9 |
| Additional paid-in capital | 736,675 | 740,351 |
| Accumulated deficit | (699,815) | (708,606) |
| Accumulated other comprehensive loss | (838) | (867) |
| Total stockholders' equity | 36,031 | 30,887 |
| Total liabilities and stockholders' equity | $ 61,869 | $ 59,852 |

(*) The number of shares and per share amounts have been retroactively restated to reflect the one for twelve (1 for 12) reverse stock split, which was effective on March 22, 2024.

**ATERIAN, INC.**
**Consolidated Statements of Operations**
***(in thousands, except share and per share data)***

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2024** | **2023** | **2024** |
| Net revenue | $ 35,264 | $ 27,984 | $ 70,143 | $ 48,199 |
| Cost of goods sold | 20,368 | 11,093 | 36,151 | 18,139 |
| Gross profit | 14,896 | 16,891 | 33,992 | 30,060 |
| Operating expenses: | | | | |
| Sales and distribution | 20,557 | 15,162 | 40,783 | 28,376 |
| Research and development | 1,709 | — | 2,956 | — |
| General and administrative | 6,281 | 4,934 | 12,240 | 10,166 |
| Impairment loss on intangibles | 22,785 | — | 39,445 | — |
| Total operating expenses | 51,332 | 20,096 | 95,424 | 38,542 |
| Operating loss | (36,436) | (3,205) | (61,432) | (8,482) |
| Interest expense, net | 346 | 228 | 717 | 552 |
| Change in fair value of warrant liability | (2,197) | (52) | (1,843) | (569) |
| Other expense, net | 176 | 43 | 229 | 50 |
| Loss before income taxes | (34,761) | (3,424) | (60,535) | (8,515) |
| Provision for income taxes | 26 | 205 | 52 | 276 |
| Net loss | $ (34,787) | $ (3,629) | $ (60,587) | $ (8,791) |
| Net loss per share, basic and diluted | $ (5.37) | $ (0.52) | $ (9.41) | $ (1.28) |
| Weighted-average number of shares outstanding, basic and diluted (*) | 6,483,931 | 6,973,218 | 6,439,658 | 6,881,648 |

(*) The number of shares and per share amounts have been retroactively restated to reflect the one for twelve (1 for 12) reverse stock split, which was effective on March 22, 2024.

**ATERIAN, INC.**
**Consolidated Statements of Cash Flows**
***(in thousands)***

| | Six Months Ended June 30, 2023 | Six Months Ended June 30, 2024 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net loss | $ (60,587) | $ (8,791) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Depreciation and amortization | 2,964 | 858 |
| Provision for sales returns | (170) | 87 |
| Amortization of deferred financing cost and debt discounts | 213 | 121 |
| Stock-based compensation | 5,539 | 4,588 |
| Change in deferred tax balance | — | (5) |
| Change in inventory provisions | 262 | (1,301) |
| Gain in connection with the change in warrant fair value | (1,843) | (569) |
| Impairment loss on intangibles | 39,445 | — |
| Changes in assets and liabilities: | | |
| Accounts receivable | (267) | 462 |
| Inventory | 6,721 | 3,313 |
| Prepaid and other current assets | 2,469 | (656) |
| Accounts payable, accrued and other liabilities | (3,603) | 4,789 |
| Cash (used in) provided by operating activities | (8,857) | 2,896 |
| INVESTING ACTIVITIES: | | |
| Purchase of fixed assets | (66) | (42) |
| Purchase of Step and Go assets | (125) | — |
| Purchase of minority equity investment | — | (200) |
| Cash used in investing activities | (191) | (242) |
| FINANCING ACTIVITIES: | | |
| Repayments on note payable to Smash | (501) | (383) |
| Borrowings from MidCap credit facilities | 38,060 | 29,637 |
| Repayments for MidCap credit facilities | (43,572) | (31,275) |
| Insurance obligation payments | (534) | (315) |
| Cash used in financing activities | (6,547) | (2,336) |
| Foreign currency effect on cash and restricted cash | 255 | (29) |
| Net change in cash and restricted cash for the year | (15,340) | 289 |
| Cash and restricted cash at beginning of year | 46,629 | 22,195 |
| Cash and restricted cash at end of year | $ 31,289 | $ 22,484 |
| RECONCILIATION OF CASH AND RESTRICTED CASH: | | |
| Cash | 28,867 | 20,328 |
| Restricted Cash—Prepaid and other current assets | 2,293 | 2,027 |
| Restricted cash—Other non-current assets | 129 | 129 |
| TOTAL CASH AND RESTRICTED CASH | $ 31,289 | $ 22,484 |
| | | |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid for interest | $ 1,038 | $ 660 |
| Cash paid for taxes | $ 80 | $ 151 |
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Non-cash consideration paid to contractors | $ 321 | $ 620 |
| Non-cash minority equity investment | $ — | $ 50 |

