

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2021

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: 001-38417

BurgerFi International, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

82-2418815
(I.R.S. Employer
Identification No.)

105 U.S. Highway 1
North Palm Beach, FL
(Address of principal executive offices)

33408
(Zip Code)

(561) 844-5528

(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	BFI	The Nasdaq Stock Market LLC
Redeemable warrants, each exercisable for one share of common stock at an exercise price of \$11.50 per share	BFIW	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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

The number of shares of the registrant's Common Stock outstanding as of August 6th, 2021 was 17,893,476.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements may appear throughout this Quarterly Report on Form 10-Q, including without limitation, Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Forward-looking statements generally can be identified by words such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “projects,” “will be,” “will continue,” “will likely result,” and similar expressions. These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in our Annual Report on Form 10-K for the year ended December 31, 2020 and this Quarterly Report on Form 10-Q, and in particular, the risks discussed under the caption “Risk Factors” in Item 1A of such reports and those discussed in other documents we file with the Securities and Exchange Commission (the “SEC”). We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

PART I
FINANCIAL INFORMATION
BurgerFi International Inc., and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited – in thousands, except share data)

	June 30, 2021 <i>(unaudited)</i>	December 31, 2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 34,757	\$ 37,150
Cash - restricted	—	3,233
Accounts receivable, net	536	718
Inventory	263	268
Deferred income taxes	—	713
Assets held for sale	732	732
Other current assets	1,627	1,607
TOTAL CURRENT ASSETS	37,915	44,421
PROPERTY & EQUIPMENT, net	11,141	8,004
DUE FROM RELATED COMPANIES	94	74
GOODWILL	123,367	119,542
INTANGIBLE ASSETS, net	113,242	116,824
OTHER ASSETS	259	251
TOTAL ASSETS	\$ 286,018	\$ 289,116
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade and other	\$ 2,650	\$ 1,678
Accrued expenses	2,102	1,203
Other liabilities	4,180	430
Other deposit	907	907
Deferred revenue, current portion	511	490
Notes payable - current	73	1,438
Deferred income taxes	27	—
Revolving line of credit	—	3,012
TOTAL CURRENT LIABILITIES	10,450	9,158
NON-CURRENT LIABILITIES		
Warrant liability	8,843	16,516
Deferred revenue, net of current portion	2,864	2,816
Notes Payable	621	1,522
Deferred rent	267	29
TOTAL LIABILITIES	23,045	30,041
COMMITMENTS AND CONTINGENCIES - Note 9		
Stockholders' equity		
Common stock, \$0.0001 par value, 100,000,000 shares authorized, 17,838,476 and 17,541,838 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	2	2
Additional paid-in capital	264,415	261,298
Accumulated deficit	(1,444)	(2,225)
TOTAL STOCKHOLDERS' EQUITY	262,973	259,075
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 286,018	\$ 289,116

See Notes to Condensed Consolidated Financial Statements.

BurgerFi International Inc., and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited – in thousands, except share data)

	Successor Three Months Ended June 30, 2021	Predecessor Three Months Ended June 30, 2020	Successor Six Months Ended June 30, 2021	Predecessor Six Months Ended June 30, 2020
REVENUE				
Restaurant sales	\$ 8,983	\$ 5,597	\$ 17,379	\$ 11,640
Royalty and other fees	2,164	1,221	4,079	2,917
Royalty - brand development and co-op	545	234	1,056	651
Franchise fees	90	98	198	199
TOTAL REVENUE	11,782	7,150	22,712	15,407
Restaurant level operating expenses:				
Food, beverage and paper costs	2,693	1,766	5,115	3,588
Labor and related expenses	2,342	1,342	4,484	2,986
Other operating expenses	2,174	1,248	3,969	2,359
Occupancy and related expenses	788	677	1,561	1,246
General and administrative expenses	3,562	1,252	6,539	2,785
Pre-opening costs	502	47	628	106
Share-based compensation expense	2,595	—	3,117	—
Depreciation and amortization expense	2,171	252	4,279	496
Brand development and co-op advertising expense	651	439	1,373	907
TOTAL OPERATING EXPENSES	17,478	7,023	31,065	14,473
OPERATING (LOSS) INCOME	(5,696)	127	(8,353)	934
Other income	2,128	—	2,242	—
Gain on change in value of warrant liability	12,619	—	7,673	—
Interest expense	(33)	(57)	(41)	(87)
Income before income taxes	9,018	70	1,521	847
Income tax expense	(27)	—	(740)	—
Net Income	8,991	70	781	847
Net Income Attributable to Non-Controlling Interests (predecessor)	—	11	—	16
Net Income Attributable to common shareholders (successor) and Controlling Interests (predecessor)	\$ 8,991	\$ 59	\$ 781	\$ 831
Weighted average common shares outstanding				
Basic	17,888,140		17,852,493	
Diluted	18,752,938		20,145,284	
Net Income (Loss) per common share				
Basic	\$ 0.50		\$ 0.04	
Diluted	\$ (0.19)		\$ (0.34)	

See Notes to Condensed Consolidated Financial Statements.

BurgerFi International Inc., and Subsidiaries
Condensed Consolidated Statements of Changes in Stockholders'/Members' Equity
(Unaudited— in thousands, except share data)

	Predecessor, Three Months Ended		
	Controlling Interest	Noncontrolling Interest	Total Members' Equity
For the three months ended June 30, 2020			
Balance, March 31, 2020	\$ 3,244	\$ 20	\$ 3,264
Net Income	59	11	70
Distributions	(45)	—	(45)
Balance, June 30, 2020	<u>\$ 3,258</u>	<u>\$ 31</u>	<u>\$ 3,289</u>

	Successor, Three Months Ended				
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
For the three months ended June 30, 2021					
Balance, March 31, 2021	17,830,507	\$ 2	\$ 261,820	\$ (10,435)	\$ 251,387
Share-based compensation	—	—	2,595	—	2,595
Shares issued for warrant exercises	7,969	—	—	—	—
Net income	—	—	—	8,991	8,991
Balance, June 30, 2021	<u>17,838,476</u>	<u>\$ 2</u>	<u>\$ 264,415</u>	<u>\$ (1,444)</u>	<u>\$ 262,973</u>

	Predecessor, Six Months Ended		
	Controlling Interest	Noncontrolling Interest	Total Members' Equity
For the six months ended June 30, 2020			
Balance, December 31, 2019	\$ 2,492	\$ 15	\$ 2,507
Net Income	831	16	847
Distributions	(65)	—	(65)
Balance, June 30, 2020	<u>\$ 3,258</u>	<u>\$ 31</u>	<u>\$ 3,289</u>

	Successor, Six Months Ended				
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
For the six months ended June 30, 2021					
Balance, December 31, 2020	17,541,838	\$ 2	\$ 261,298	\$ (2,225)	\$ 259,075
Share-based compensation	—	—	3,042	—	3,042
Shares issued for share-based compensation	5,000	—	75	—	75
Shares issued for warrant exercises	7,969	—	—	—	—
Exchange of UPO units	283,669	—	—	—	—
Net income	—	—	—	781	781
Balance, June 30, 2021	<u>17,838,476</u>	<u>\$ 2</u>	<u>\$ 264,415</u>	<u>\$ (1,444)</u>	<u>\$ 262,973</u>

See Notes to Condensed Consolidated Financial Statements.

BurgerFi International Inc., and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited – in thousands)

	Successor Six Months Ended June 30, 2021	Predecessor Six Months Ended June 30, 2020
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Net income	\$ 781	\$ 847
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for bad debts	37	—
Depreciation and amortization	4,279	496
Gain on PPP loan forgiveness	(2,237)	—
Deferred income taxes	740	—
Share-based compensation	3,117	—
Forfeited franchise deposits	(67)	—
Change in fair value of warrant liability	(7,673)	—
Changes in operating assets and liabilities		
Accounts receivable	121	128
Inventory	5	77
Other assets	(56)	102
Accounts payable - trade and other	928	481
Other liabilities	44	—
Accrued expenses	899	(56)
Deferred revenue	98	67
Deferred rent	238	248
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,254	\$ 2,389
NET CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,793)	(1,206)
Trademark cost	(26)	—
Advances to related companies	(20)	(5,807)
Repayments from related companies	—	4,276
Purchase of store	—	(650)
Deposit on sale	—	907
NET CASH USED IN INVESTING ACTIVITIES	\$ (3,839)	\$ (2,480)
NET CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on revolving line of credit	(3,012)	—
Payments on notes payable	(29)	—
Notes payable proceeds	—	3,238
Members' distributions	—	(65)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	\$ (3,041)	\$ 3,173
NET (DECREASE) INCREASE IN CASH	(5,626)	3,082
CASH, beginning of period	40,383	2,417
CASH, end of period	\$ 34,757	\$ 5,499

See Notes to Condensed Consolidated Financial Statements.

BurgerFi International Inc., and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Description of Business and Organization

BurgerFi International, Inc. (“BurgerFi,” the “Company,” or “Successor,” also “we,” “us,” and “our”), is a fast-casual “better burger” concept with 19 franchised and corporate owned restaurants, renowned for delivering an exceptional, all-natural premium burger experience in a refined, contemporary environment. BurgerFi offers a classic American menu of premium burgers, hot dogs, crispy chicken, frozen custard, hand-cut fries and onion rings, shakes, beer, wine and more. BurgerFi has become the go-to better burger restaurant for good times and high-quality food across the United States and beyond. Known for delivering the all-natural burger experience in a fast-casual environment, BurgerFi is committed to an uncompromising and rewarding dining experience that promises fresh food of transparent quality.

