

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

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2026

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 001-40014

ALLIANCE ENTERTAINMENT HOLDING CORPORATION

(Exact name of Registrant as specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

8201 Peters Road, Suite 1000
Plantation, FL 33324

85-2373325

(I.R.S. Employer
Identification No.)

Registrant's telephone number, including area code: (954) 255-4000

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

Title:	Trading Symbol	Name of Exchange on which registered
Class A common stock, par value \$0.0001 per share	AENT	The Nasdaq Stock Market LLC
Redeemable warrants, exercisable for shares of Class A common stock at an exercise price of \$11.50 per share	AENTW	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

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 definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐

Non-accelerated filer ☒

Accelerated filer ☐

Smaller reporting company ☒

Emerging growth company ☐

If an emerging growth company, indicate by the 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. YES ☐ NO ☐

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the Registrant's shares of Class A common stock outstanding, other than shares held by persons who may be deemed affiliates of the Registrant, at December 31, 2025, was \$27,062,514.

As of September 10, 2026, 50,979,630 shares of Class A common stock, par value \$0.0001 per share, and 60,000,000 shares of contingent¹ Class E common stock, par value \$0.0001

per share, were issued and outstanding.

Documents Incorporated by Reference: None.

¹ The 60 million contingent Class E shares are set aside in an escrow account as additional consideration contingent on triggering events occurring within 10 years after the Merger

TABLE OF CONTENTS

	Page
Part I.	
Item 1. Business	1
Item 1A. Risk Factors.	12
Item 1B. Unresolved Staff Comments.	41
Item 1C. Cybersecurity	41
Item 2. Properties	41
Item 3. Legal Proceedings	41
Item 4. Mine Safety Disclosure	42
Part II.	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	43
Item 6. [Reserved]	43
Item 7. Management’s Discussion and Analysis Of Financial Condition and Results Of Operations	43
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	56
Item 8. Financial Statements and Supplementary Data	56
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	56
Item 9A. Controls and Procedures	56
Item 9B. Other Information.	57
Part III.	
Item 10. Directors, Executive Officers and Corporate Governance.	57
Item 11. Executive Compensation.	63
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	69
Item 13. Certain Relationships and Related Transactions.	70
Item 14. Principal Accountant Fees and Services.	72
Part IV.	
Item 15. Exhibits, Financial Statement Schedules.	72
Item 16. Form 10-K Summary.	75
SIGNATURES	76

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K may constitute “forward-looking statements” under federal securities laws. Our forward-looking statements include, but are not limited to, statements about us and our industry, as well as statements regarding our or our management team’s expectations, hopes, beliefs, intentions or strategies regarding the future. These forward-looking statements include information concerning possible or projected future results of our operations, including statements about potential acquisition or merger targets, strategies or plans; business strategies; prospects; future cash flows; financing plans; plans and objectives of management; any other statements regarding future cash needs, future operations, business plans and future financial results; and any other statements that are not historical facts. Forward-looking statements often include words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “potential,” “will,” and similar expressions. However, the absence of these words does not mean a statement is not forward-looking.

Forward-looking statements should not be read as a guarantee of future performance or results and may not be accurate indications of when such performance or results will be achieved. These statements are based on our current expectations, forecasts, and assumptions and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied. These risks include, but are not limited to:

- Risks related to market acceptance and growth opportunities.
- Potential changes in laws or regulations.
- Supply chain disruptions and increased costs.
- Dependence on key suppliers and customers.
- Risks related to our significant indebtedness and compliance with debt covenants.
- Litigation and regulatory risks.
- Economic factors such as inflation and interest rates.
- Challenges in retaining key personnel.
- Cybersecurity threats and IT infrastructure issues.
- Environmental, safety, and product liability concerns.
- Risks related to potential acquisitions.
- Changes in U.S. tax laws.
- Risks related to international trade policies and tariffs.

These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that could cause our actual results, levels of activity, performance or achievement to differ materially from those expressed or implied by these forward-looking statements. We discuss in greater detail and incorporate by reference into this annual report in their entirety, many of these risks and uncertainties under the heading “Risk Factors” contained in this annual report and in the documents incorporated by reference herein. Moreover, we operate in a rapidly changing and competitive environment. New risk factors emerge from time to time, and it is not possible for management to predict all such risk factors.

Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely upon these statements.

Further, it is not possible to assess the effect of all risk factors on our businesses or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, we caution investors not to place undue reliance on these forward-looking statements, which are based on information available as of the date of this filing. We are not obligated to update these statements to reflect new information or future events, except as required by law.

PART I

Item 1. Business.

Alliance Entertainment is a leading global distributor and retailer of physical entertainment and collectible products, including vinyl records, CDs, DVDs, Blu-rays, video games, electronics, and licensed fan merchandise. The Company's unique position in the entertainment ecosystem is supported by a diverse portfolio of direct-to-consumer brands, including Critics' Choice Video, Collectors' Choice Music, Movies Unlimited, DeepDiscount, PopMarket, Blowitoutahere, Fulfillment Express, ImportCDs, GamerCandy, and WowHD.

Alliance connects top content creators, including Universal Pictures, Warner Bros. Home Video, Walt Disney Studios, Sony Pictures, Lionsgate, Paramount Pictures, Universal Music Group, Sony Music, Warner Music Group, Microsoft, Nintendo, Take-Two, Electronic Arts, Ubisoft, and Square Enix with leading retailers such as Walmart, Amazon, Best Buy, Barnes & Noble, Wayfair, Costco, Dell, Verizon, Kohl's, Target, and Shopify. Through its multi-channel distribution model, the Company serves more than 35,000 retail locations and approximately 200 online storefronts across more than 75 countries.

The Company's operations are supported by advanced warehouse automation and scalable logistics infrastructure, enabling Alliance to offer a broad product selection, high in-stock availability, and fast fulfillment across over 340,000 SKUs. These include core physical media as well as toys, figures, limited-edition collectibles, and licensed memorabilia. Alliance also provides third-party logistics (3PL) and drop-ship fulfillment capabilities for major brands and retailers.

To support its recent strategic expansion into collectibles and fan-focused categories, Alliance recently launched three new divisions:

- **Alliance Home Entertainment**, the exclusive distributor of Paramount Pictures' physical media content as of January 1, 2025, and of Amazon MGM Studios' physical media content as of January 1, 2026, offering full-service support across production, marketing, and retail execution.
- **Handmade by Robots**, In December 2024, the Company acquired **Handmade by Robots** ("HMBR"), a designer of licensed vinyl collectible figures, for approximately \$7.55 million in a transaction accounted for as a business combination under ASC 805. See Note 16 – Business Combinations and Asset Purchase.
- **Alliance Authentic**, a new division focused on licensed collectibles and branded merchandise, including partnerships with Handmade by Robots, Master Replicas, and Wētā Workshop.

Alliance's competitive advantage is driven by its commitment to three pillars, Service, Selection, and Technology, which enable the Company to serve as a trusted partner across the entertainment and collectibles landscape.

Founded in 1990 (formerly CD Listening Bar, Inc.), Alliance has grown through organic expansion and sixteen accretive acquisitions, including Phantom Sound and Vision, MSI Music, Infinity Resources, ANconnect, Mecca Electronics, Distribution Solutions, Mill Creek, COKeM, Think3Fold, and Super D (Alliance Entertainment). This growth is supported by the Company's scalable operating platform and experienced management team.

On December 31, 2025, the Company completed the acquisition of Endstate Authentic LLC ("Endstate"), a digital authentication and loyalty-driven consumer brand. The transaction was accounted for as a business combination under ASC 805. Accordingly, the assets acquired and liabilities assumed have been recorded at their estimated fair values as of the acquisition date. Results of operations for Endstate are included in the Company's consolidated financial statements beginning on the acquisition date. Additional information related to this acquisition is provided in Note 22 – Business Combinations.

On February 10, 2023, Alliance completed its business combination with Adara Acquisition Corp., which was accounted for as a reverse recapitalization with Alliance treated as the accounting acquirer (the "Merger"). The Company continues to recognize certain warrant and equity-related impacts from this transaction, including the outstanding contingent Class E shares and warrant liabilities, as discussed further in Notes 15 and 20.

Alliance's Business

With more than thirty five years of distribution experience, Alliance serves customers of every size, providing a suite of services to resellers and retailers worldwide. We believe that our efficient processing and essential seller tools noticeably reduce the costs associated with administrating multiple vendor relationships and streamline the overall purchasing experience. Alliance believes that it is a single source for all customer entertainment product needs. As a solutions-based operation, Alliance seeks to drive sales for their suppliers with broad product selection and cost-efficient processing.

Alliance's distribution business is built around three areas, where our marketplace value is created: Service, Selection and Technology.

Service

Alliance provides efficient, Omni-Channel expansion solutions for retailers, including:

- **E-Commerce and Direct to Consumer (DTC)**

Alliance provides leading product and e-commerce distribution and inventory solutions. Alliance provides a full, enterprise-level infrastructure and whitelists dropships orders directly to consumers on behalf of its omni customers. The entire ordering, confirmation and invoicing process is automated. The functionality allows customers to focus on sales while Alliance performs all stocking, warehousing, and shipping functions.

- **Vendor Managed Inventory**

Alliance is a leader in vendor managed inventory (VMI) solutions providing solutions tailored to customers to support their inventory needs. These value-add services provide a highly technical, critical business function for our partners using traisting of locations and min/max system of supply.

- **Subsidiary Brands** — We operate under the following subsidiaries which focus on the following product brand areas:

Alliance: Alliance was a competitor to CD Listening Bar prior to its 2013 combination with CD Listening Bar, through which the two businesses were merged. Alliance primarily serviced Barnes & Noble, Best Buy, and hundreds of independent retailers.