**Non-GAAP Financial Measures**

We believe that our financial statements and the other financial data included in this press release have been prepared in a manner that complies, in all material respects, with generally accepted accounting principles in the U.S. (“GAAP”). However, for the reasons discussed below, we have presented certain non-GAAP measures herein.

We have presented the following non-GAAP measures to assist investors in understanding our core net operating results on an on-going basis: (i) Contribution Margin; (ii) Contribution margin as a percentage of net revenue; (iii) EBITDA (iv) Adjusted EBITDA; and (v) Adjusted EBITDA as a percentage of net revenue. These non-GAAP financial measures may also assist investors in making comparisons of our core operating results with those of other companies.

As used herein, Contribution margin represents gross profit less e-commerce platform commissions, online advertising, selling and logistics expenses (included in sales and distribution expenses). As used herein, Contribution margin as a percentage of net revenue represents Contribution margin divided by net revenue. As used herein, EBITDA represents net loss plus depreciation and amortization, interest expense, net and provision for income taxes. As used herein, Adjusted EBITDA represents EBITDA plus stock-based compensation expense, changes in fair-market value of warrant liability, impairment on intangibles, restructuring expenses and other expenses, net. As used herein, Adjusted EBITDA as a percentage of net revenue represents Adjusted EBITDA divided by net revenue. Contribution margin, EBITDA and Adjusted EBITDA do not represent and should not be considered as alternatives to loss from operations or net loss, as determined under GAAP.

We present Contribution margin and Contribution margin as a percentage of net revenue, as we believe each of these measures provides an additional metric to evaluate our operations and, when considered with both our GAAP results and the reconciliation to gross profit, provides useful supplemental information for investors. Specifically, Contribution margin and Contribution margin as a Non-GAAP Financial Measure percentage of net revenue are two of our key metrics in running our business. All product decisions made by us, from the approval of launching a new product and to the liquidation of a product at the end of its life cycle, are measured primarily from Contribution margin and/or Contribution margin as a percentage of net revenue. Further, we believe these measures provide improved transparency to our stockholders to determine the performance of our products prior to fixed costs as opposed to referencing gross profit alone.

In the reconciliation to calculate contribution margin, we add e-commerce platform commissions, online advertising, selling and logistics expenses (“sales and distribution variable expense”) to gross profit to inform users of our financial statements of what our product profitability is at each period prior to fixed costs (such as sales and distribution expenses such as salaries as well as research and development expenses and general administrative expenses). By excluding these fixed costs, we believe this allows users of our financial statements to understand our products performance and allows them to measure our products performance over time.

We present EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue because we believe each of these measures provides an additional metric to evaluate our operations and, when considered with both our GAAP results and the reconciliation to net loss, provide useful supplemental information for investors. We use these measures with financial measures prepared in accordance with GAAP, such as sales and gross margins, to assess our historical and prospective operating performance, to provide meaningful comparisons of operating performance across periods, to enhance our understanding of our operating performance and to compare our performance to that of our peers and competitors. We believe EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue are useful to investors in assessing the operating performance of our business without the effect of non-cash items.