On December 16, 2020 (the “Closing Date”), the Company, formerly known as Opes Acquisition Corp. (“Opes,” a special purpose acquisition company, or “SPAC”), consummated a business combination transaction (the “Business Combination”) pursuant to which it acquired the private operating company formerly called BurgerFi International, LLC (“Predecessor”). In connection with the closing of the Business Combination, the Company changed its name to BurgerFi International, Inc. The financial results described herein for the dates and periods prior to the Business Combination relate to the operations of the Predecessor prior to the consummation of the Business Combination. The Consolidated Financial Statements after the Closing Date include the accounts of the Company and its wholly owned subsidiaries including the Predecessor.

2. Basis of Presentation

The accompanying consolidated financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and with the instructions for Form 10-Q and Rule 8-03 of Regulation S-X. Pursuant to these rules and regulations, certain information and footnote disclosures normally included in the annual audited consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The accompanying consolidated balance sheet as of December 31, 2020 is derived from the Company’s audited financial statements as of that date. Because certain information and footnote disclosures have been condensed or omitted, these consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2020 contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 (the “2020 Form 10-K”). In management’s opinion, all normal and recurring adjustments considered necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented have been included. When necessary, certain prior year amounts have been reclassified to conform to the current period presentation. Interim period operating results do not necessarily indicate the results that may be expected for any other interim period or for the full fiscal year. The Company believes that the disclosures made in these unaudited condensed consolidated financial statements are adequate to make the information not misleading.

The historical financial information of Opes has not been reflected in the Predecessor financial statements as these historical amounts have been determined to be not useful information to a user of the financial statements. SPACs deposit the proceeds from their initial public offerings into a segregated trust account until a business combination occurs, where such funds are then used to pay consideration for the acquiree and/or to pay stockholders who elect to redeem their shares of common stock in connection with the business combination. The operations of a SPAC, until the closing of a business combination, other than income from the trust account investments and transaction expenses, are nominal. Accordingly, no other activity in the Company was reported for periods prior to December 16, 2020 besides BurgerFi’s operations as Predecessor.

Reclassifications

Certain reclassifications have been made to the prior period presentation to conform to the current period presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Corporate owned stores and Franchising

BurgerFi has prepared its Franchise Disclosure Document as required by the United States Federal Trade Commission and has registered or will register in those states where required in order to legally sell its franchises. It is currently BurgerFi's plan to offer franchises for sale in those states where demographics of the population represent a demand for the services. BurgerFi grants franchises to independent operators who in turn pay an initial franchise fee, royalties and other fees as stated in the franchise agreement.

Store activity for the periods ended June 30, 2021 and December 31, 2020 is as follows:

	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021	Year Ended December 31, 2020
Franchised stores, beginning of the period	98	102	117
Stores opened during the period	1	3	9
Stores transferred/sold to the Company	—	—	(2)
Stores closed during the period	(2)	(8)	(22)
Franchised stores, end of the period	97	97	102

	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021	Year Ended December 31, 2020
Corporate owned stores, beginning of the period	19	17	13
Stores opened during the period	3	5	2
Stores transferred/sold to the Company	—	—	2
Stores closed during the period	—	—	—
Corporate owned stores, end of the period	22	22	17

COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The pandemic has significantly impacted economic conditions in the United States, where all of our corporate restaurants are located. The Company first began to experience impacts from COVID-19 around the middle of March 2020, as federal, state and local governments began to react to the public health crisis by encouraging or requiring social distancing, instituting stay-at-home orders, and requiring, in varying degrees, restaurant dine-in limitations, capacity limitations or other restrictions that largely limited restaurants to take-out, drive-thru and delivery sales. As a result of the required changes to consumer behavior to largely off-premises dining, as well as promotional activities associated with delivery, the Company experienced some recovery in sales at the end of the second quarter of 2020. The Company's most significant declines in sales were in late March 2020 through the third week in April 2020. The Company experienced steady recovery in the business during the period ended June 30, 2021. However, it is possible that further outbreaks could limit our recovery. The Company continues to monitor the spread of new variants, including the pandemic's recent emergence of the Delta variant, which appears to be the most transmissible variant to date and has resulted in an increase in cases in the United States and globally. As cases rise, mask mandates, social-distancing, travel restrictions and stay-at-home orders could be reinstated. The impact of the Delta variant cannot be predicted at this time, and could depend on numerous factors, including vaccination rates among the population, the effectiveness of COVID-19 vaccines against the Delta variant and the response by governmental bodies and regulators. An extended period of economic disruption could have a material adverse impact on our business, results of operations, access to sources of liquidity and overall financial condition.

New Accounting Standards Adopted

In December 2019, the FASB issued ASU 2019-12, Income Taxes (“Topic 740”) as part of its Simplification Initiative. This guidance provides amendments to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The adoption of this ASU did not have a material impact on the unaudited condensed consolidated financial statements.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (“Topic 842”) which requires lessees to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months and disclose certain information about the leasing arrangements. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. As an emerging growth company, this guidance will be effective for our fiscal years beginning after December 15, 2021. The Company is currently evaluating the impact of the adoption of the new standard on the unaudited condensed consolidated financial statements.

The FASB issued ASU 2016-13, Financial Instruments - Credit Losses (“Topic 326”) in June 2016, subsequently amended by various standard updates. This guidance replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information when determining credit loss estimates and requires financial assets to be measured net of expected credit losses at the time of initial recognition. As an emerging growth company, this guidance will be effective for our fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact of the adoption of the new standard on the unaudited condensed consolidated financial statements.

Earnings per Share

Basic earnings per share is computed by dividing net income attributable to shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing net income attributable to shareholders by the weighted average number of fully diluted shares, as calculated under the treasury stock method, which includes the potential effect of dilutive common stock equivalents. If the Company reports a loss, rather than income, the computation of diluted loss per share excludes the effect of dilutive common stock equivalents, as their effect would be anti-dilutive.

The Company has considered the effect of (1) warrants outstanding to purchase 15,063,900 shares of common stock (2)75,000 shares of common stock and warrants to purchase 75,000 shares of common stock in the unit purchase option, and (3)2,210,100 shares underlying grants of restricted stock units in the calculation of income per share.

The historical partnership equity structure of BurgerFi did not include outstanding member units and as such, earnings per share information is omitted for the Predecessor periods.

Reconciliation of Net Loss per Common Share

Basic and diluted loss per common share is calculated as follows (in thousands, except per share data):

	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021
Numerator:		
Net income attributable to common shareholders	\$ 8,991	\$ 781
Reversal of Gain on change in value of warrant liability	(12,619)	(7,673)
Net loss attributable to common shareholders -diluted	<u>\$ (3,628)</u>	<u>\$ (6,892)</u>
Denominator:		
Weighted average common shares outstanding, basic	17,888,140	17,852,493
Effect of dilutive securities		
Restricted stock grants and warrants	847,417	2,261,954
UPOs	<u>17,381</u>	<u>30,837</u>
Diluted weighted-average shares outstanding	<u>18,752,938</u>	<u>20,145,284</u>
Basic net income per common share	\$ 0.50	\$ 0.04
Diluted net loss per common share	\$ (0.19)	\$ (0.34)

3. Property & Equipment

Property and equipment, net consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Leasehold improvements	\$ 8,686	\$ 5,477
Kitchen equipment and other equipment	1,557	1,548
Computers and office equipment	456	208
Furniture & fixtures	1,117	792
Vehicles	28	27
	<u>11,844</u>	<u>8,052</u>
Less: Accumulated depreciation	<u>(703)</u>	<u>(48)</u>
Property and equipment – net	<u>\$ 11,141</u>	<u>\$ 8,004</u>

Depreciation expense for the Successor period for the three and six months ended June 30, 2021 was \$50,000 and \$655,000, respectively. Depreciation expense for the Predecessor period for the three and six months ended June 30, 2020 was \$249,000 and \$486,000, respectively. In conjunction with the Business Combination, the basis of all property and equipment was recognized at fair value in purchase accounting.

Included within Leasehold improvements is approximately \$2,165,000 and \$103,000 as of June 30, 2021 and December 31, 2020 related to construction in progress. Such amounts are not depreciated until placed into service.

4. Intangible Assets

The following is a summary of the components of intangible assets and the related accumulated amortization.:

Intangible Assets (in thousands)	June 30, 2021			December 31, 2020		
	Amount	Accumulated Amortization	Net Carrying Value	Amount	Accumulated Amortization	Net Carrying Value
Franchise agreements	\$ 24,839	\$ 1,922	\$ 22,917	\$ 24,839	\$ 147	\$ 24,692
Trade names / trademarks	83,060	1,499	81,561	83,033	115	82,918
Liquor license	235	—	235	235	—	235
Reef Kitchens license agreement	8,882	481	8,401	8,882	37	8,845
VegeFi product	135	7	128	135	1	134
	<u>\$ 117,151</u>	<u>\$ 3,909</u>	<u>\$ 113,242</u>	<u>\$ 117,124</u>	<u>\$ 300</u>	<u>\$ 116,824</u>

Liquor license is considered to have an indefinite life and is reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. No impairments were recognized for the six months ended June 30, 2021 and 2020.