COKeM: Alliance acquired COKeM International Ltd. in September 2020. COKeM is a video game and accessory distributor, providing full-service distribution and fulfillment across a wide array of industries and product categories. Alliance acquired Mecca Electronics in 2018, and in 2021 Mecca Electronics was merged into COKeM. In 2024 COKeM has merged in Alliance.

AMPED Distribution: a division of Alliance which serves as the exclusive supplier of physical media to retailers in the United States for over 100 small music labels.

Distribution Solutions: an aggregator and distributor of independent film labels in North America. Alliance acquired Distribution Solutions in 2018. Over 50 movie studios are exclusively distributed to over 30,000 retail stores through Distribution Solutions. In 2025 Distribution Solutions has merged into Alliance Home Entertainment.

DirectToU: consists of Alliance's owned retail brands operating under the dbas of ImportCDs, Deep Discount, Collectors Choice Music, Collectors Choice, Vinyl, Blow It Out of Here, Wow, Pop Market, Collectors Choice Video, and Movies Unlimited. Most of these brands were purchased from Infinity Resources in 2010.

Mill Creek Entertainment: an independent studio for Blu-ray, DVD, and digital distribution. With direct sales pipelines to primary retail and online partners, Mill Creek licenses, produces, markets, and distributes film and television content to over 30,000 retail stores and to thousands of websites across North America. Its library includes theatrical feature films, classic and contemporary television series, original documentary productions, and pop-culture catalog titles. In 2025 Mill Creek has merged into Alliance Home Entertainment.

NCircle Entertainment: founded in 2006, NCircle is an independent distributor of children's and family entertainment content, with a focus on programming that supports early learning. NCircle's library includes children's brands such as Gigantosaurus, The Cat in the Hat Knows a Lot About That!, Llama Llama, The Octonauts, Sonic Boom, and The Snowman. In 2025 Ncircle Entertainment has merged into Alliance Home Entertainment.

Alliance Home Entertainment: launched in January 2025, Alliance Home Entertainment is Alliance's dedicated home entertainment distribution division, and was established in connection with a multi-year agreement under which Alliance serves as the exclusive distributor of Paramount Pictures' physical media, including DVDs, Blu-rays, and 4K UHD titles, across the United States and Canada. In January 2026, the Company entered into an exclusive agreement with Amazon MGM Studios for physical media distribution in the United States and Canada, which is also managed through this division. The division provides full-service support across production, marketing, and retail execution.

Alliance Authentic: Alliance Authentic is the Company's internally developed brand and platform for authenticated, certified collectibles, including certified vinyl, and a marketplace for buying, selling, and trading investment-grade physical media. The platform is built on the near-field communication (NFC)-enabled authentication and digital product identity technology held by Endstate Authentic LLC.

Handmade by Robots: Acquired in December 2024, Handmade by Robots produces licensed vinyl collectible figures styled to resemble knitted or crocheted plush toys, featuring characters from licensed entertainment franchises. The acquisition included inventory, tooling equipment, and a trademark associated with the product line. See Note 16 – Business Combinations

Endstate Authentic: a wholly owned subsidiary acquired on December 31, 2025 and focused on authentication and resale technology. Endstate's patented NFC-enabled authentication and digital product identity technology enables real-time product verification, counterfeit prevention, and authenticated resale services, and supports the Company's internally developed Alliance Authentic brand. See Note 22- Business Combinations

Selection:

Product Categories : Alliance consolidates and distributes a portfolio of entertainment products with over 340,000 SKUs in stock in core media and entertainment product areas in five primary categories:

- **Gaming Products:** For the fiscal year ended June 30, 2026, gaming represented approximately 16% of Alliance revenues on a consolidated basis. Leading products distributed are Nintendo, Microsoft, and third-party video game publishers. For the year ended June 30, 2025, gaming represented approximately 24% of Alliance revenues on a consolidated basis.
- **Vinyl Records:** For the fiscal year ended June 30, 2026, vinyl represented approximately 33% of all Company revenues on a consolidated basis. For the year ended June 30, 2025, vinyl represented approximately 32% of Alliance revenues on a consolidated basis.
- **Digital Video Discs (DVD)/Blu-Ray/UltraHD:** Sales for the fiscal year ended June 30, 2026, represented approximately 30% of Alliance's consolidated revenue. For the year ended June 30, 2025, DVD, Blu-Ray and UltraHD represented approximately 26% of Alliance revenues on a consolidated basis.
- **Compact Discs:** CDs for the fiscal year ended June 30, 2026, represent approximately 14% of Alliance's consolidated revenue. For the year ended June 30, 2025, CDs represented approximately 12% of Alliance revenues on a consolidated basis.
- **Collectables and Electronics:** Sales in Collectables and Consumer Electronics represented approximately 4% of the Company consolidated revenue for the fiscal year ended June 30, 2026, and approximately 4% of Alliance revenues on a consolidated basis for the year ended June 30, 2025.

Technology:

Alliance continues to strengthen its competitive position through ongoing investment in two complementary areas of technology: automation of its distribution and fulfillment operations, and proprietary product-authentication and digital identity capabilities that support the Company's expansion into authenticated collectibles.

Warehouse Automation

Alliance continues to improve its warehouse operations through targeted investments in automated handling equipment at its Shepherdsville, Kentucky facility. In December 2022 implementation of an AutoStore Automated Storage & Retrieval System for handling primarily LP's, which improved warehouse speed, reliability, capacity, and accuracy. In April 2024, the Company implemented the OPEX Sure Sort X® system to automate the sortation of non-standard size products, replacing manual sorting processes, reducing labor costs, accelerating processing times, and lowering the potential for product damage. In 2026, an additional 5,000 totes were added for expansion of AutoStore to 57,000 totes. Together, these automation initiatives have contributed to operational efficiencies and cost savings.

Product Authentication and Digital Identity

On December 31, 2025, Alliance completed its strategic acquisition of Endstate Authentic LLC ("Endstate"), establishing it as a wholly owned subsidiary focused on authentication and resale technology. Endstate's patented NFC-enabled authentication and digital product identity technology enables real-time product verification, counterfeit prevention, and authenticated resale services. This technology forms the foundation of Alliance Authentic, a premium platform designed to create authenticated, certified vinyl collectibles and a trusted global marketplace for buying, selling, and trading investment-grade physical media. By embedding secure, traceable digital identity into high-value physical products, these capabilities strengthen Alliance's position in the growing authenticated collectibles market and support the development of new technology-enabled and recurring revenue opportunities. The NFC chip we use is *NXP's NTAG424*, the data on the tag can be encrypted and using *AES-128 encryption the tag cannot be cloned or counterfeited acting as sure-fire authentication for any collectibles. The chip generates a new unique code on each scan which can be verified by a third-party server.*

Customer and Stakeholder Platforms

Alliance's technology platforms provide stakeholders with seamless access to the Company's global inventory through a modern, user-friendly interface accessible on desktop, notebook, and mobile devices.

Key features include:

- Advanced product search and personalized selection tools
- Integrated Hubspot marketing and customer relationship management (CRM) tools supporting multi-channel retailer marketplaces. Hubspot with its AI tools was installed and working as February 2026.
- Conversational commerce and Fintech solutions providing diverse payment options
- Self-service purchasing and 24/7 customer support

These capabilities enhance transaction efficiency and engagement, supporting revenue growth and profitability relative to legacy distribution systems. Management believes these platforms enhance stakeholder productivity and competitiveness.

Industry Background

The industries in which the Company distributes products are:

- Packaged Goods consisting of licensed physical media and entertainment content;
- Gaming Consoles and Accessories; and
- Licensed Toys and Collectables.

Distributors of physical media continue to navigate changes in consumer demand, an evolving omni-channel retail environment, and ongoing supplier consolidation. While many consumers have shifted to digital formats such as streaming music and video services, management believes a growing market remains for collectible physical media, including vinyl records, specialty SteelBook® DVDs, CD box sets, and pop culture collectibles. There have been news reports that consumers prefer to own their music, movies, and gaming rather than rent.

This shift in demand, coupled with structural changes in the retail and supplier landscape, is contributing to the consolidation of distribution networks. Management believes this presents an opportunity for distributors, such as Alliance, that are positioned to meet the evolving needs of retailers and suppliers that wish to outsource because physical media is not their core competency.

Although overall demand for physical media has declined, niche markets serving music and movie enthusiasts have shown growth. This trend is reflected in the rising popularity of K-pop releases in CD and vinyl formats, special edition SteelBook® DVDs, and 4K UHD Blu-ray titles, particularly among consumers seeking exclusive content. Nostalgia and collector-driven purchases remain a factor driving customer demand, with buyers valuing artwork, perceived audio quality, and the intrinsic value of limited-edition formats.

As major retail chains reduce shelf space for physical media, management believes distributors with direct-to-consumer capabilities and fulfillment services for retail e-commerce platforms, such as Alliance, are increasingly well-positioned. These capabilities allow retailers to expand product offerings without the need for incremental warehouse space or inventory carrying costs.

Suppliers are also adapting to this shift. By partnering with distributors, such as Alliance, that serve both mass and niche channels, suppliers can reach broader consumer bases through a more efficient distribution model. Exclusive and limited-edition releases allow suppliers to maintain premium pricing, and collaboration on marketing and promotional campaigns can further support product visibility and sell-through.

The physical media market remains competitive as companies seek to serve a more targeted customer base. Management believes that long-term success in this environment requires differentiation through exclusive content, curated product offerings, and enhanced customer service. The ability to anticipate consumer preferences and quickly deliver relevant entertainment experiences is increasingly important.