Contribution margin, Contribution margin as a percentage of net revenue, EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue should not be considered in isolation or as alternatives to net loss, loss from operations or any other measure of financial performance calculated and prescribed in accordance with GAAP. Neither EBITDA, Adjusted EBITDA or Adjusted EBITDA as a percentage of net revenue should be considered a measure of discretionary cash available to us to invest in the growth of our business. Our Contribution margin, Contribution margin as a percentage of net revenue, EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue may not be comparable to similar titled measures in other organizations because other organizations may not calculate Contribution margin, Contribution margin as a percentage of net revenue, EBITDA, Adjusted EBITDA or Adjusted EBITDA as a percentage of net revenue in the same manner as we do. Our presentation of Contribution margin and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by the expenses that are excluded from such terms or by unusual or non-recurring items.

We recognize that EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue, have limitations as analytical financial measures. For example, neither EBITDA nor Adjusted EBITDA reflects:

• our capital expenditures or future requirements for capital expenditures or mergers and acquisitions;

• the interest expense or the cash requirements necessary to service interest expense or principal payments, associated with indebtedness;

• depreciation and amortization, which are non-cash charges, although the assets being depreciated and amortized will likely have to be replaced in the future, or any cash requirements for the replacement of assets;

• changes in cash requirements for our working capital needs; or

• changes in warrant liabilities

Additionally, Adjusted EBITDA excludes non-cash stock-based compensation expense, which is and is expected to remain a key element of our overall long-term incentive compensation package.

We also recognize that Contribution margin and Contribution margin as a percentage of net revenue have limitations as analytical financial measures. For example, Contribution margin does not reflect:

• general and administrative expense necessary to operate our business; •research and development expenses necessary for the development, operation and support of our software platform;

• the fixed costs portion of our sales and distribution expenses including stock-based compensation expense; or

• changes in warrant liabilities.

*Contribution Margin*

The following table provides a reconciliation of Contribution margin to gross profit and Contribution margin as a percentage of net revenue to gross profit as a percentage of net revenue, which are the most directly comparable financial measures presented in accordance with GAAP:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2024 | 2023 | 2024 |
| | (in thousands, except percentages) | | | |
| Gross Profit | $ 14,896 | $ 16,891 | $ 33,992 | $ 30,060 |
| Less: | | | | |
| E-commerce platform commissions, online advertising, selling and logistics expenses | (16,164) | (12,024) | (33,193) | (22,345) |
| Contribution margin | $ (1,268) | $ 4,867 | $ 799 | $ 7,715 |
| Gross Profit as a percentage of net revenue | 42.2% | 60.4% | 48.5% | 62.4% |
| Contribution margin as a percentage of net revenue | (3.6)% | 17.4% | 1.1% | 16.0% |

*Adjusted EBITDA*

The following table provides a reconciliation of EBITDA and Adjusted EBITDA to net loss, which is the most directly comparable financial measure presented in accordance with GAAP:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2024 | 2023 | 2024 |
| | (in thousands, except percentages) | | | |
| Net loss | $ (34,787) | $ (3,629) | $ (60,587) | $ (8,791) |
| Add: | | | | |
| Provision for income taxes | 26 | 205 | 52 | 276 |
| Interest expense, net | 346 | 228 | 717 | 552 |
| Depreciation and amortization | 1,202 | 430 | 2,964 | 858 |
| EBITDA | (33,213) | (2,766) | (56,854) | (7,105) |
| Other expense, net | 176 | 43 | 229 | 50 |
| Impairment loss on intangibles | 22,785 | — | 39,445 | — |
| Change in fair market value of warrant liability | (2,197) | (52) | (1,843) | (569) |
| Restructuring expense | 1,216 | 17 | 1,216 | 575 |
| Stock-based compensation expense | 3,223 | 2,921 | 5,539 | 4,588 |
| Adjusted EBITDA | $ (8,010) | $ 163 | $ (12,268) | $ (2,461) |
| Net loss as a percentage of net revenue | (98.6)% | (13.0)% | (86.4)% | (18.2)% |
| Adjusted EBITDA as a percentage of net revenue | (22.7)% | 0.6% | (17.5)% | (5.1)% |