Amortization expense for the Successor period for the three and six months ended June 30, 2021 was \$1,821,000 and \$3,624,000, respectively. Included within amortization expense is \$7,500 and \$15,000 for the three and six months ended June 30, 2021 related to the amortization of lease acquisition costs. The intangible assets for the Predecessor period from January 1, 2020 to June 30, 2020 were determined to be indefinite life intangibles. As such, no amortization expense was recognized for the three and six months ended June 30, 2020. The estimated aggregate amortization expense for intangible assets over the next five years ending December 31 and thereafter is as follows:

<i>(in thousands)</i>	
Remainder of 2021	\$ 3,609
2022	7,219
2023	7,219
2024	7,219
2025	7,219
2026 and thereafter	80,522
Total	<u>\$ 113,007</u>

5. Business Combinations

On December 16, 2020, the Company consummated the Business Combination. This acquisition qualified as a business combination under ASC 805. Accordingly, the Company recorded all assets acquired and liabilities assumed at their acquisition-date fair values, with any excess recognized as goodwill. The aggregate value of the consideration paid by Ope in the Business Combination was approximately \$236.9 million which included a) a cash payment of \$30,000,000, b) the issuance of 6,603,773 common stock shares valued at approximately \$103,680,000, and c) contingent earnout consideration (Contingent Consideration) valued at approximately \$103,207,000.

The former members of BurgerFi may be entitled to additional shares of Common Stock if certain stock price targets are met by the Company (“Earnout Share Consideration”) on a pro-rata basis based on their pre-closing ownership percentages subject to the Company achieving certain share price targets through December 15, 2023. No such price targets were achieved during the six months ended June 30, 2021.

The allocation of the excess purchase price was based upon preliminary estimates and assumptions and is subject to revision when the Company receives final information. Accordingly, the measurement period for such purchase price allocations will end when the information, or the facts and circumstances, become available, but will not exceed twelve months from the date of acquisition.

The following table represents changes to goodwill from the initial purchase price allocation as of June 30, 2021:

<i>(in thousands)</i>	
Goodwill as of December 31, 2020	\$ 119,542
Adjustments	3,825
Goodwill as of June 30, 2021	<u>\$ 123,367</u>

Adjustments to goodwill during the period ended June 30, 2021 were made to reflect the facts and circumstances in existence as of the Business Combination date and include updates to estimates of provisional amounts recorded as of the Business Combination date. The adjustments primarily related to updating the fair value recorded for a provisional estimate of lease guarantees provided by the Company. See Note 6. The adjustment resulted in an increase to goodwill and other liabilities on the accompanying condensed consolidated balance sheet.

6. Variable Interest Entities

The Company has evaluated its business relationships with franchisees to identify potential variable interest entities (“VIEs”). While the Company holds a variable interest in some of the franchised restaurants owned by an affiliated entity, the Company is not the primary beneficiary since it does not have the power to direct the activities of these franchised restaurants. As a result, the Company does not consolidate those VIEs.

The Company is a guarantor for six operating leases for those affiliated entities and an unrelated party. The Company may become responsible for the payments under its guarantee. The Company has determined that its maximum exposure to loss on the VIEs that it is not the primary beneficiary on that results from the lease guarantees amounts to approximately \$5,847,000.

The Company recognized a liability of \$3,306,000 for the estimated fair value of the lease guarantee as a provisional measurement period adjustment. The amount recorded represents the present value of estimated probable future payments for which the Company may be liable. Such amount has been included in other liabilities on the accompanying condensed consolidated balance sheet.

On April 23, 2018 (the “Takeover Date”), the Company entered into an asset purchase and management agreement (the “APM”) with a multiple unit franchisee. The Company had evaluated the franchisee which is a party to the APM for VIE accounting under ASC 810

“Consolidation” and had determined that the franchisee under the APM was a VIE and that the Company was the primary beneficiary, effective on the Takeover Date.

During 2020, the Company negotiated a release of the lien from the banks on the equipment in these restaurants and was able to have the leases on the restaurants assigned to BurgerFi and on December 31, 2020, BurgerFi discontinued the management of the two restaurants by termination of the APM and the franchise agreements. As a result of the discontinuation and termination of the APM, the franchisee was deconsolidated on December 31, 2020.

Net sales for the consolidated VIE for the for the Predecessor period for the three and six months ended June 30, 2020 were \$31,000 and \$1,696,000, respectively. Net loss and net income for the consolidated VIE for the Predecessor period for the three and six months ended June 30, 2020, respectively, were \$3,000 and \$22,000, respectively.

7. Related Party Transactions

The Company is affiliated with various entities through a significant shareholder. The accompanying condensed consolidated balance sheets reflect amounts related to periodic advances between the Company and these entities for working capital and other needs as due from related companies or due to related companies, as appropriate. The amounts due from related companies are not expected to be repaid within one year and accordingly, are classified as non-current assets in the accompanying condensed consolidated balance sheets. These advances are unsecured and non-interest bearing.

There were approximately \$94,000 and \$74,000 included as due from related companies in the condensed consolidated balance sheets as of June 30, 2021 and December 31, 2020, respectively. There were no amounts due to related companies as of June 30, 2021 and December 31, 2020.

For the Successor period, for the three and six months ended due June 30, 2021, the Company received royalty revenue from franchisees related to a significant shareholder totaling approximately \$191,000 and \$288,000, respectively. For the Predecessor period, for the three and six months ended June 30, 2020, the Company received royalty revenue from franchisees related to a significant shareholder totaling approximately \$182,000 and \$291,000, respectively.

The Company leases building space for its corporate office from an entity related to a significant shareholder. This lease has a 6 month term, effective January 1, 2020. For the Successor period, for the three and six months ended June 30, 2021, rent expense was approximately \$56,000 and \$112,000, respectively. For the Predecessor period, for the three and six months ended June 30, 2020, rent expense was \$40,000 and \$80,000, respectively.

The Company leases building space for a restaurant located in Virginia from an entity (i) in which our Executive Chairman of the Board has a minority ownership interest, and (ii) which is managed by an entity in which our Executive Chairman has an indirect ownership interest. This lease, entered into on October 21, 2020, is for a 10-year term effective on the earlier to occur of the date the tenant opened for business and 180 days from the date the landlord delivered possession of the premises to the tenant.

In April 2021, the Company entered into an independent contractor agreement with a corporation (the “Consultant”) for which the Chief Operating Officer of Lionheart Capital, LLC, an entity controlled by the Company’s Executive Chairman of the Board, serves as President. Pursuant to the terms of the agreement, the Consultant shall provide certain strategic advisory services to the Company in exchange for total annual cash compensation and expense reimbursements of \$100,000, payable in twelve (12) equal monthly payments beginning in April 2021. The Consultant has also received an additional \$9,166 of cash compensation for services provided in April 2021. Also, the Consultant received an award of 50,000 restricted stock units, which shall vest in five equal annual installments, subject to the Company achieving certain annual revenue targets starting in 2021.

8. Other Assets

Other assets consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Lease Acquisition Costs, net of accumulated amortization	\$ 3	\$ 18
Deposits and other non-current assets	256	233
Other assets	\$ 259	\$ 251

9. Commitments and Contingencies

Leases

The Company has entered into operating leases for its corporate headquarters and company owned and operated restaurants. For the Successor period, for the three and six months ended June 30, 2021, rent expense under these leases was approximately \$891,000 and \$1,732,000, respectively. For the Predecessor period, for the three and six months ended June 30, 2020, rent expense for these leases was approximately \$689,000 and \$1,316,000, respectively. These lease agreements expire on various dates through 2031 and have renewal options. Approximate future minimum payments on these operating leases as of June 30, 2021 are as follows (in thousands):

Remainder of 2021	\$	1,015
2022		3,936
2023		4,016
2024		3,855
2025		3,879
2026 and thereafter		30,713

Sale Commitment

In February 2020, the Company entered into an asset purchase agreement with an unrelated third party for the sale of substantially all of the assets used in connection with the operation of BF Dania Beach, LLC for an aggregate purchase price of \$1,299,000. During January 2020 to April 2020, the Company received three cash deposits totaling \$906,500 in connection with this transaction. The closing of this transaction has been delayed due additional negotiation that has been on-going through the filing date of this report. In the event the transaction is terminated, the Company will begin operating the restaurant, and return the \$906,500 to the unrelated third-party purchaser. Assets used in the operations of BF Dania Beach, LLC totaling \$732,000 have been classified as held for sale as of June 30, 2021 and December 31, 2020 condensed consolidated balance sheet, respectively.

Contingencies

BurgerFi International, LLC filed a lawsuit against a franchisee and its principals seeking declaratory judgments and damages in an amount to be proven at trial for various breaches of the applicable franchise agreements resulting from the defendants' closure of a restaurant, their failure to open a second restaurant, and their operational defaults at the closed restaurant. In April 2016, the defendants filed a counterclaim, asserting that they had no responsibility for their losses, and instead, alleged that the Company engaged in breach of contract, fraud, misrepresentation, conversion in connection with the operation of the restaurant, and various other allegations, seeking damages of over \$5 million. The case is pending before the court. On December 30, 2016, the court stayed the case pending the resolution of bankruptcy filings made by some of the defendants. No further action has occurred. The Company cannot predict the outcome of the action at this time. As a result, the Company cannot reasonably estimate a range of loss for this action and accordingly has not accrued any liability associated with this action. The Company does not believe this claim will result in a material unfavorable outcome.

On December 1, 2019, a complaint was filed by a former officer of the Company ("Plaintiff") against BurgerFi International, LLC for certain alleged breaches of an employment agreement. BurgerFi International, LLC filed a motion to dismiss the complaint on February 13, 2020. On May 20, 2020, the motion to dismiss was heard being granted in part and denied in part. The portion of the complaint not dismissed was answered by BurgerFi International, LLC with affirmative defenses raised on July 7, 2020. Plaintiff served various discovery requests (including notices of non-party subpoenas) on July 9, 2020 as well as a motion to strike BurgerFi International, LLC's affirmative defenses on July 16, 2020. BurgerFi International, LLC filed objections to the non-party subpoenas on July 20, 2020. On September 11, 2020, a motion to dismiss was heard by the court and certain claims were dismissed. The complaint now involves claims for alleged Breach of Contract (Count I) and alleged Action for Equitable Relief Including an Accounting and Constructive Lien (Count II). Mediation was held on June 15, 2021, but the parties were not able to come to an agreement. The Company cannot predict the outcome of the action at this time. As a result, the Company cannot reasonably estimate a range of loss for this action and accordingly has not accrued any liability associated with this action. The Company does not believe this claim will result in a material unfavorable outcome.