Specialized distributors may have a relative advantage in this regard due to their agility and ability to respond quickly to market trends. In management's view, partnerships with artists and content creators to secure exclusive releases offer Alliance an additional competitive edge. Alliance leverages its broad product portfolio to create bundled, exclusive collectibles that support omni-channel retail strategies and appeal to collectors and enthusiasts.

Market Opportunity

The Company has identified three primary market areas where it currently conducts business and plans to grow its operations:

Content Media

As technology and consumer trends evolve, film, music, and gaming studios continue to re-evaluate distribution strategies to address shifting behaviors and expanding digital and physical platforms. Despite the rise of streaming and digital delivery, consumer demand for physical media remains resilient, driven by factors such as collectibility, superior audio-visual quality, and the intrinsic value of physical packaging.

In response to this opportunity, the Company recently launched Alliance Home Entertainment, a dedicated business unit established through a multi-year distribution agreement with Paramount Home Entertainment. This new division will handle the exclusive distribution of Paramount's physical home video products across all major retail channels and direct-to-consumer platforms, including the management of catalog returns beginning January 31, 2025. The launch of Alliance Home Entertainment positions the Company as a trusted partner for major studios seeking a more efficient, centralized, and experienced physical media distributor.

Building on this platform, in January 2026 the Company entered into an exclusive home entertainment license agreement with Amazon MGM Studios for physical media distribution in the United States and Canada, covering new releases and select catalog content across wholesale, e-commerce, and brick-and-mortar retail channels. The agreement broadens the Company's physical media portfolio, particularly in higher-value and collectible offerings, and leverages its scale, marketing capabilities, and omnichannel fulfillment platform.

Simultaneously, the Company is capitalizing on demand from collectors and enthusiasts through the expansion of its physical music and video offerings, most notably vinyl records, SteelBooks™, and special edition box sets. The Company believes that consumers continue to favor tangible media formats for their superior sound and picture quality, unique artwork, and collectible nature.

To further extend its reach into consumer lifestyle categories, the Company recently launched **Alliance Authentic**, a new brand focused on officially licensed merchandise and collectible products from leading artists, creators, and entertainment brands. This business complements our core media offerings and addresses growing demand for branded, limited-edition pop culture products that can be marketed through both B2B and DTC channels.

Fulfillment

The global e-commerce fulfillment services market continues to experience strong growth driven by increasing online sales penetration, particularly in North America. Large retailers such as Amazon, Walmart, Target, and Best Buy are increasingly relying on fulfillment partners to improve speed, flexibility, and service levels while maintaining cost efficiency.

Alliance is well-positioned to serve this expanding market through its scalable third-party logistics (3PL) and direct-to-consumer fulfillment solutions. By combining physical inventory depth, technology-driven distribution, and established carrier relationships, the Company enables retailers, brands, and suppliers to reach their customers more effectively. As retailers and manufacturers focus on core competencies, the outsourcing of logistics and fulfillment operations is expected to accelerate, further expanding the addressable market for Alliance's services.

Our Competitive Strengths

Alliance is one of the largest physical media and entertainment and collectibles product distributors in the world and a leader in fulfillment and e-commerce distribution solutions. Its existing product and service offering has positioned the Company to capitalize on shifts towards e-commerce and Omni-Channel strategies, especially as retailers and manufacturers greatly increase their reliance on their direct-to-consumer fulfillment and distribution partners.

We believe that our key strengths position us to deliver on our strategy to grow profitably, optimize our core physical media and entertainment and collectibles product distributors' fulfillment and e-commerce distribution solutions, and expand and continue to invest in higher-margin advanced technology solutions and high-value services.

The Company believes the following strengths are key to its ability to grow and maintain its position as a market leader:

- **Proven Management Team with Significant Ownership Alignment.** Senior management has more than 30 years of industry experience and maintains significant ownership in the Company, aligning management's interests with those of stockholders.
- **Significant barriers to entry and market leadership.** Alliance is a leader in fulfillment and e-commerce distribution with over 340,000 SKUs in stock. The company's market leadership is further protected by a three-pronged moat of services, selection, and technology. The company's platforms create efficiencies that benefit its partners in the physical media and entertainment marketplace. As a result, both suppliers and retail customers rely on the company's platforms to drive transaction volume.
- **Strategic Partnerships with Major Content Providers.** Through Alliance Home Entertainment, the Company has established strong distribution relationships with major studios and independent content owners. Most recently, the Company secured exclusive physical media distribution agreements with Paramount Home Entertainment and Amazon MGM Studios, reinforcing Alliance's role as a key physical media partner and unlocking new growth opportunities within the home entertainment segment.

- **Expansion into Premium Collectibles and Licensed Merchandise**

Alliance Authentic, the Company's newest division, is focused on delivering curated, premium collectible products through exclusive licensing partnerships and proprietary brands. This leverages Alliance's core distribution infrastructure and deep relationships in entertainment to capitalize on the growing demand for pop culture merchandise.

- **Organic Growth Opportunities.** Alliance will seek to grow revenue and expand margins through the expansion of partnerships with vendors and customers and investment in existing facilities.
- **Proven track record of building scale through significant acquisitions.** Since its inception, Alliance has successfully acquired and integrated sixteen businesses that have greatly expanded the vendors and customers we are supporting. This M&A activity has built scale and added capabilities to the Company's platforms. Further, Alliance has demonstrated an ability to integrate those companies into its existing platforms to fundamentally improve the acquired businesses. Alliance management believes significant consolidation opportunities remain to drive future growth by acquiring complementary businesses and competitors.
- **Modern technology distribution platform and interface.** The Company's technology platform increases transaction efficiency, provides great mobile accessibility, and incorporates modern marketing and Fintech tools.

Strategy for Future Growth

Alliance will continue to capitalize on its services, selection, technology, strategic studio relationships, and scalable distribution infrastructure to drive profitable growth both organically and through acquisitions. The Company continues to maintain a disciplined approach to capital allocation while investing in strategic initiatives, expanding higher-margin product categories, and pursuing opportunities that strengthen its market position.

Our strategy will include:

- **Execute Acquisition Strategy.** Alliance has a proven track record of successfully acquiring and integrating competitors and complementary businesses. With additional capital, Alliance will be able to execute its acquisition strategy more effectively.
- **Increase Market Share.** Expanding its existing product and service offerings and executing its acquisition strategy will drive Alliance's efforts toward increasing market share. The Company has historically built scale and added capabilities through acquisitions. It has demonstrated an ability to execute accretive and synergistic acquisitions as well as integrate and fundamentally improve the acquired businesses. Alliance expects to continue pursuing strategic opportunities that strengthen its platforms, expand the breadth and depth of its content, and enhance its distribution infrastructure. Alliance will continue to actively monitor and evaluate these and future opportunities in its acquisition pipeline in both the near and mid-term.
- **Enhance Direct to Consumer (DTC) Relationships and Capabilities.** Alliance's DTC services are in greater demand as consumer preferences shift and stress retailers' e-commerce and DTC capabilities. Enhancing DTC relationships will grow existing revenue lines and improving capabilities will generate a more attractive overall service offering.
- **Expand into New Consumer Products.** Leveraging existing relationships, Alliance can expand into new consumer product segments, growing its product offering and providing more to its existing customer base while attracting new customers in the process.
- **Continuing Technological Advancement.** Alliance will further invest in automating facilities and upgrading proprietary software.

Capitalize on Strategic Studio Partnerships. Building on our exclusive distribution agreements with Paramount Home Entertainment and Amazon MGM Studios through Alliance Home Entertainment, we intend to develop additional studio partnerships to expand our footprint in the physical media market.

Suppliers

Alliance distributes and markets over 400,000 products worldwide from more than 600 of the industry's premier physical media entertainment products suppliers. The Company maintains approximately 340,000 SKUs of unique items in its inventory.

For the fiscal year ended June 30, 2026, Alliance's five largest suppliers accounted for approximately 65% of total product receipt value, which represents the cost value of inventory received from suppliers, compared to approximately 59% for the fiscal year ended June 30, 2025. One supplier accounted for approximately 23% of Alliance's total product receipt value in each of the fiscal years ended June 30, 2026 and 2025.

Alliance has written supply agreements with many of its suppliers. These agreements usually provide for nonexclusive distribution rights and often include territorial restrictions that limit the countries and, in some cases, certain channels in which it may distribute the products. Some of Alliance's agreements with suppliers may contain limitations of liability with respect to our suppliers' obligations and warranties. Historically, warranty expenses have not been material.

The agreements also are generally short-term, subject to annual renewal, and in some cases contain provisions permitting termination by either party without cause upon relatively short notice. Certain supply agreements either require (at our option) or allow for the repurchase of inventory upon termination of the agreement. In cases in which suppliers are not obligated to accept inventory returns upon termination, some suppliers will nevertheless elect to repurchase the inventory while other suppliers will assist with either liquidation or resale of the inventory.

Customers

Alliance conducts business with most of the leading retailers of entertainment products and services around the world. Alliance serves a customer base that is divided into categories including retailers, direct marketers, Internet-based resellers, independent dealers, product category specialists and other distributors. Management believes that many of its customers are heavily dependent on Alliance as a partner with the necessary systems, capital, inventory availability, and distribution and facilities in place to provide fulfillment and other services. Alliance tries to reduce our exposure to the impact of business fluctuations by maintaining a balance in the customer categories we serve. Alliance has over 4,000 customers shipping to over 35,000 storefronts and distributes to over 2,500 independent music and video retailers.

In most cases Alliance conducts business with our customers under our general terms and conditions, without minimum purchase requirements. It also has resale contracts with some of its reseller customers that are terminable at will after a reasonable notice period and have no minimum purchase requirements. Alliance typically ships products on the same day it receives and accepts customers' purchase orders. Unless otherwise requested, substantially all of Alliance's products are delivered by common freight carriers. Backlog is usually not material to its business because orders are generally filled shortly after acceptance.