Each of our products typically goes through the Launch phase and depending on its level of success is moved to one of the other phases as further described below:

i. Launch phase: During this phase, we leverage our technology to target opportunities identified using AIMEE (Artificial Intelligence Marketplace e-Commerce Engine) and other sources. This phase also includes revenue from new product variations and relaunches. During this period of time, due to the combination of discounts and investment in marketing, our net margin for a product could be as low as approximately negative 35%. Net margin is calculated by taking net revenue less the cost of goods sold, less fulfillment, online advertising and selling expenses. These primarily reflect the estimated variable costs related to the sale of a product.

ii Sustain phase: Our goal is for every product we launch to enter the sustain phase and become profitable, with a target of positive 15% net margin for most products, within approximately three months of launch on average. Net margin primarily reflects a combination of manual and automated adjustments in price and marketing spend.

iii. Liquidate phase: If a product does not enter the sustain phase or if the customer satisfaction of the product (i.e., ratings) is not satisfactory, then it will go to the liquidate phase and we will sell through the remaining inventory. Products can also be liquidated as part of inventory normalization especially when steep discounts are required.

The following tables break out our second quarter of 2023 and 2024 results of operations by our product phases (in thousands):

| | Three months ended June 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Sustain | Launch | Liquidation/ Other | Fixed Costs | Stock Based Compensation | Total |
| Net revenue | $ 30,985 | $ 42 | $ 4,237 | $ — | $ — | $ 35,264 |
| Cost of goods sold | 16,505 | 20 | 3,843 | — | — | 20,368 |
| Gross profit | 14,480 | 22 | 394 | — | — | 14,896 |
| Operating expenses: | | | | | | |
| Sales and distribution expenses | 13,841 | 33 | 2,290 | 3,302 | 1,091 | 20,557 |
| Research and development | — | — | — | 1,286 | 423 | 1,709 |
| General and administrative | — | — | — | 4,572 | 1,709 | 6,281 |
| Impairment loss on intangibles | | | | 22,785 | | 22,785 |

| | Three months ended June 30, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Sustain | Launch | Liquidation/ Other | Fixed Costs | Stock Based Compensation | Total |
| Net revenue | $ 26,292 | $ 485 | $ 1,207 | $ — | $ — | $ 27,984 |
| Cost of goods sold | 10,092 | 227 | 774 | — | — | 11,093 |
| Gross profit | 16,200 | 258 | 433 | — | — | 16,891 |
| Operating expenses: | | | | | | |
| Sales and distribution expenses | 10,993 | 239 | 792 | 2,192 | 946 | 15,162 |
| Research and development | — | — | — | — | — | — |
| General and administrative | — | — | — | 2,959 | 1,975 | 4,934 |

| | Six months ended June 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Sustain | Launch | Liquidation/ Other | Fixed Costs | Stock Based Compensation | Total |
| Net revenue | $ 59,616 | $ 200 | $ 10,327 | $ — | $ — | $ 70,143 |
| Cost of goods sold | 28,183 | 111 | 7,857 | — | — | 36,151 |
| Gross profit | 31,433 | 89 | 2,470 | — | — | 33,992 |
| Operating expenses: | | | | | | |
| Sales and distribution expenses | 27,194 | 152 | 5,847 | 5,829 | 1,761 | 40,783 |
| Research and development | — | — | — | 2,099 | 857 | 2,956 |
| General and administrative | — | — | — | 9,319 | 2,921 | 12,240 |
| Impairment loss on intangibles | | | | 39,445 | | 39,445 |

| | Six months ended June 30, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Sustain | Launch | Liquidation/ Other | Fixed Costs | Stock Based Compensation | Total |
| Net revenue | $ 44,494 | $ 892 | $ 2,813 | $ — | $ — | $ 48,199 |
| Cost of goods sold | 16,540 | 353 | 1,246 | — | — | 18,139 |
| Gross profit | 27,954 | 539 | 1,567 | — | — | 30,060 |
| Operating expenses: | | | | | | |
| Sales and distribution expenses | 19,827 | 471 | 2,047 | 4,786 | 1,245 | 28,376 |
| Research and development | — | — | — | | - | — |
| General and administrative | — | — | — | 6,823 | 3,343 | 10,166 |