On July 8, 2020, the Company received a letter from an attorney hired on behalf of a former employee of the Company. This former employee was terminated for cause on May 5, 2020. This letter claims that the former employee was terminated wrongfully by the Company. The Company has reported the claim to its insurance carrier and outside counsel has been retained. Our counsel sent a letter to this former employee's attorney denying all claims and the parties met for mediation on September 4, 2020 but were unable to resolve this matter. On June 28, 2021, the Company was advised that this former employee filed suit, and on August 2, 2021, the

Company accepted service of this lawsuit. The Company cannot predict the outcome of the action at this time. As a result, the Company cannot reasonably estimate a range of loss for this action and accordingly has not accrued any liability associated with this action. The Company does not believe this claim will result in a material unfavorable outcome.

On March 22, 2021, the Company received a letter from an attorney representing the franchisee that is in the process of purchasing a BurgerFi restaurant. The letter was sent in response to the Company's demand letter to the franchisee requesting that he pays the balance of the purchase price and execute the franchise agreement that permits the operation of the restaurant. The franchisee has refused to do both and is now claiming that the purchase price was verbally lowered. In addition, the franchisee attorney's letter claims that the Company owes his client monies resulting from the franchisees' purchase of equipment in reliance on the Company's supposed verbal representation to use the franchisees' marketing services. The Company cannot predict the outcome of the action at this time. As a result, the Company cannot reasonably estimate a range of loss for this action and accordingly has not accrued any liability associated with this action. The Company does not believe this claim will result in a material unfavorable outcome.

In June 2021, the Company received a letter from a shareholder claiming a breach of a registration rights agreement. The shareholder claims that the Company violated the terms of the agreement and that this caused it to incur damages, including lost profits. The Company has denied any breach or liability. The Company intends to defend the case vigorously if a resolution cannot be reached and the shareholder initiates litigation. At this preliminary stage, it is difficult to provide an evaluation of the likelihood of an unfavorable outcome or a reasonable estimate of the amount or range of potential loss, and accordingly the Company has not accrued any liability associated with this action.

The Company is subject to other legal proceedings and claims that arise during the normal course of business. Management believes that any liability, in excess of applicable insurance coverages or accruals, which may result from these claims, would not be significant to the Company's financial position or results of operations.

10. Line of Credit

The Company had a revolving line of credit agreement ("LOC") of \$5,000,000 with a maturity date of July 13, 2021. As of December 31, 2020, the outstanding balance on the revolving line credit was \$3,012,000. In January 2021, the Company terminated the LOC and paid the total amount due of \$3,012,000. The annual interest on advances under the LOC was equal to the LIBOR Daily Floating rate plus 0.75%.

11. Notes Payable

Notes Payable (in thousands)

	June 30, 2021	December 31, 2020
Paycheck Protection Program ("PPP")	\$ —	\$ 2,237
Installment note payable	524	555
Other notes payable - No recourse to the general credit of the Company	170	168
Total notes payable	694	2,960
Less: current portion	(73)	(1,438)
Total notes payable - long term portion	<u>\$ 621</u>	<u>\$ 1,522</u>

On May 11, 2020, the Company received loan proceeds in the amount of \$2,237,000 under the Paycheck Protection Program ("PPP"). During the six months ended June 30, 2021, all PPP loans amounting to \$2,237,000 were forgiven by the Small Business Administration ("SBA"). The SBA may undertake a review of a loan of any size during the six-year period following forgiveness of the loan, however loans in excess of \$2 million are subject to a mandatory audit. The audit will include the loan forgiveness application, as well as whether the Company met the eligibility requirements of the program and received the proper loan amount. The timing and outcome of any SBA review is not known.

The installment note payable relates to a note payable to an individual, issued in connection with the Company's April 2020 acquisition of a franchised restaurant, monthly payments of \$9,000 over a seven-year amortization including 7% interest, with a maturity date of June 1, 2024. The Other notes payable relates to an Economic Injury Disaster Loan ("EIDL") from the Small Business Administration ("SBA") and is primarily for one corporate owned restaurant.

12. Supplemental Disclosure of Noncash Activities

As noted in Note 5, during the six months ended June 30, 2021, the Company recorded certain adjustments to goodwill in the amount of \$825,000 to update the estimates of provisional amounts recorded as of the Business Combination date.

13. Stockholders' Equity

Common Stock

The Company is authorized to issue 100,000,000 shares of common stock with a par value of \$0.0001 per share. Holders of the Company's common stock are entitled to one vote for each share. At June 30, 2021 and December 31, 2020, there were 17,838,476 shares and 17,541,838 shares of common stock outstanding, respectively.

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock with a par value of \$0.0001 per share with such designation, rights and preferences as may be determined from time to time by the Company's Board of Directors. At June 30, 2021 and December 31, 2020, there were no shares of preferred stock issued or outstanding.

Warrants and Options

As of June 30, 2021, the Company had the following warrants and options outstanding:

- 15,063,900 warrants outstanding, each exercisable for one share of common stock at an exercise price of \$11.50 including 11,468,900 in Public Warrants, 3,000,000 in Private Placement Warrants, 445,000 in Private Warrants and 150,000 in Working Capital Warrants. The Public Warrants expire in December 2025.
- 75,000 Unit Purchase Option "UPO" units that are exercisable for one share of common stock at an exercise price of \$10.00 and warrants exercisable for one share of common stock at an exercise price of \$11.50.

During the six months ended June 30, 2021, the Company exchanged 675,000 UPO units for 283,669 common shares in a cashless exercise and issued 7,969 shares in cashless warrant exercises.

Warrant Liability

The Company has certain warrants which include provisions that affect the settlement amount. Such variables are outside of those used to determine the fair value of a fixed-for-fixed instrument, and as such, the warrants are accounted for as liabilities in accordance with ASC 815-40, with changes in fair value included in the condensed consolidated statement of operations.

The liability classified warrants were priced using a Dynamic Black Scholes model. This process relies upon inputs such as shares outstanding, estimated stock prices, strike price, risk free interest rate and volatility assumptions. The warrant liability was \$8,843,000 and \$16,516,000 at June 30, 2021 and December 31, 2020, respectively. The change in value of warrant liability for the three and six months ended June 30, 2021 was \$12,619,000, and \$7,673,000, respectively and is recognized in the accompanying condensed consolidated statement of operations. There were no warrants outstanding in the Predecessor period.

The following is an analysis of changes in the warrant liability for the six months ended June 30, 2021:

<i>(in thousands)</i>	Level 3 (Black Scholes)
Liability at December 31, 2020	\$ 16,516
Gain during the six months ended June 30, 2021	(7,673)
Liability at June 30, 2021	<u>\$ 8,843</u>

The fair value of the warrants are determined using the publicly-traded price of our common stock on the valuation dates of \$0.00 on June 30, 2021 and \$13.69 on December 31, 2020. The fair value is calculated using the Black-Scholes option-pricing model. The Black-Scholes model requires us to make assumptions and judgments about the variables used in the calculation, including the expected term, expected volatility, risk-free interest rate, dividend rate and service period.

The fair value of private share warrants for the Successor period were estimated using a Dynamic Black Scholes model. This process relies upon inputs such as shares outstanding, estimated stock prices, strike price, risk free interest rate and volatility assumptions. The calculated warrant price for private warrants was \$2.46 and \$4.60 on June 30, 2021 and December 31, 2020, respectively.

The input variables for the Black Scholes are noted in the table below:

	2021	2020
Risk-free interest rate	0.76 %	0.36 %
Expected life in years	4.47	5
Expected volatility	34.3 %	30.0 %
Expected dividend yield	0 %	0 %

14. Share-based Compensation

The Company has the ability to grant stock options, stock appreciation rights, restricted stock, restricted stock units, other stock-based awards and performance compensation awards to current or prospective employees, directors, officers, consultants or advisors under the Company's 2020 Omnibus Equity Incentive Plan.

Restricted Stock Units

The following table summarizes activity of Restricted Stock Units during the six months ended June 30, 2021:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2020	1,250,000	\$ 15.28
Granted	1,105,700	\$ 14.62
Vested	—	
Forfeited	(145,600)	\$ 14.10
Non-vested at June 30, 2021	<u>2,210,100</u>	<u>\$ 14.94</u>

The grant date fair value of Restricted Stock Units that vested during the three and six months ended June 30, 2021 was \$2,595,000 and \$3,117,000, respectively, net of forfeitures. As of June 30, 2021, there was approximately \$30,047,000 of total unrecognized compensation cost related to unvested restricted stock units or performance stock awards to be recognized over a weighted average period of 4-5 years.

The unrecognized portion of share-based compensation for unvested Market Condition restricted stock units (included in above) is approximately \$2,649,000 over 2.60 years. As detailed below, the fair value of the Market Condition restricted stock units was determined using a Monte Carlo simulation model.

Performance Shares

The Company grants performance-based awards to certain officers and key employees and a consultant. The vesting of these awards is contingent upon meeting one or more defined operational or financial goals (a performance condition) or common stock share prices (a market condition).