Alliance has specific agreements in place with certain suppliers and resellers in which it provides supply chain management services such as order management, technical support, call center services, forward and reverse logistics management, and procurement management services. These agreements generally may be terminated by either party without cause following reasonable notice. None of the Company's customer contracts exceed a one-year term, with most contracts having auto-renewal clauses.

For the year ended June 30, 2026, Alliance's top three customers represented approximately 45% of its consolidated revenue. Alliance's top customer represented approximately 21% of its consolidated net sales. By comparison, for the fiscal year ended June 30, 2025, the top three customers generated approximately 40% of consolidated revenue with one customer representing approximately 15%.

Our Business is Affected by Seasonality

Alliance experiences some seasonal fluctuation in demand in our business due to changes in consumer behavior and schedules of new releases. In addition, the Company typically experiences an increase in demand in the October-to-December period, driven primarily by pre-holiday stocking levels in the retail channel for its North American business.

How We Manage Our Inventory

Alliance strives to maintain enough product inventories to achieve optimum order fill rates. Alliance's business, like that of other distributors, is subject to the risk that our inventory's value will be adversely impacted by suppliers' price reductions or by technological changes affecting the usefulness or desirability of the products comprising the inventory. It is the policy of many suppliers to offer distributors limited protection from the loss in inventory value due to technological change or a supplier's price reductions. When protection is offered, the distributor may be restricted to a designated period of time in which products may be returned for credit or exchanged for other products or during which price protection credits may be claimed. Alliance continually takes various actions, including monitoring inventory levels and controlling the timing of purchases, to maximize its protection under supplier programs and reduce inventory risk. However, no assurance can be given that current protective terms and conditions will continue or that they will adequately protect Alliance against declines in inventory value, or that they will not be revised in such a manner as to adversely impact Alliance's ability to obtain price protection. Alliance is subject to the risk that inventory values may decline, and supplier agreements may not adequately cover the decline in values. Alliance manages these risks through pricing and continual monitoring of existing inventory levels relative to customer demand, reflecting its forecasts of future demand and market conditions. On an ongoing basis, Alliance reduces inventory values for excess and obsolescence to assist in the liquidation of impacted inventories. Music CD's and Video Movies are 100% returnable back to Alliance's suppliers. Products that have exclusive distributions for AMPED and Distribution Solutions are not owned by Alliance and are treated as consignments for ownership and title.

Inventory levels may vary from period to period, due, in part, to differences in actual demand from that forecasted when orders were placed, the addition of new suppliers or new product lines with current suppliers, expansion into new product areas and strategic purchases of inventory. In addition, payment terms with inventory suppliers may vary from time to time and could result in fewer inventories being financed by suppliers and a greater amount of inventory being financed by our own capital. Our payment patterns can be influenced by incentives, such as early pay discounts offered by suppliers.

Sales and Marketing

Alliance's product management and marketing groups help create demand for Alliance's suppliers' products and services, enable the launch of new products, and facilitate customer contact. Our marketing programs are tailored to meet specific supplier and customer needs. These needs are met through a wide offering of services by our in-house marketing organization, including advertising, market research, online marketing, retail programs, sales promotions, training, and solutions marketing. In addition, Alliance creates and utilizes specialized channel marketing communities to deliver focused resources and business building support to solution providers.

For its Direct-to-Consumer division, the Company deploys performance marketing strategies through digital and offline channels to drive additional traffic and transactions from high-intent prospective customers. To increase the efficiency of its performance marketing initiatives, the Company utilizes a Customer Relationship management platform, which provides further opportunities to personalize marketing campaigns and target advertising to specific market segments. Alliance complements its brand and performance marketing with nurture initiatives through email and outbound communications to ensure the Company retains high-value customers, increases brand loyalty, and drives recurring transactions.

The Company's marketing strategy includes brand performance, and viral marketing. Brand marketing, which may also include the Company's presence on social media platforms, increases awareness among potential customers, helping them understand the benefits of using Alliance's platforms. In addition to brand, and performance marketing, Alliance engages in traditional public relations and communications activities, such as trade show participation, to strengthen its brand and enable it to be less reliant on performance marketing, reducing the Company's customer acquisition costs. The Company's communications team works across press and policy channels to share timely and important news about the Company. They also oversee the execution of a consumer, product, corporate, and policy communications plan that supports Alliance's brand strategy.

Competition

Alliance faces competition from a variety of competitors, including some of our own suppliers that sell directly to certain segments of the market, wholesale distributors, retailers, and internet-based businesses. We are a leading company in the sale and marketing of physical media entertainment and collectible products, including vinyl, gaming, DVDs, CD's and consumer products and toys offerings and authenticated collectibles, and operate in the competitive e-commerce business environment. We compete with several smaller physical media companies in our product categories, as well as with many larger e-commerce companies in the United States and internationally. In addition, we compete with entertainment companies that digitally download and stream their products and other established authentication businesses. Competition is based primarily on meeting consumer product preferences and on the quality and play value of our physical media products and experiences. To a lesser extent, competition is also based on product pricing.

Many of the major entertainment and gaming companies are part of large, diversified companies with a variety of other operations. Some of these competitors have substantially greater marketing and financial resources than we do and may be able to compete aggressively on pricing in order to increase entertainment revenues and streaming placement. In addition, the resources of the major entertainment producers may give them an advantage in acquiring other businesses or assets, including media content, that we might also be interested in acquiring. The competition we face may cause us to lose market share, achieve lower prices for our products or pay more for third party content, any of which could harm our business.

The changing trends in consumer preferences with respect to entertainment and collectibles and barriers to entry as well as the emergence of new technologies and different mediums for viewing content, such as the growing number of streaming platform options, continually creates new opportunities for existing competitors and start-ups to develop products and offerings that compete with our entertainment and e-commerce offerings. In the future, the Company may face increased competition through the emergence of new competitors or business models. Some of Alliance's competitors may have access to significant financial resources, greater name recognition and well-established client bases in their target customer segments, differentiated business models, technology and other capabilities, or a differentiated geographic coverage, which may make it more difficult for Alliance to attract new customers.

The market for physical media is becoming increasingly competitive as companies compete for a shrinking customer base. Distributors must differentiate themselves by offering unique products, exclusive content, and superior customer service. The ability to quickly adapt to market trends and consumer preferences is crucial. Specialized distributors often have an advantage in this regard, as they can be more agile and responsive compared to larger more diverse distributors. Additionally, partnerships with artists and content creators to secure exclusive releases can provide a unique competitive edge. As the market evolves, distributors that can innovate and meet the demands of niche audiences will likely thrive.

Intellectual Property

Alliance's intellectual property is an important component of its business. The Company relies on a combination of patents and patent applications, domain names, trademarks, copyrights, know-how and trade secrets, as well as contractual provisions and restrictions, to protect its intellectual property.

In connection with its acquisition of Endstate, the Company acquired a portfolio of patents and patent applications relating to NFC chip-enabled authentication of physical goods and the linking of physical assets to corresponding digital assets. As of June 30, 2026, the Company held two issued United States patents, which expire in 2042, and 16 pending patent applications in the United States and in foreign and international jurisdictions. The Company also owns registered United States trademarks, including its ENDSTATE marks, a registered copyright, and various domain names, and maintains unregistered marks used in its authentication business.

The Company intends to continue prosecuting its pending applications and to pursue additional patent protection to the extent it believes it would be beneficial and cost effective. The Company cannot provide assurance that any pending application will result in an issued patent, or that any issued patent will provide meaningful protection against competitors.

As of June 30, 2026, the Company owned 22 U.S. registered or pending trademarks and one registered or pending trademark in another jurisdiction. Alliance also owns 128 domain names including www.deepdiscount.com, www.aent.com, www.cokem.com, www.importcds.com, www.ds.aent.com, and www.AMPEDdistribution.com.

The Company relies on trade secrets and confidential information to develop and maintain its competitive advantage. Alliance seeks to protect its trade secrets and confidential information through a variety of methods, including confidentiality agreements with employees, third parties, and others who may have access to the Company's proprietary information. Alliance also requires key employees to sign invention assignment agreements with respect to inventions arising from their employment and restrict unauthorized access to the Company's proprietary technology.

Notwithstanding the Company's efforts to protect its intellectual property, there can be no assurance the measures taken will be effective or that its intellectual property will provide any competitive advantage. Alliance can provide no assurance that any patents will be issued from its pending applications or any future applications or that any issued patents will adequately protect its proprietary technology. The Company's intellectual property rights may be invalidated, circumvented, or challenged. Furthermore, the laws of certain countries do not protect intellectual property and proprietary rights to the same extent as the laws of the United States and, as a result, Alliance may be unable to protect its intellectual property and other proprietary rights in certain jurisdictions. In addition, while the Company has confidence in the measures it takes to protect and preserve its trade secrets, it cannot guarantee these measures will not be circumvented, or that all applicable parties have executed confidentiality or invention assignment agreements. In addition, such agreements can be breached, and may not have adequate remedies should any such breach occur. Accordingly, Alliance's trade secrets may otherwise become known or be independently discovered by competitors.

Human Capital Resources

As of June 30, 2026, Alliance had approximately 724 employees on its payroll and approximately 143 workers hired through staffing agencies throughout the U.S. and internationally. Staffing agencies are used to flex labor capacity to ensure the labor supply and demand are in balance. None of Alliance's employees are subject to a collective bargaining agreement and Alliance believes it has a good relationship with its employees and staffing agencies.

Employees & Demographics. With respect to global demographics on June 30, 2026, approximately 49% of the Company's payroll employees are female and 51% are male.