The fair values of the performance condition awards granted were determined using the fair market value of the Company's common stock on the date of grant. Share-based compensation expense recorded for performance condition awards is re-evaluated at each reporting period based on the probability of the achievement of the goal. The achievement of certain goals was deemed probable as of June 30, 2021. Accordingly, the Company recognized share-based compensation expense of approximately \$1,194,000 in relation to these awards during the three and six months ended June 30, 2021.

The fair value of market condition awards granted were estimated using the Monte Carlo simulation model. The Monte Carlo simulation model utilizes multiple input variables to estimate the probability that the market conditions will be achieved and is applied to the trading price of our common stock on the date of grant.

The input variables are noted in the table below:

	2021	2020
Risk-free interest rate	0.54 %	0.18 %
Expected life in years	4	3
Expected volatility	63.3 %	65.9 %
Expected dividend yield (a)	0 %	0 %

(a) The Monte Carlo method assumes a reinvestment of dividends.

Share-based compensation expense is recorded ratably for market condition awards during the requisite service period and is not reversed, except for forfeitures, at the vesting date regardless of whether the market condition is met. During the three and six months ended June 30, 2021, \$1,155,000, and \$1,403,000, respectively, representing a fair value of \$10.76 per share, was recognized ratably as share-based compensation expense for the market condition awards.

Service Condition Shares

The Company grants service-based awards to certain officers and key employees and a consultant. The vesting of these awards is contingent upon meeting the requisite service period.

The fair value of restricted stock unit awards is determined using the publicly-traded price of our common stock on the grant date. The fair value of restricted unit awards is calculated using the Black-Scholes option-pricing model. The Black-Scholes model requires us to make assumptions and judgments about the variables used in the calculation, including the expected term, expected volatility, risk-free interest rate, dividend rate and service period.

The following table summarizes activity of the restricted stock units by vesting condition during the six months ended June 30, 2021:

	<u>Performance Condition</u>		<u>Service Condition</u>		<u>Market Condition</u>	
	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Non-vested at December 31, 2020	950,000	\$ 15.70	200,000	\$ 15.70	100,000	\$ 10.45
Granted	713,700	\$ 16.15	52,000	\$ 16.15	340,000	\$ 11.17
Vested	—		—		—	
Forfeited	(85,600)	\$ 16.15	—		(60,000)	\$ 11.17
Non-vested at June 30, 2021	<u>1,578,100</u>	<u>\$ 15.81</u>	<u>252,000</u>	<u>\$ 15.79</u>	<u>380,000</u>	<u>\$ 10.76</u>

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

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q, as well as the audited consolidated financial statements and the related notes thereto in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (the “2020 Form 10-K”). Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause such differences are discussed in the sections of this Quarterly Report on Form 10-Q titled “Forward-Looking Statements” and “Item 1A. Risk Factors,” and in Part I. “Item 1A. Risk Factors” in the 2020 Form 10-K.

Overview

We are a fast-casual “better burger” concept with 119 franchised and corporate owned restaurants, renowned for delivering an exceptional, all-natural premium burger experience in a refined, contemporary environment. BurgerFi offers a classic American menu of premium burgers, hot dogs, crispy chicken, frozen custard, hand-cut fries and onion rings, shakes, beer, wine and more. Originally founded in February 2011 in sunny Lauderdale-by-the-Sea, Florida, the purpose was simple – redefining the way the world eats burgers by providing an upscale burger offering, at a fast-casual price point. We have become the go-to burger restaurant for good times and high-quality food across the United States and beyond. Known for delivering the all-natural burger experience in a fast-casual environment, BurgerFi is committed to an uncompromising and rewarding dining experience that promises fresh food of transparent quality.

Today, we are among the nation’s fastest-growing better burger concepts and took the No. 1 spot on Fast Casual Restaurant’s Top 100 Movers & Shakers for 2021, ranked Top Better Burger chain in Fast Casual Restaurants in USA Today’s 10 Best Readers’ Choice for 2021, placed as the Top Better Burger Chain in Fast Casual’s Top 100 Movers & Shakers list in 2021, named QSR Magazine’s Breakout Brand of the Year for 2020, named “Best Burger Joint” by Consumer Reports and fellow public interest organizations in the 2019 Chain Reaction Study, and listed as a “Top Restaurant Brand to Watch” by Nation’s Restaurant News in 2019. BurgerFi was also featured in the fourth annual Chain Reaction antibiotic scorecard by National Resources Defense Council and Consumer Reports with an “A” rating – one of only two brands serving passing grade beef.

Since our inception, we have grown steadily—with 119 BurgerFi restaurants, as of June 30, 2021, in 2 countries and 22 states and Puerto Rico—and we continue to expand, bringing the BurgerFi experience to new guests around the world.

Significant Recent Developments Regarding COVID-19

During March 2020, a global pandemic was declared by the World Health Organization (“WHO”) related to the rapidly spreading outbreak of a novel strain of coronavirus (the “COVID-19 outbreak”). The pandemic has significantly impacted economic conditions in the United States, where all of our Company’s restaurants are located. We first began to experience impacts from the COVID-19 outbreak around the middle of March 2020, as federal, state and local governments began to react to the public health crisis by encouraging or requiring social distancing, instituting stay-at-home orders, and requiring, in varying degrees, restaurant dine-in limitations, capacity limitations or other restrictions that largely limited restaurants to take-out, drive-thru and delivery sales. As a result of the required changes to consumer behavior to largely off-premises dining, as well as promotional activities associated with delivery, we saw some recovery in sales at the end of the second quarter of 2020. Our most significant declines in sales were in late March through the third week in April. Beginning in May 2020 and through the end of 2020, sales began to recover. We experienced a steady recovery during the period ended June 30, 2021, as systemwide same store sales increased 20% compared to the six months ended June 30, 2020.

We did not experience any material supply chain difficulties as a result of the COVID-19 outbreak during the six months ended June 30, 2021; however, there can be no assurances that we will not experience supply chain challenges in the future. Although we have experienced some recovery since the initial impact of the COVID-19 outbreak and are able to meet our obligations as they become due with our cash flow from operations, the long-term impact of the COVID-19 outbreak on the economy and on our business remains uncertain, the duration and scope of which cannot currently be predicted. In addition, we continue to monitor the spread of new variants, including the pandemic’s recent emergence of the Delta variant, which appears to be the most transmissible variant to date and has resulted in an increase in cases in the United States and globally. As cases rise, mask mandates, social-distancing, travel restrictions and stay-at-home orders could be reinstated. The impact of the Delta variant cannot be predicted at this time, and could depend on numerous factors, including vaccination rates among the population, the effectiveness of COVID-19 vaccines against the Delta variant and the response by governmental bodies and regulators. An extended period of economic disruption could have a material adverse impact on our business, results of operations, access to sources of liquidity and overall financial condition.

Key Metrics

The following key metrics are important indicators of the overall direction of our business, including trends in sales and the effectiveness of our marketing, operating, and growth initiatives:

	<u>Successor</u> <u>Three Months</u> <u>Ended</u> <u>June 30,</u> <u>2021</u>	<u>Predecessor</u> <u>Three Months</u> <u>Ended</u> <u>June 30,</u> <u>2020</u>	<u>Successor</u> <u>Six Months</u> <u>Ended</u> <u>June 30,</u> <u>2021</u>	<u>Predecessor</u> <u>Six Months</u> <u>Ended</u> <u>June 30,</u> <u>2020</u>
<i>(in thousands except for percentage data)</i>				
Systemwide Restaurant Sales	\$ 44,194	\$ 27,076	\$ 84,013	\$ 60,591
Systemwide Restaurant Sales Growth	63 %	(20)%	39 %	(9)%
Systemwide Restaurant Same Store Sales Growth	44 %	(20)%	20 %	(10)%
Corporate Restaurant Sales	\$ 8,730	\$ 5,279	\$ 16,873	\$ 11,068
Corporate Restaurant Sales Growth	65 %	(5)%	53 %	(1)%
Corporate Restaurant Same Store Sales Growth	39 %	(15)%	24 %	(11)%
Digital Channel Systemwide Sales	\$ 17,299	\$ 15,491	\$ 34,899	\$ 23,727
Digital Channel Sales Growth	12 %	119 %	47 %	75 %
Digital Channel Orders	666	597	1,346	953
Digital Channel Orders % of Systemwide Sales	39 %	57 %	42 %	39 %

Systemwide Restaurant Sales

Systemwide restaurant sales is presented as informational data in order to understand the aggregation of franchised stores sales, ghost kitchen and corporate-owned store sales performance. Systemwide restaurant sales growth refers to the percentage change in sales at all franchise restaurants, ghost kitchens and corporate-owned restaurants in one period from the same period in the prior year. Systemwide restaurant same store sales growth refers to the percentage change in sales at all franchise restaurants, ghost kitchens, and corporate-owned restaurants once the restaurant has been in operation after 14 months. See definition below for same store sales.

Corporate-Owned Restaurant Sales

Corporate-owned restaurant sales represent the sales generated by corporate-owned restaurants. Corporate-owned restaurant sales growth refers to the percentage change in sales at all corporate-owned restaurants in one period from the same period in the prior year. Corporate-owned restaurant same stores sales growth refers to the percentage change in sales at all corporate-owned restaurants once the restaurant has been in operation after 14 months. These measures highlight the performance of existing corporate restaurants.

Same Store Sales

We use the measure of same store sales to evaluate the performance of our store base, which excludes the impact of new stores and closed stores, in both periods under comparison. We include a restaurant in the calculation of same store sales once it has been in operation after 14 months. A restaurant which is temporarily closed (including as a result of the COVID-19 pandemic), is included in the same store sales computation. A restaurant which is closed permanently, such as upon termination of the lease, or other permanent closure, is immediately removed from the same store sales computation. Our calculation of same store sales may not be comparable to others in the industry.

Digital Channel Systemwide Sales

We use the measure of digital channel systemwide sales to measure performance of our investments made in our digital platform and partnerships with third party delivery partners. We believe our digital platform capabilities are a vital element to continuing to serve our customers and will continue to be a differentiator for BurgerFi as compared to some of our competitors. Digital channel systemwide sales refer to sales generated through the use of digital platforms across all our franchise and corporate-owned restaurants. Digital channel sales growth refers to the percentage change in sales through our digital platforms in one period from the same period in the prior year for all franchise and corporate-owned restaurants. Digital channel orders and digital channel orders as a percentage of systemwide sales are indicative of the number of orders placed through our digital platforms and the percentage of those digital orders when compared to total number of orders at all our franchise and corporate restaurants

By providing these key metrics, we believe we are enhancing investors' understanding of our business as well as assisting investors in evaluating how well we are executing our strategic initiatives.

Results of Operations

To reflect the application of different bases of accounting as a result of the business combination transaction (the “Business Combination”) pursuant to which Opes Acquisition Corp. acquired the private operating company formerly called BurgerFi International, LLC and changed its name to BurgerFi International, Inc., the tables provided below separate the Company’s results via a black line into two distinct periods as follows: (1) three and six months ended June 30, 2020 (labeled “Predecessor”) and (2) three and six months ended June 30, 2021 (labeled “Successor”).

The historical financial information of Opes Acquisition Corp. prior to the Business Combination (a special purpose acquisition company, or “SPAC”) has not been reflected in the Predecessor financial statements as these historical amounts have been determined to be not useful information to a user of the financial statements. SPACs deposit the proceeds from their initial public offerings into a segregated trust account until a business combination occurs, where such funds are then used to pay consideration for the acquiree and/or to pay stockholders who elect to redeem their shares of common stock in connection with the business combination. The operations of a SPAC, until the closing of a business combination, other than income from the trust account investments and transaction expenses, are nominal. Accordingly, no other activity in the Company was reported for periods prior to December 16, 2020 besides BurgerFi’s operations as Predecessor.

As Opes Acquisition Corp.’s historical financial information is excluded from the Predecessor financial information, the business, and thus financial results, of the Successor and Predecessor entities, are expected to be largely consistent, excluding the impact on certain financial statement line items that were impacted by the Business Combination.

	Successor	Predecessor	Successor	Predecessor
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
<i>(in thousands)</i>				
REVENUE				
Restaurant sales	\$ 8,983	\$ 5,597	\$ 17,379	\$ 11,640
Royalty and other fees	2,164	1,221	4,079	2,917
Royalty - brand development and co-op	545	234	1,056	651
Franchise fees	90	98	198	199
TOTAL REVENUE	11,782	7,150	22,712	15,407
Restaurant level operating expenses:				
Food, beverage and paper costs	2,693	1,766	5,115	3,588
Labor and related expenses	2,342	1,342	4,484	2,986
Other operating expenses	2,174	1,248	3,969	2,359
Occupancy and related expenses	788	677	1,561	1,246
General and administrative expenses	3,562	1,252	6,539	2,785
Pre-opening costs	502	47	628	106
Share-based compensation expense	2,595	—	3,117	—
Depreciation and amortization expense	2,171	252	4,279	496
Brand development and co-op advertising expense	651	439	1,373	907
TOTAL OPERATING EXPENSES	17,478	7,023	31,065	14,473
OPERATING (LOSS) INCOME	(5,696)	127	(8,353)	934
Other income	2,128	—	2,242	—
Gain on change in value of warrant liability	12,619	—	7,673	—
Interest expense	(33)	(57)	(41)	(87)
Income before income taxes	9,018	70	1,521	847
Income tax expense	(27)	—	(740)	—
Net Income	8,991	70	781	847
Net Income Attributable to Non-Controlling Interests (predecessor)	—	11	—	16
Net Income Attributable to common shareholders (successor) and Controlling Interests (predecessor)	\$ 8,991	\$ 59	\$ 781	\$ 831

Comparison of the three months ended June 30, 2021 and June 30, 2020

Restaurant Sales

For the three months ended June 30, 2021, the Company's restaurant sales increased by approximately \$3.4 million or 60% compared to the three months ended June 30, 2020. This increase was primarily related to restaurant sales of \$1.3 million from six new corporate owned restaurants since the period ending June 30, 2020 and an increase in same store sales of 39% during the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. Same store sales increases were driven by higher average transaction values, the introduction of our SWAG burger in March 2021 and was also supported by the Company's digital channel sales growth during the three months ended June 30, 2021.

Royalty and Other Fees

Royalty and other fees increased by approximately \$0.9 million, or 77% for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020 which was primarily driven by an increase in royalty fees from an increase in our franchisees' same store sales of 45%.

Royalties – Brand Development and Co-op

Royalties – brand development ad co-op advertising increased by approximately \$0.3 million, or 133% for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. This increase was primarily due to the temporary suspension of our brand development program for our franchisees in March 2020 as a result of the COVID-19 outbreak and an increase in our franchisees' same store sales for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020.

Franchise Fees

Franchise fees decreased by approximately \$8,000, or 8% for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. This decrease primarily relates to additional franchise fees recognized for terminated franchises during the three months ended June 30, 2020.

Restaurant Level Operating Expenses

Restaurant level operating expenses are follows:

	Successor Three Months Ended June 30, 2021		Predecessor Three Months Ended June 30, 2020	
	In dollars	As a percentage of restaurant sales	In dollars	As a percentage of restaurant sales
Food, beverage and paper costs	\$ 2,693	30.0 %	\$ 1,766	31.6 %
Labor and related expenses	\$ 2,342	26.1 %	\$ 1,342	24.0 %
Other operating expenses	\$ 2,174	24.2 %	\$ 1,248	22.3 %
Occupancy and related expenses	\$ 788	8.8 %	\$ 677	12.1 %

Food, Beverage and Paper Costs

Food, beverage, and paper costs increased by approximately \$0.9 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. This is due primarily to the operating of five new corporate owned restaurants since the period ended June 30, 2020. As a percentage of corporate restaurant sales, food, beverage, and paper costs were 30.0% for the three months ended June 30, 2021 as compared to 31.6% for the three months ended June 30, 2020. The 160 basis points decrease primarily resulted from a change in our sales mix during the three months ended June 30, 2021.

Labor and Related Expenses

Labor and related expenses increased by approximately \$1.0 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. This increase was due primarily to operating five new corporate owned restaurants during the three months ended June 30, 2021 as compared to the three months ended June 30, 2020, along with less employees in our corporate owned restaurants in the month of March 2020 as a result of temporary closures. As a percentage of corporate restaurant sales, labor and related expenses were 26.1% for the three months ended June 30, 2021 versus 24.0% for the three months ended June 30, 2020. This increase of 210 basis points primarily related to increased labor costs experienced in our stores as compared to that of the prior period as a result of temporary closures in the month of March 2020.

Other Operating Expenses

Other operating expenses increased by approximately \$0.9 million for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. This increase was primarily due to the five new corporate owned restaurants opened and operating since June 30, 2020, as well as an increase in delivery fees due to the significant increase in delivery business resulting from the COVID-19 outbreak in 2020.

As a percentage of total corporate restaurant sales, other operating expenses were 24.2% and 22.3% of total restaurant sales for the three months ended June 30, 2021 and 2020, respectively. The increase of 190 basis points during the three months ended June 30, 2021 was primarily due to increased kitchen supplies, credit card fees, and software fees to support our growing digital channel program.

Occupancy and Related Expenses

Occupancy and related expenses increased by approximately \$0.1 million during the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. This is due primarily to the operating of five new corporate owned restaurants since the period ended June 30, 2020. The decrease of 330 basis points as a percentage of sales is due to the sales increases during the period, creating leverage on occupancy costs which are primarily fixed in nature.

General and Administrative Expenses

General and administrative expenses increased by approximately \$2.3 million during the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. The increase was primarily driven by an increase in merger and acquisition related expenses of \$0.9 million, increased legal, professional, and insurance fees of \$0.9 million, and labor costs of \$0.5 million during the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. Many of these increases were a result of operating a public company beginning in December 2020 as well as the infrastructure costs to support the increased development of our restaurants.

Share-Based Compensation Expense

Share-based compensation expense was \$2.6 million for the three months ended June 30, 2021 primarily as a result of restricted stock unit awards under the Company's 2020 Stock Incentive Plan. There were no such awards for the period ended June 30, 2020.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by approximately \$1.9 million during the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. \$1.8 million of this increase was due to the amortization of intangible assets during the three months ended June 30, 2021. These intangible assets were acquired in connection with the Business Combination in December 2020.

Brand Development and Co-op Advertising Expense

Brand development and co-op advertising expense increased by approximately \$0.2 million, or 48% for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. This is primarily due to the Company's increased spending on media production for BurgerFi commercials during the three months ended June 30, 2021 as compared to the three months ended June 30, 2020 when there was a temporary suspension of marketing and media spend.

Warrant liability

The Company recorded a non-cash gain of approximately \$12.7 million during the three months ended June 30, 2021 related to change in the fair value of the warrant liability since March 31, 2021.

Other Income

Other income increased by approximately \$2.1 million for the three months ended June 30, 2021 primarily as a result of a debt forgiveness on our remaining PPP loans (as defined below).

Interest Expense

Interest expense decreased by approximately \$24,000 during the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. This was primarily due to the termination of our line of credit in January 2021 and repayment of certain notes payable in December 2020.

Income Taxes

For the three months ended June 30, 2021, the Company recorded income tax expense of \$27,000 as a result of a deferred tax liability for tax goodwill amortization. This resulted in an effective tax rate of approximately 0.3%.