Talent & Turnover. With a focus on talent acquisition, the leadership team seeks out the most qualified candidates for open roles and endeavors to keep them at Alliance. Alliance has a robust program for seeking out those candidates, which ranges from sourcing through talent applications, reviewing direct applicants and using internal referrals to fill roles. Additionally, Alliance strives to promote internally when possible. Alliance's program resulted in an annualized turnover rate of about 12% for the fiscal year ended June 30, 2026.

Compensation Practice & Pay Equality. As Alliance evolves and expands operations, Human Resources, in partnership with the leadership team, will continue to evaluate the existing workforce to ensure that best practices are maintained across the entire team without risk of inequality. Pay structures for hourly employees are reviewed annually and for all other employees, compensation is benchmarked according to the position when a vacancy becomes available. This ensures best practices in a competitive market and, as part of that review, compensation will be realigned where appropriate for existing employees and new hires.

Regulatory Compliance

The Company's overall business approach and strategy includes rigorous attention to regulatory compliance, as its operations are subject to regulations in the following principal areas, across a wide variety of jurisdictions. Alliance's business is subject to a wide array of laws, regulations, and standards in each domestic and foreign jurisdiction where we operate. Alliance has a buying office in the UK and operates under the name Fulfillment Express. Fulfillment Express sources music from the UK music suppliers that is then transferred (exported from the United Kingdom) to Kentucky where that music product is prepared to sell in the US market. Fulfillment Express makes no sales of any kind, for it is a buying office.

The regulatory environment in each market is often complex, evolving and can be subject to significant change. Some relevant laws and regulations are inconsistent, ambiguous and could be interpreted by regulators and courts in ways that could adversely affect the Company's business, results of operations, and financial condition. Moreover, certain laws and regulations have not historically been applied to an innovative hospitality provider such as Alliance, which often makes their application to its business uncertain. For additional information regarding the laws and regulations that affect the Company's business, see "Item 1A. Risk Factors."

Privacy and Data Protection Regulation

In processing purchase transactions and information about customers, the Company receives and stores a large volume of personally identifiable data. The collection, storage, processing, transfer, use, disclosure and protection of this information are increasingly subject to legislation and regulations in numerous jurisdictions around the world, such as the European Union's General Data Protection Regulation ("GDPR") and variations and implementations of that regulation in the member states of the European Union, as well as privacy and data protection laws and regulations in various U.S. states and other jurisdictions, such as the California Consumer Privacy Act (as amended by the California Privacy Rights Act), the Canadian Personal Information Protection and Electronic Documents Act ("PIPEDA"), and the UK General Data Protection Regulation and the UK Data Protection Act.

Alliance incorporates a variety of technical and organizational security measures and other procedures and protocols to protect data within the Company's platforms and business services, including personally identifiable data pertaining to guests and employees. Alliance is engaged in an ongoing process of evaluating and considering additional steps to maintain compliance with the California Consumer Privacy Act, GDPR, PIPEDA, the UK General Data Protection Regulation, and the UK Data Protection Act.

Employment Laws

The Company is also subject to laws governing its relationship with employees, including laws governing wages and hours, benefits, immigration and workplace safety and health.

Other Regulation

Alliance's business is subject to various other laws and regulations involving matters such as income tax and other taxes, consumer protection, online messaging, advertising, and marketing, the U.S. Foreign Corrupt Practices Act and other laws governing bribery and other corrupt business activities, and regulations aimed at preventing money laundering or prohibiting business activities with specified countries or persons. As the Company expands into additional markets, it will be subject to additional laws and regulations.

Periodic Reporting and Financial Information

Our Class A common stock and warrants are registered under the Exchange Act, and as a smaller reporting company, we have specific reporting obligations. We file annual, quarterly, and current reports with the SEC, which include financial statements audited by our independent registered public accounting firm. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC (www.sec.gov). These reports and other important information are available on our website at www.aent.com under the Investor Relations section, free of charge, as soon as they are filed with the SEC. Please note that information on our website is not incorporated by reference into this report.

We qualify as a "smaller reporting company" under SEC regulations and as a non-accelerated filer. These statuses allow us to benefit from certain reduced disclosure obligations, including the option to provide only two years of audited financial statements, scaled executive-compensation disclosure, and exemption from the auditor attestation requirement regarding internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act. We will remain a smaller reporting company for so long as we satisfy the applicable public float and revenue thresholds, which are re-measured annually.

Item 1A. Risk Factors.

An investment in our securities involves a high degree of risk. You should carefully consider all of the risks described below, together with the other information contained in this annual report before making a decision to invest in our securities. If any of the following events occur, our business, financial condition and operating results may be materially adversely affected. In that event, the trading price of our securities could decline, and you could lose all or part of your investment.

Risk Factor Summary

The following is a summary of the principal risks that could materially adversely affect our business, reputation, financial condition, and/or operating results. It is important that investors and stakeholders read this summary together with the more detailed description of each risk contained below:

- If Alliance fails to respond to or capitalize on the rapid technological development in the music, video, gaming, and entertainment industry, including changes in entertainment delivery formats, its business could be harmed.
- If Alliance does not successfully optimize and operate its fulfillment network, its business could be harmed.
- Disruptions in Alliance's supply chain have increased product expenditures and could result in an adverse impact on results of operations.
- Inflation could cause Alliance's product costs and operating and administrative expenses to grow more rapidly than net sales, which could result in lower gross margins and lower net earnings.
- Weakness in the economy, market trends and other conditions affecting the profitability and financial stability of Alliance's customers could negatively impact Alliance's sales growth and results of operations.
- Our expansion places a strain on our management, operational, financial, and other resources.
- Our expansion into new products, services, technologies, and geographic regions subjects us to additional business, legal, financial, and competitive risks;
- Our business will suffer if we are not successful in developing and expanding our partner brands across our consumer base.
- Consumer interests change rapidly and acceptance of products and entertainment offerings are influenced by outside factors;
- If we are unable to navigate through global supply chain challenges, our business may be harmed;
- If we are unable to adapt our business to the continued shift to ecommerce, our business may be harmed;
- Our business, including our costs and supply chain, is subject to risks associated with sourcing, manufacturing, warehousing, distribution and logistics, and the loss of any of our key suppliers or service providers could negatively impact our business;
- We face significant inventory risk;
- We rely on third-party suppliers, labels, studios, publishers, suppliers, retail and ecommerce partners and other vendors, and they may not continue to produce products or provide services that are consistent with our standards or applicable regulatory requirements, which could harm our brand, cause consumer dissatisfaction, and require us to find alternative suppliers of our products or services;
- Alliance's existing and any future indebtedness could adversely affect its ability to operate its business;
- Covenants and events of default under Alliance's Credit Agreement could limit our ability to undertake certain types of transactions and adversely affect our liquidity;
- Our indebtedness may limit our availability of cash, cause us to divert cash to fund debt service payments or make it more difficult to take certain other actions;
- If we were unable to obtain or service our other external financings, or if the restrictions imposed by such financing were too burdensome, our business would be harmed;

- Alliance has engaged in transactions with related parties, and such transactions present possible conflicts of interest that could have an adverse effect on our business and results of operations;
- We might not be able to maintain the listing of our Class A common stock on the Nasdaq Capital Market;
- We are subject to risks arising from international trade policies, including the imposition of new or increased tariffs on imported goods.

Risks Related to Our Business and Industry

If we fail to respond to or capitalize on the rapid technological development in the music, video, gaming, and entertainment industry, including changes in entertainment delivery formats, our business could be harmed.

The music, video, gaming, entertainment and collectible industries continue to experience frequent change driven by technological development, including developments with respect to the formats through which music, films, television programming, games, and other content are delivered to consumers. With rapid technological changes and dramatically expanded digital content offerings, the scale and scope of these changes have accelerated in recent years. For example, consumers are increasingly accessing television, film, and other episodic content on streaming and digital content networks, such as Netflix, Amazon Prime Video, Hulu, Disney+ and Apple TV+. Additionally, consumers access music content through Apple Music, Pandora, Amazon Music, Spotify, and other providers. Video game services can be accessed through Xbox Game Pass, PlayStation Now, GeForce, Steam, Stadia, xCloud, Shadow, Luna, and Switch Online.

Some entertainment offerings have gone direct to streaming channels and have not produced a physical content format. Direct release to streaming channels is likely to continue. Technological as well as other changes caused by the pandemic have caused significant disruption to the retail distribution of music and entertainment offerings and have caused and could in the future cause a negative impact on sales of our products and other forms of monetization of content. We may lose opportunities to capitalize on changing market dynamics, technological innovations, or consumer tastes if we do not adapt our content offerings or distribution capabilities in a timely manner. The overall effect that technological development and new digital distribution platforms have on the revenue and profits we derive from our entertainment content, including from merchandise sales derived from such content, and the additional costs associated with changing markets, media platforms and technologies, is unpredictable. If we fail to accurately assess and effectively respond to changes in technology and consumer behavior in the entertainment industry, our business may be harmed.

If we do not successfully optimize and operate our fulfillment network, our business could be harmed.

If we do not adequately predict customer demand or otherwise optimize and operate our fulfillment network successfully, it could result in excess or insufficient fulfillment, or result in increased costs, impairment charges, or both, and harm our business in other ways. As we continue to add fulfillment or add new businesses with different requirements, our fulfillment networks become increasingly complex and operating them becomes more challenging. There can be no assurance that we will be able to operate our networks effectively. In addition, a failure to optimize inventory in our fulfillment network could result in lost sales from under inventory positions or extra costs of holding excess inventory or write-downs on inventory. Due to tight labor markets, we may be unable to staff our fulfillment network and customer service centers adequately or must increase wages to attract more employees.

We rely on several shipping companies to deliver inventory to us and complete orders to our customers. If we are not able to negotiate acceptable terms with these companies or they experience performance problems or other difficulties, it could negatively impact our operating results and customer experience. In addition, our ability to receive inbound inventory efficiently and ship completed orders to customers also may be negatively affected by inclement weather, fire, flood, power loss, earthquakes, labor disputes, acts of war or terrorism, acts of God, and similar factors.

Under some of our commercial agreements, we maintain the inventory of other companies, thereby increasing the complexity of tracking inventory and operating our fulfillment network. Our failure to properly handle such inventory or the inability of these other companies to accurately forecast product demand would result in unexpected costs and other harm to our business and reputation.

We face competition. If we are unable to compete effectively with existing or new competitors, our revenues, market share and profitability could decline

Our businesses are rapidly evolving and competitive, and we have many competitors in different industries, including physical, e-commerce, and omni-channel retail, e-commerce services, digital content and electronic devices, web and infrastructure computing services, transportation and logistics services and authentication services, and across geographies, including cross-border competition. Some of our current and potential competitors have greater resources, longer histories, more customers, and/or greater brand recognition. They may also secure better terms from vendors, adopt more aggressive pricing, and devote more resources to technology, infrastructure, fulfillment, and marketing.

The music, video, gaming, and entertainment industry is highly competitive. We compete in the U.S. and internationally with a wide array of large and small distributors, and sellers of vinyl records, CD's, DVD's, video games and other entertainment and consumer products. In addition, we compete with companies who are focused on building their brands across multiple product and consumer categories, including through entertainment offerings. Across our business, we face competitors who are constantly monitoring and attempting to anticipate consumer tastes and trends, seeking which will appeal to consumers, and introducing new products that compete with our products for consumer acceptance and purchase.

The market for physical media is becoming increasingly competitive as companies compete for a shrinking customer base. Distributors must differentiate themselves by offering unique products, exclusive content, and superior customer service. To be successful, we must correctly anticipate the types of entertainment, products and play patterns which will capture consumers' interests and imagination, and quickly develop and introduce innovative products and engaging entertainment which can compete successfully for consumers' limited time, attention, and spending. Specialized distributors often have an advantage in this regard, as they can be more agile and responsive compared to larger more diverse distributors. Additionally, partnerships with artists and content creators to secure exclusive releases can provide a unique competitive edge. As the market evolves, distributors that can innovate and meet the demands of niche audiences will likely thrive.

Competition is likely to continue intensifying, including with the development of new business models and the entry of new and well-funded competitors, as our competitors enter into business combinations or alliances, and established companies in other market segments expand to become competitive with our business. In addition, new and enhanced technologies, including search, digital content, and electronic devices, are likely to continue to increase our competition. The Internet facilitates competitive entry and comparison shopping, and increased competition may reduce our sales and profits.

Disruptions in Alliance's supply chain have increased product expenditures and could result in an adverse impact on results of operations.

The occurrence of one or more natural or human induced disasters, including pandemic diseases or viral contagions such as the COVID-19 pandemic; geopolitical events, such as war, civil unrest attacks in a country in which Alliance's suppliers are located; and the imposition of measures that create barriers to or increase the costs associated with international trade could result in disruption of Alliance's logistics or supply chain network. For example, the outbreak of the COVID-19 pandemic disrupted the operations of Alliance and its suppliers and customers. Customer demand for certain products has also fluctuated during the pandemic which challenged Alliance's ability to anticipate and/or procure product to maintain inventory levels to meet that demand. Additionally supply chain disruptions can be the result of the bankruptcy or failure of trucking and other logistics businesses. Labor shortages can also cause supply chain disruptions.

These factors have resulted in higher product inventory cost positions in certain products as well as delays in delivering those products to Alliance's distribution centers, branches or customers, and similar results may occur in the future. Even when Alliance is able to find alternate sources for certain products, they may cost more or require Alliance to incur higher transportation costs, which could adversely impact Alliance's profitability and financial condition. Any of these circumstances could impair Alliance's ability to meet customer demand for products and result in lost sales, increased supply chain costs, penalties, or damage to Alliance's reputation. Any such increased product costs from supplier disruption could adversely impact the results of operations and financial performance.

Inflation may continue to cause Alliance's product costs and operating and administrative expenses to grow more rapidly than net sales, which could result in lower gross margins and lower net earnings.

Market variables, such as inflation of product costs from suppliers, labor rates and fuel, freight and energy costs, have and may continue to increase potentially causing Alliance to be unable to efficiently manage its product costs and operating and administrative expenses in a way that would enable it to leverage its revenue growth into higher net earnings. In addition, Alliance's inability to pass on such increases in product costs to customers in a timely manner, or at all, could cause Alliance's operating and administrative expenses to grow, which could result in lower gross profit margins and lower net earnings.

Weakness in the economy, market trends and other conditions affecting the profitability and financial stability of Alliance's customers could negatively impact Alliance's sales growth and results of operations.

Economic, political and industry trends affect Alliance's business environments. Unfavorable conditions in the economy in the United States and abroad may negatively affect the growth of our business and have affected our results of operations. For example, macroeconomic events, including inflation, interest rates, and geopolitical issues, have led to economic uncertainty globally. Alliance serves several industries and markets in which the demand for its products and services is sensitive to the production activity, capital spending and demand for products and services of Alliance's customers. Many of these customers operate in markets that are subject to cyclical fluctuations resulting from market uncertainty, trade and tariff policies, costs of goods sold, currency exchange rates, central bank interest rate fluctuations, economic downturns, recessions, foreign competition, offshoring of production, oil and natural gas prices, geopolitical developments, labor shortages, inflation, natural or human induced disasters, extreme weather, outbreaks of pandemic disease such as the COVID 19 pandemic, inflation, deflation, and a variety of other factors beyond Alliance's control. Any of these factors could cause customers to idle or close stores, delay purchases, reduce wholesale purchasing levels, or experience reductions in the demand for their own retail and wholesale products or services.

Any of these events could also reduce the volume of products and services these customers purchase from Alliance or impair the ability of Alliance's customers to make full and timely payments and could cause increased pressure on Alliance's selling prices and terms of sale.

If we incurred any significant impairment charges, our net earnings would be reduced.

Declines in the profitability of acquired brands or our decision to reduce our focus or exit these brands may impact our ability to recover the carrying value of the related assets and could result in an impairment charge. Similarly, declines in our profitability may impact on the fair value of our reporting unit, which could result in a write-down of our goodwill and consequently harm our net earnings.

Risks Related to Expansion of our Business

Our expansion places a strain on our management, operational, financial, and other resources.

We are rapidly and significantly expanding operations, including increasing our product and service offerings and scaling our infrastructure to support our retail and services businesses. This expansion increases the complexity of our business and places strain on our management, personnel, operations, systems, technical performance, financial resources, and internal financial control and reporting functions. We may not be able to manage growth effectively, which could damage our reputation, limit our growth, and negatively affect our operating results.

We may not realize the anticipated benefits of acquisitions or investments in our acquisitions or joint ventures, or those benefits may be delayed or reduced in their realization.

Acquisitions and investments have been a component of our growth and the development of our business, such as our acquisition of Endstate in December 2025, Hand Made by Robots in December 2024 and COKeM in September 2020. Acquisitions can broaden and diversify our brand holdings and product offerings and allow us to build additional capabilities and competencies of the company.

We cannot be certain that the products and offerings of companies we may acquire, or acquire an interest in, will achieve or maintain popularity with consumers in the future or that any such acquired companies or investments will allow us to market our products more effectively, develop our competencies or grow our business. In some cases, we expect that the integration of the companies that we may acquire into our operations will create production, marketing and other operating, revenue or cost synergies which will produce greater revenue growth and profitability and, where applicable, cost savings, operating efficiencies, and other advantages. However, we cannot be certain that these synergies, efficiencies, and cost savings will be realized. Even if achieved, these benefits may be delayed or reduced in their realization. In other cases, we may acquire or invest in companies that we believe have strong and creative management, in which case we may plan to operate them more autonomously rather than fully integrating them into our operations. We cannot be certain that the key talented individuals at these companies will continue to work for us after the acquisition or that they will develop popular and profitable products, entertainment, or services in the future. We cannot guarantee that any acquisition or investment we may make will be successful or beneficial, and acquisitions can consume significant amounts of management attention and other resources, which may negatively impact other aspects of our business.

Our expansion into new products, services, technologies, and geographic regions subjects us to additional business, legal, financial, and competitive risks.

We may have limited or no experience in our newer market segments, including collectibles, and our customers may not adopt our offerings. These offerings may present new and difficult technology challenges, and we may be subject to claims if customers of these offerings experience service disruptions or failures or other quality issues. In addition, profitability, if any, in our newer activities may be lower than in our older activities, and we may not be successful enough in these newer activities to recoup our investments in them. If any of this were to occur, it could damage our reputation, limit our growth, and negatively affect our operating results.

We may experience significant fluctuations in our operating results and growth rate.

We may not be able to accurately forecast our growth rate. We base our expense levels and investment plans on sales estimates. A significant portion of our expenses and investments is fixed, and we may not be able to adjust our spending quickly enough if our sales are less than expected.

Our revenue growth may not be sustainable, and our percentage growth rates may decrease. Our revenue and operating profit growth depends on the continued growth of demand for the products and services offered by us or our customers, and our business is affected by general economic and business conditions worldwide. A softening of demand, whether caused by changes in customer preferences or a weakening of the U.S. or global economies, may result in decreased revenue or growth.