Prior to the Business Combination, the Predecessor had elected to be taxed as a partnership under the provisions of the Internal Revenue Code and similar state provisions. Therefore, there was no income tax recorded by the Company for the comparable Predecessor period from January 1, 2020 to June 30, 2020.

Comparison of the six months ended June 30, 2021 and June 30, 2020

Restaurant Sales

For the six months ended June 30, 2021, the Company's restaurant sales increased by approximately \$5.7 million or 49% compared to the six months ended June 30, 2020. This increase was primarily related to restaurant sales of \$2.2 million from six new corporate owned restaurants since the period ending June 30, 2020 and an increase in same store sales of 24% during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. Same store sales increases were supported by higher transaction values and the Company's digital channel sales growth during the six months ended June 30, 2021.

Royalty and Other Fees

Royalty and other fees increased by approximately \$1.2 million, or 40% for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020 which was primarily driven by an increase in royalty fees from an increase in our franchisees' sales. Year-to-date total franchise same store sales increased by approximately 20% as compared to that of the prior period.

Royalties – Brand Development and Co-op

Royalties – brand development ad co-op advertising increased by approximately \$0.4 million, or 62% for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This increase was primarily due to the temporary suspension of our brand development program for our franchisees in March 2020 as a result of the COVID-19 outbreak and an increase in our franchisees' sales for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020.

Franchise Fees

Franchise fees decreased by approximately \$1,000, or 1% for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This decrease primarily relates to additional franchise fees recognized for terminated franchises during the six months ended June 30, 2020.

Restaurant Level Operating Expenses

Restaurant level operating expenses are follows:

	Successor Six Months Ended June 30, 2021		Predecessor Six Months Ended June 30, 2020	
	In dollars	As a percentage of restaurant sales	In dollars	As a percentage of restaurant sales
Food, beverage and paper costs	\$ 5,115	29.4 %	\$ 3,588	30.8 %
Labor and related expenses	\$ 4,484	25.8 %	\$ 2,986	25.7 %
Other operating expenses	\$ 3,969	22.8 %	\$ 2,359	20.3 %
Occupancy and related expenses	\$ 1,561	9.0 %	\$ 1,246	10.7 %

Food, Beverage and Paper Costs

Food, beverage, and paper costs increased by approximately \$1.5 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This was primarily due to the operating of five new corporate owned restaurants during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. As a percentage of corporate restaurant sales, food, beverage, and paper costs were 29.4% for the six months ended June 30, 2021 as compared to 30.8% for the six months ended June 30, 2020. The 140 basis points decrease primarily resulted from a change in our sales mix during the six months ended June 30, 2021.

Labor and Related Expenses

Labor and related expenses increased by approximately \$1.5 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. This increase was due primarily to operating five new corporate owned restaurants during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020, along with less employees in our corporate owned restaurants in the month of March 2020. As a percentage of corporate restaurant sales, labor and related expenses were 25.8% for the six months ended June 30, 2021 versus 25.7% for the six months ended June 30, 2020. The 10 basis points increase was primarily related to increased labor costs as compared to that of the prior period as a result of temporary closures in the month of March 2020.

Other Operating Expenses

Other operating expenses increased by approximately \$1.6 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This increase was primarily due to the five new corporate owned restaurants opened and operating since June 30, 2020, as well as an increase in delivery fees due to the significant increase in delivery business resulting from the COVID-19 outbreak in 2020.

As a percentage of total corporate restaurant sales, other operating expenses were 22.8% and 20.3% of total restaurant sales for the six months ended June 30, 2021 and 2020, respectively. The increase of 250 basis points during the six months ended June 30, 2021 was primarily due to the increase in delivery fees due to the significant increase in delivery business resulting from the COVID-19 outbreak in 2020, and software fees to support our growing digital channel program.

Occupancy and Related Expenses

Occupancy and related expenses increased by approximately \$0.3 million during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. The increase is due primarily to the operating of five new corporate owned restaurants since the period ended June 30, 2020. The decrease of 170 basis points as a percentage of sales is due to the sales increases during the period, creating leverage on occupancy costs which are primarily fixed in nature.

General and Administrative Expenses

General and administrative expenses increased by approximately \$3.8 million during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. The increase was primarily driven by an increase in merger and acquisition related expenses of \$0.9 million, increased legal, professional, and insurance fees of \$2.2 million, and labor costs of \$0.7 million during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. Many of these increases were a result of operating a public company beginning in December 2020 as well as the infrastructure costs to support the increased development of our restaurants.

Share-Based Compensation Expense

Share-based compensation expense was \$3.1 million for the six months ended June 30, 2021 primarily as a result of restricted stock unit awards under the Company's 2020 Stock Incentive Plan. There were no such awards for the period ended June 30, 2020.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by approximately \$3.8 million during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. \$3.6 million of this increase was due to the amortization of intangible assets during the six months ended June 30, 2021. These intangible assets were acquired in connection with the Business Combination in December 2020.

Brand Development and Co-op Advertising Expense

Brand development and co-op advertising expense increased by approximately \$0.5 million, or 51% for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This is primarily due to the Company's increased spending on media production for BurgerFi commercials during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020 when there was a temporary suspension of marketing and media spend.

Warrant liability

The Company recorded a non-cash gain of approximately \$7.7 million during the six months ended June 30, 2021 related to change in the fair value of the warrant liability since December 31, 2020.

Other Income

Other income increased by approximately \$2.2 million for the six months ended June 30, 2021 primarily as a result of a debt forgiveness on all of our PPP loans (as defined below).

Interest Expense

Interest expense decreased by approximately \$46,000 during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. This was primarily due to the termination of our line of credit in January 2021 and repayment of certain notes payable in December 2020.

Income Taxes

For the six months ended June 30, 2021, the Company recorded income tax expense of \$0.7 million, primarily as a result of a valuation allowance on the Company's deferred tax assets. This resulted in an effective tax rate of approximately 48.7%.

Prior to the Business Combination, the Predecessor had elected to be taxed as a partnership under the provisions of the Internal Revenue Code and similar state provisions. Therefore, there was no income tax recorded by the Company for the comparable Predecessor period from January 1, 2020 to June 30, 2020.

Non-U.S. GAAP Financial Measures

As appropriate, we supplement our reported U.S. GAAP financial information with certain non-U.S. GAAP financial measures, including earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA"). We define Adjusted EBITDA as net income (loss) before the change in value of warrant liability, interest expense, income tax expense, depreciation and amortization, share-based compensation expense, pre-opening costs, Payroll Protection Loan forgiveness, loss on disposal of property and equipment, legal settlements, and merger and acquisition costs.

We use Adjusted EBITDA to evaluate our performance, both internally and as compared with our peers, because this measure excludes certain items that may not be indicative of our core operating results, as well as items that can vary widely across different industries or among companies within the same industry. We believe that this adjusted measure provides a baseline for analyzing trends in our underlying business. Share-based compensation expense can be subject to volatility from changes in the market price per share of our common stock or variations in the value and number of shares granted. We exclude depreciation and amortization from

our adjusted measure due to its non-operational nature. We also believe this presentation is common practice in our industry and improves comparability of our results with those of our peers, although each company's definitions of adjusted measures may vary as they are not standardized and should be used in light of the provided reconciliations.

We believe that this non-U.S. GAAP financial measure provides meaningful information and help investors understand our financial results and assess our prospects for future performance. Because non-U.S. GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-U.S. GAAP financial measures having the same or similar names. These financial measures should not be considered in isolation from, as substitutes for, or alternative measures of, reported net income or diluted earnings per share, and should be viewed in conjunction with the most comparable U.S. GAAP financial measures and the provided reconciliations thereto. We believe this non-U.S. GAAP financial measure, when viewed together with our U.S. GAAP results and the related reconciliations, provides a more complete understanding of our business. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not rely on any single financial measure.

Below is a reconciliation of Non-GAAP Adjusted EBITDA to the most directly comparable GAAP measure, net income:

	<u>Successor</u>	<u>Predecessor</u>	<u>Successor</u>	<u>Predecessor</u>
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
<i>(in thousands)</i>				
Net Income Attributable to Common Shareholders (successor) and Controlling Interests (predecessor)	\$ 8,991	\$ 59	\$ 781	\$ 831
Gain on change in value of warrant liability	(12,619)	-	(7,673)	-
Interest expense	33	57	41	87
Income tax expense	27	-	740	-
Depreciation and amortization expense	2,171	252	4,279	496
Share-based compensation expense	2,595	-	3,117	-
Pre-opening costs	502	47	628	106
PPP loan gain	(2,123)	-	(2,237)	-
Loss on disposal of property and equipment	9	-	9	-
Legal settlements	211	-	411	-
M&A	469	39	898	39
Adjusted EBITDA	<u>\$ 266</u>	<u>\$ 454</u>	<u>\$ 994</u>	<u>\$ 1,559</u>

Liquidity, Capital Resources, and COVID-19

Our primary sources of liquidity are cash from operations and cash on hand. At June 30, 2021, we maintained a cash balance of approximately \$34.8 million.

Our primary requirements for liquidity are to fund our working capital needs, operating and finance lease obligations, capital expenditures and general corporate needs. Our requirements for working capital are generally not significant because our guests pay for their food and beverage purchases in cash or on debit or credit cards at the time of the sale and we are able to sell many of our inventory items before payment is due to the supplier of such items. Our capital expenditures are principally related to opening new BurgerFi restaurants, existing BurgerFi capital investments (both for remodels and maintenance), as well as investments in our digital and corporate infrastructure.

We believe our existing cash will be sufficient to fund our operating and finance lease obligations, capital expenditures, and working capital needs for at least the next 12 months and the foreseeable future.

On January 30, 2020, the WHO announced a global health emergency because of the COVID-19 outbreak and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law. As a result of the required changes to consumer behavior to largely off-premises dining, as well as promotional activities associated with delivery, we experienced steady recovery in the business during the

second quarter of 2021. During the second quarter of fiscal year 2021, systemwide same store sales increased 44% compared to the same period last year.

We did not experience any material supply chain difficulties as a result of COVID-19; however, there can be no assurance that we will not experience supply chain challenges in the future. Although we have experienced some recovery since the initial impact of the COVID-19 outbreak and are currently able to meet our obligations as they become due with our cash flow from operations, the long-term impact of the COVID-19 outbreak on the economy and on our business remains uncertain, the duration and scope of which cannot currently be predicted. In addition, we continue to monitor the spread of new variants, including the pandemic's recent emergence of the Delta variant, as described above.

We are currently able to pay our obligations as they become due, with our current cash balance and cash flow generated from operations. We are constructing additional restaurants and are committed to certain construction payment obligations within the next 12 months. The total amount currently due on these contracts is approximately \$1,650,000. We expect capital expenditures to be approximately \$15 million during the remainder of 2021. We are also a guarantor for six operating leases for franchised restaurants owned by an affiliated entity of one of our significant shareholders. We may become responsible for the payments under this guarantee. We have determined that the maximum exposure to loss from the lease guarantees amounts to approximately \$5,847,000 as of June 30, 2021.

We believe that we will be able to pay these commitments from our cash generated from operations and our current cash balance. Should federal, state or municipal government authorities impose mandatory restrictions in excess of what they currently are, we believe that our current cash balance will allow us the liquidity to meet these commitments.

The following table presents the summary cash flow information for the periods indicated:

	Successor Six Months Ended June, 2021	Predecessor Six Months Ended June 30, 2020
Net cash provided by (used in)		
Operating activities	\$ 1,254	\$ 2,389
Investing activities	(3,839)	(2,480)
Financing activities	(3,041)	3,173
Net (decrease) increase in cash	\$ (5,626)	\$ 3,082

Cash Flows Provided by Operating Activities

During the six months ended June 30, 2021, cash flows provided by operating activities were approximately \$1.3 million. The cash flows provided by operating activities resulted from net income of \$0.8 million and a net working capital increase of approximately \$2.3 million. Our working capital increase was due primarily to an increase in accounts payable and accrued expenses as well as a decrease in other assets. Our accounts payable increase was primarily due to our opening five new corporate owned restaurants and construction of additional restaurants during the six months ended June 30, 2021.

Cash Flows Used in Investing Activities

During the six months ended June 30, 2021, cash flows used in investing activities were approximately \$3.8 million due to the construction and development of new corporate owned restaurants. During the six months ended June 30, 2021 the Company opened five new corporate owned restaurants and had two corporate owned restaurants under construction.

Cash Flows Used in Financing Activities

During the six months ended June 30, 2021 cash flows used in financing activities were \$3.0 million primarily due to the termination and repayment of our line of credit in the amount of \$3.0 million.

PPP Loans

In May 2020, we entered into notes with Pilot Bank, under the CARES Act (the "PPP Loans") pursuant to which Pilot Bank made loans to us in the aggregate amount of approximately \$2.2 million. The PPP Loans were forgiven as of June 30, 2021.

Critical Accounting Policies and Use of Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about items that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Except as described in Note 2, "Basis of Presentation," to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, there have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates disclosed in the 2020 Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within 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 us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on management’s evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures continued to not be effective as of June 30, 2021, as a result of the material weakness described below.

Previously Reported Material Weakness in Internal Control Over Financial Reporting

In the 2020 Form 10-K, filed with the SEC on April 29, 2021, management concluded that our internal control over financial reporting was not effective as of December 31, 2020. In the evaluation, management identified a material weakness in internal control related to our financial close and reporting process. Management also concluded that we did not have a sufficient complement of corporate personnel with appropriate levels of accounting and controls knowledge and experience commensurate with our financial reporting requirements to appropriately analyze, record and disclose accounting matters completely and accurately. As a result of this evaluation, management extensively used outside consultants who possessed the appropriate levels of accounting and controls knowledge.

Remediation Plan for Material Weakness in Internal Control over Financial Reporting

Our remediation efforts for these material weaknesses currently consist of the following:

- we hired a new Chief Financial Officer effective May 3, 2021;
- we have hired and are actively recruiting additional personnel to address the segregation of duties issues and the application of accounting standards in our financial closing and reporting process;
- we have engaged external advisors to provide financial accounting and reporting assistance; and
- we have engaged external advisors to evaluate and document the design and operating effectiveness of our internal control over financial reporting and assist with the remediation and implementation of our internal control function.

We will continue to assess our internal control over financial reporting and our disclosure controls and procedures and intend to take further action as necessary or appropriate to address any other matters we identify. The actions we have taken and will continue to take are subject to continued review, supported by confirmation and testing by management as well as audit committee oversight. While we have a plan to remediate the identified material weaknesses, we cannot assure you that we will be able to remediate these material weaknesses, which could impair our ability to accurately and timely report our financial position, results of operations or cash flows. Moreover, a failure to remediate these material weaknesses identified above or the identification of additional material weaknesses, could adversely affect our external financial reporting, and with that, confidence in our public disclosures, our stock price, and our ability to maintain compliance with Nasdaq listing requirements.

Notwithstanding the foregoing, having given full consideration to the material weaknesses described above, we have concluded that the financial statements and other financial information included in this quarterly report fairly present in all material respects our financial condition, results of operations, and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

Changes in Internal Control over Financial Reporting

Other than as described above, there has been no change in our internal control over financial during the three months ended June 30, 2021 that has materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material changes to our legal proceedings disclosed in the 2020 Form 10-K.

ITEM 1A. RISK FACTORS

Our business, financial condition, operating results, and cash flows may be impacted by a number of factors, many of which are beyond our control, including those set forth in the 2020 Form 10-K, the occurrence of any one of which could have a material adverse effect on our actual results.

Except as set forth below, there have been no material changes to the risk factors disclosed in the 2020 Form 10-K.

Our business could be adversely affected by the Delta variant of COVID-19.

The global health crisis caused by the novel coronavirus COVID-19 pandemic and its resurgences has and may continue to negatively impact global economic activity, which, despite progress in vaccination efforts, remains uncertain and cannot be predicted with confidence. In addition, a new Delta variant of COVID-19, which appears to be the most transmissible variant to date, has begun to spread globally and, in the United States, COVID-19 cases have increased significantly. Public health officials and medical professionals have warned that COVID-19 cases may continue to spike, particularly if vaccination rates do not quickly increase or if additional, potent disease variants emerge. It is unclear how long the resurgence will last, how severe it will be, and what safety measures governments will impose in response to it. As cases rise, mask mandates, social-distancing, travel restrictions and stay-at-home orders could be reinstated. Even before the recent increases in cases, many individuals remained cautious about resuming activities. The impact of the Delta variant cannot be predicted at this time, and could depend on numerous factors, including vaccination rates among the population, the effectiveness of COVID-19 vaccines against the Delta variant and the response by governmental bodies and regulators. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the impact of the COVID-19 pandemic on our business. An extended period of economic disruption could have a material adverse impact on our business, results of operations, access to sources of liquidity and overall financial condition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 6. EXHIBITS

The Exhibit Index below contains a list of exhibits filed or furnished with this Form 10-Q.

Exhibit No.	Description
10.1+	Employment Agreement between the Company and Ross Goldstein (Incorporated by reference to Exhibit 10.15 to the registrant's Annual Report on Form 10-K filed by the registrant on April 29, 2021).
31.1*	Certifications required by Section 302(a) of the Sarbanes-Oxley Act of 2002.
31.2*	Certifications required by Section 302(a) of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications required by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certifications required by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase
104 The cover page from the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2021 has been formatted in Inline XBRL.
* Filed herewith.
** Furnished herewith.
+ Indicates a management contract or a compensatory plan or agreement.

SIGNATURES

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

Date: August 12, 2021

BURGERFI INTERNATIONAL, INC.

By: /s/ JULIO RAMIREZ

Julio Ramirez
Chief Executive Officer
(Principal Executive Officer)

By: /s/ MICHAEL RABINOVITCH

Michael Rabinovitch
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATIONS REQUIRED BY SECTION 302(A)
OF SARBANES-OXLEY ACT OF 2002**

I, Julio Ramirez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BurgerFi International, 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly 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 quarterly 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 quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2021

By: /s/ Julio Ramirez
Julio Ramirez
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATIONS REQUIRED BY SECTION 302(A)
OF SARBANES-OXLEY ACT OF 2002**

I, Michael Rabinovitch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BurgerFi International, 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly 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 quarterly 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 quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2021

By: /s/ Michael Rabinovitch
Michael Rabinovitch
Chief Financial Officer
(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report of BurgerFi International, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Julio Ramirez, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Date: August 12, 2021

By: /s/ Julio Ramirez

Julio Ramirez
Chief Executive Officer
(Principal Executive Officer)

The certification set forth above is being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Quarterly Report on Form 10-Q for the period ended June 30, 2021, or as a separate disclosure document of the Company or the certifying officers.

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

In connection with the Quarterly Report of BurgerFi International, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Rabinovitch, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

Date: August 12, 2021

By: /s/ Michael Rabinovitch

Michael Rabinovitch
Chief Financial Officer
(Principal Financial and Accounting Officer)

The certification set forth above is being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Quarterly Report on Form 10-Q for the period ended June 30, 2021, or as a separate disclosure document of the Company or the certifying officers.