Our sales and operating results will also fluctuate for many other reasons, including due to risks described elsewhere in this section and the following:

- our ability to retain and increase sales to existing customers, attract new customers, and satisfy our customers' demands;
- our ability to retain and expand our network of customers;
- our ability to offer products on favorable terms, manage inventory, and fulfill orders;
- the introduction of competitive stores, websites, products, services, price decreases, or improvements;
- changes in usage or adoption rates of the Internet, e-commerce, electronic devices, and web services, including outside the U.S.;
- timing, effectiveness, and costs of expansion and upgrades of our systems and infrastructure;
- the success of our geographic, service, and product line expansions;
- the extent to which we finance, and the terms of any such financing for, our current operations and future growth;
- the outcomes of legal proceedings and claims, which may include significant monetary damages or injunctive relief and could have a material adverse impact on our operating results;
- variations in the mix of products and services we sell;
- variations in our level of merchandise and vendor returns;
- the extent to which we offer free shipping, continue to reduce prices worldwide, and provide additional benefits to our customers;
- factors affecting our reputation or brand image;
- the extent to which we invest in technology and content, fulfillment, and other expense categories;
- increases in the prices of fuel and gasoline, as well as increases in the prices of other energy products and commodities like paper and packing supplies;
- the extent to which our equity-method investees record significant operating and non-operating items;
- the extent to which operators of the networks between our customers and our stores successfully charge fees to grant our customers unimpaired and unconstrained access to our online services;
- our ability to collect amounts owed to us when they become due;
- the extent to which use of our services is affected by spyware, viruses, phishing and other spam emails, denial of service attacks, data theft, computer intrusions, outages, and similar events;
- terrorist attacks and armed hostilities;
- supply chain issues either in chip shortages; and
- long lead time in the manufacturing vinyl LP's.

Our international operations expose us to a number of risks.

Our international activities are insignificant to our revenues and profits, and we plan to further expand internationally. In certain international market segments, we have relatively little operating experience and may not benefit from any first-to-market advantages or otherwise succeed. It is costly to establish, develop, and maintain international operations, and promote our brand internationally. Our international operations may not be profitable on a sustained basis.

In addition to risks described elsewhere in this section, our international sales and operations are subject to a number of risks, including:

- local economic and political conditions;
- government regulation and compliance requirements (such as regulation of our product and service offerings and of competition), restrictive governmental actions (such as trade protection measures, including export duties and quotas and custom duties and tariffs), nationalization, and restrictions on foreign ownership;
- restrictions on sales or distribution of certain products or services and uncertainty regarding liability for products, services, and content, including uncertainty as a result of less Internet- friendly legal systems, local laws, lack of legal precedent, and varying rules, regulations, and practices regarding the physical and digital distribution of media products and enforcement of intellectual property rights;
- business licensing or certification requirements, such as for imports, exports, web services, and electronic devices;
- limitations on the repatriation and investment of funds and foreign currency exchange restrictions;
- limited fulfillment and technology infrastructure;
- shorter payable and longer receivable cycles and the resultant negative impact on cash flow;
- laws and regulations regarding consumer and data protection, privacy, network security, encryption, payments, and restrictions on pricing or discounts;
- lower levels of consumer spending and fewer opportunities for growth compared to the U.S.;
- lower levels of credit card usage and increased payment risk;
- difficulty in staffing, developing, and managing foreign operations as a result of distance, language, and cultural differences.
- different employee/employer relationships and the existence of works councils and labor unions;
- compliance with the U.S. Foreign Corrupt Practices Act and other applicable U.S. and foreign laws prohibiting corrupt payments to government officials and other third parties;
- laws and policies of the U.S. and other jurisdictions affecting trade, foreign investment, loans, and taxes; and
- geopolitical events, including war and terrorism.

As international physical, e-commerce, and other services grow, competition will intensify, including through adoption of evolving business models. Local companies may have a substantial competitive advantage because of their greater understanding of, and focus on, the local customer, as well as their more established local brand names. We may not be able to hire, train, retain, and manage required personnel, which may limit our international growth.

Our business will suffer if we are not successful in developing and expanding our partner brands across our consumer base.

Our strategy is to focus and expand larger global brands with an emphasis on developing and expanding those of our key partner brands, which we view as having the largest global potential across our customer base. As we concentrate our efforts on more brands, we believe we can gain additional leverage and enhance the consumer experience. This focus means that our success depends disproportionately on our and our new partners' ability to successfully develop these new brands across our consumer base and to maintain and extend the reach and relevance of these brands to global consumers in a wide array of markets. This strategy has required us to acquire, build, invest in and develop our competencies in music, movies, gaming, consumer products and entertainment products. Acquiring, developing, investing in, and growing these competencies has required significant effort, time and money, with no assurance of success. The success of our brand blueprint strategy also requires significant alignment and integration among our business segments. If we are unable to successfully develop, maintain and expand key partner brands across our brand blueprint, our business performance will suffer.

Risks Related to Shifts in Consumer Demand

Consumer interests change rapidly, and acceptance of products and entertainment offerings are influenced by outside factors.

The interests of families, individuals, fans, and audiences evolve extremely quickly and can change dramatically from year to year and by geography. To be successful, we must correctly anticipate the types of entertainment, products and play patterns which will capture consumers' interests and imagination and quickly develop and introduce innovative products and engaging entertainment which can compete successfully for consumers' limited time, attention, and spending. This challenge is more difficult with the ever-increasing utilization of technology, social media, and digital media in entertainment offerings, and the increasing breadth of entertainment available to consumers. Evolving consumer tastes and shifting interests, coupled with an ever-changing and expanding pipeline of entertainment and consumer properties and products that compete for consumer interest and acceptance, create an environment in which some products and entertainment offerings can fail to achieve consumer acceptance, and other products and entertainment offerings can be popular during a certain period of time but then be rapidly replaced. As a result, our products and entertainment offerings can have short consumer life cycles.

Consumer acceptance of our or our partners' entertainment offerings is also affected by outside factors, such as critical reviews, promotions, the quality and acceptance of films and television programs, music, video games, collectibles and content released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions and public tastes generally, all of which could change rapidly and most of which are beyond our control. There can be no assurance that television programs and films, video games, video movies and collectibles we distribute will obtain favorable reviews or ratings, that films, video games, video movies we distribute will be popular with consumers and perform well in our distribution channels.

If we devote time and resources to distributing and marketing products or entertainment that consumers do not accept or do not find interesting enough to buy in sufficient quantities to be profitable to us, our revenues and profits may decline, and our business performance may be harmed. Similarly, if our product offerings and entertainment fail to correctly anticipate consumer interests, our revenues and earnings will be reduced.

An inability to develop, introduce and ship planned products, product lines and new brands in a timely and cost-effective manner may damage our business.

In acquiring new products, product lines and new brands we have anticipated dates for the associated product and brand introductions. When we state that we will introduce, or anticipate introducing, a particular product, product line or brand at a certain time in the future those expectations are based on completing the associated development, implementation, and marketing work in accordance with our currently anticipated development schedule. We cannot guarantee that we will be able to source and ship new or continuing products in a timely manner and on a cost-effective basis to meet constantly changing consumer demands.

The risk is also exacerbated by the increasing sophistication of many of the products we are distributing, providing greater innovation and product differentiation. Unforeseen delays or difficulties in the development process, significant increases in the planned cost of development, or changes in anticipated consumer demand for our products and new brands may cause the introduction date for products to be later than anticipated, may reduce or eliminate the profitability of such products or, in some situations, may cause a product or new brand introduction to be discontinued.

Risks Related to Our Supply Chain and Sales Channels

Disruptions or inefficiencies in our supply chain or logistics network could adversely affect our ability to fulfill customer demand and may increase our costs.

While global supply chain conditions have generally stabilized compared to the disruptions experienced in 2021 and 2022, we continue to face certain logistical and cost-related challenges, including fluctuating freight rates, labor shortages in transportation and warehousing, and longer lead times for certain products sourced internationally.

Although we have implemented strategies to mitigate these risks—such as diversifying our supplier base, leveraging alternative shipping methods, and negotiating improved carrier terms, there can be no assurance that these measures will be sufficient in the event of renewed disruption, geopolitical instability, or macroeconomic pressures.

If we are unable to effectively manage shipping logistics, maintain adequate inventory levels, or adjust pricing in response to cost increases, we may not be able to meet customer demand or sustain our margins. Any prolonged disruption or cost pressure in our supply chain could have a material adverse effect on our business, financial condition, and results of operations.

If we are unable to adapt our business to the continued shift to e-commerce, our business may be harmed.

In fiscal year 2026, ecommerce sales represented approximately 35% of overall sales as consumers increasingly purchased our products online as compared to through in-store shopping. Ecommerce sales have resulted in retailers holding less inventory, which has caused us to adjust our supply chain. This supply chain is further strained by customers desiring faster delivery at reduced costs. Additionally, if our technology and systems used to support ecommerce order processing are not effective, our ability to deliver products on time on a cost-effective basis may be adversely affected. Failure to continue to adapt our systems and supply chain and successfully fulfill ecommerce sales could harm our business.

The concentration of our retail customer base and continued shift to ecommerce sales means that economic difficulties or changes in the purchasing or promotional policies or patterns of our major customers could have a significant impact on us.

For the year ended June 30, 2026, our top three customers generated approximately 45% of our net sales, and our largest customer accounted for approximately 21% of our total net sales. For the year ended June 30, 2025, our top customer accounted for 15% of total net sales.

Due to our customer concentration, if our top customer was to experience difficulties in fulfilling their obligations to us, cease doing business with us, significantly reduce the amount of their purchases from us, favor competitors or new entrants, change their purchasing patterns, impose unexpected fees on us, alter the manner in which they promote our products or the resources they devote to promoting and selling our products, or return substantial amounts of our products, our business may be harmed.

Our customers do not make binding long-term commitments to us regarding purchase volumes and make all purchases by delivering purchase orders. Any customer could reduce its overall purchase of our products and reduce the number and variety of our products that it carries, and the shelf space allotted for our products. In addition, increased concentration among our customers could negatively impact our ability to negotiate higher sales prices for our products and could result in lower gross margins than would otherwise be obtained if there were less consolidation among our customers. Furthermore, the failure or lack of success of a significant retail customer could negatively impact our revenues and profitability.

Our business, including our costs and supply chain, is subject to risks associated with sourcing, manufacturing, warehousing, distribution and logistics, and the loss of any of our key suppliers or service providers could negatively impact our business.

All the products we offer are manufactured by third-party labels, studios, publishers, and suppliers, and as a result we may be subject to price fluctuations or demand disruptions. Our operating results would be negatively impacted by increases in the costs of the products we offer, and we have no guarantees that costs will not rise. In addition, as we expand into new categories and product types, we expect that we may not have strong purchasing power in these new areas, which could lead to higher costs than we have historically seen in our current categories. We may not be able to pass increased costs on to consumers, which could adversely affect our operating results. Moreover, in the event of a significant disruption in the supply of the materials used in the manufacture of the products we offer, we and the vendors that we work with might not be able to locate alternative suppliers of materials of comparable quality at an acceptable price.

In addition, products, and merchandise we receive from manufacturers and suppliers may not be of sufficient quality or free from damage, or such products may be damaged during shipping, while stored in our warehouse fulfillment centers or with third-party ecommerce or retail customers or when returned by consumers. We may incur additional expenses, and our reputation could be harmed if consumers and potential consumers believe that our products do not meet their expectations, are not properly labeled or are damaged.

We purchase significant amounts from a limited number of suppliers with limited supply capabilities. There can be no assurance that our current suppliers will be able to accommodate our anticipated growth or continue to supply current quantities at preferential prices. An inability of our existing suppliers to provide products in a timely or cost-effective manner could impair our growth and have an adverse effect on our business, financial condition, results of operations and prospects. We generally do not maintain long-term supply contracts with any of our suppliers and any of our suppliers could discontinue selling to us at any time. The loss of any of our other significant suppliers, or the discontinuance of any preferential pricing or exclusive incentives they currently offer to us could have an adverse effect on our business, financial condition, results of operations and prospects.

We continually seek to expand our base of product suppliers, especially as we identify new markets. We also require our new and existing suppliers to meet our ethical and business partner standards. Suppliers may also have to meet governmental and industry standards and any relevant standards required by our consumers, which may require additional investment and time on behalf of suppliers and us. If any of our key suppliers becomes insolvent, ceases, or significantly reduces its operations or experiences financial distress, or if any environmental, economic or other outside factors impact their operations. If we are unable to identify or enter distribution relationships with new suppliers or to replace the loss of any of our existing suppliers, we may experience a competitive disadvantage, our business may be disrupted and our business, financial condition, results of operations and prospects could be adversely affected.

Our principal suppliers currently provide us with certain incentives such as extended payment terms, volume purchasing, trade discounts, cooperative advertising, and market development funds. A reduction or discontinuance of these incentives would increase our costs and could reduce our ability to achieve or maintain profitability. Similarly, if one or more of our suppliers were to offer these incentives, including preferential pricing, to our competitors, our competitive advantage would be reduced, which could have an adverse effect on our business, financial condition, results of operations and prospects.

We face significant inventory risk.

In addition to risks described elsewhere relating to fulfillment network and inventory optimization by us and third parties, we are exposed to significant inventory risks that may adversely affect our operating results as a result of seasonality, new product launches, rapid changes in product cycles and pricing, defective merchandise, changes in consumer demand and consumer spending patterns, changes in consumer tastes with respect to our products, spoilage, and other factors. We endeavour to accurately predict these trends and avoid overstocking or understocking products we manufacture and/or sell. Demand for products, however, can change significantly between the time inventory or components are ordered and the date of sale. In addition, when we begin selling or manufacturing a new product, it may be difficult to establish vendor relationships, determine appropriate product or component selection, and accurately forecast demand. The acquisition of certain types of inventory or components requires significant lead-time and prepayment, and they may not be returnable. We carry a broad selection and significant inventory levels of certain products, and at times we are unable to sell products in sufficient quantities or to meet demand during the relevant selling seasons. If our inventory forecasting and production planning processes result in higher inventory levels exceeding the levels demanded by customers or should our customers decrease their orders with us, our operating results could be adversely affected due to costs of carrying the inventory and additional inventory write-downs for excess and obsolete inventory. Any one of the inventory risk factors set forth above may adversely affect our operating results.

If our third-party suppliers' labels, studios, and publishers do not comply with applicable laws and regulations, our reputation, business, financial condition, results of operations and prospects could be harmed.

Our reputation and our consumers' willingness to purchase our products depend in part on our suppliers' labels, studios, publishers, and other suppliers, and retail partners' compliance with ethical employment practices, such as with respect to child labor, wages and benefits, forced labor, discrimination, safe and healthy working conditions, and with all legal and regulatory requirements relating to the conduct of their businesses. We do not exercise control over our suppliers, manufacturers, and retail partners and cannot guarantee their compliance with ethical and lawful business practices. If our suppliers, manufacturers, or retail partners fail to comply with applicable laws, regulations, safety codes, employment practices, human rights standards, quality standards, environmental standards, production practices, or other obligations, norms, or ethical standards, our reputation and brand image could be harmed, and we could be exposed to litigation, investigations, enforcement actions, monetary liability, and additional costs that would harm our reputation, business, financial condition, results of operations and prospects.

Shipping is a critical part of our business and any changes in our shipping arrangements or any interruptions in shipping could adversely affect our operating results.

We primarily rely on the major suppliers for our shipping requirements. If we are not able to negotiate acceptable pricing and other terms with these suppliers or if one of the two experiences performance problems or other difficulties, it could negatively impact our operating results and our consumer or retail partner experience. Shipping vendors may also impose shipping surcharges from time to time. In addition, our ability to receive inbound inventory efficiently and ship products to consumers and retailers may be negatively affected by inclement weather, fire, flood, power loss, earthquakes, labor disputes, acts of war or terrorism, trade embargoes, customs and tax requirements and similar factors. For example, strikes at major international shipping ports have in the past impacted our supply of inventory from our third-party labels, studios, publishers, and suppliers, and the escalating trade dispute between the United States and China has and may in the future lead to increased tariffs, the revocation of current tariff exclusions for certain of our products, which may restrict the flow of the goods from China to the United States. We are also subject to risks of damage or loss during delivery by our shipping vendors. If our products are not delivered in a timely fashion or are damaged or lost during the delivery process, our consumers could become dissatisfied and cease shopping on our site or retailer or third-party ecommerce sites, which could have an adverse effect on our business, financial condition, operating results, and prospects.

We are subject to credit risk and may be subject to substantial write-offs if one or more of our significant customers default on their payment obligations to us.

We currently allow our major customers between 30 and 60 days to pay for each sale. This practice, while customary, presents an accounts receivable write-off risk, including the financial creditworthiness of our customers, if one or more of our significant customers defaulted on their payment obligations to us. Any such write-off, if substantial, would have a material adverse effect on our business and results of operations.

During the fiscal year ended June 30, 2026, we recorded a \$7.8 million vendor transaction loss related to the write-off of a receivable associated with a historical rebate arrangement with Tastemakers. The receivable represented amounts previously accrued under a contractual vendor rebate program and was expected to be recovered through future purchase order deductions and other contractual recovery mechanisms. During the fiscal ended June 30, 2026, Tastemakers ceased operations and was no longer able to fulfill its obligations under the arrangement, resulting in the determination that the remaining receivable balance was no longer recoverable. Accordingly, we recorded a non-cash charge of approximately \$7.8 million to write off the remaining balance which negatively impacted our results of operations for the fiscal year. While we believe that this charge is not reflective of our ongoing operating performance as it resulted from a specific counterparty insolvency event rather than current-period merchandising, purchasing, or distribution activities, we are at risk that other customers may experience financial difficulties and default in their obligations to us which could result in a significant write-off and adversely affect our operating results in future periods.

We are subject to risks related to online payment methods, including third-party payment processing-related risks.

We currently accept payments using a variety of methods, including checks, ACH, wire transfers, credit card, debit card, PayPal, and gift cards. As we offer new payment options to consumers, we may be subject to additional regulations, compliance requirements, fraud, and other risks. We also rely on third parties to provide payment processing services, and for certain payment methods, we pay interchange and other fees, which may increase over time and raise our operating costs and affect our ability to achieve or maintain profitability. We are also subject to payment card association operating rules and certification requirements, including the Payment Card Industry Data Security Standard, or PCI-DSS, and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we (or a third-party processing payment card transactions on our behalf) suffer a security breach affecting payment card information, we may have to pay onerous and significant fines, penalties and assessments arising out of the major card brands' rules and regulations, contractual indemnifications or liability contained in merchant agreements and similar contracts, and we may lose our ability to accept payment cards for payment for our goods and services, which could materially impact our operations and financial performance.

Furthermore, as our business changes, we may be subject to different rules under existing standards, which may require new assessments that involve costs above what we currently pay for compliance. As we offer new payment options to consumers, including by way of integrating emerging mobile and other payment methods, we may be subject to additional regulations, compliance requirements and fraud. If we fail to comply with the rules or requirements of any provider of a payment method we accept, if the volume of fraud in our transactions limits or terminates our rights to use payment methods we currently accept, or if a data breach occurs relating to our payment systems, we may, among other things, be subject to fines or higher transaction fees and may lose, or face restrictions placed upon, our ability to accept credit card payments from consumers or facilitate other types of online payments.

We also occasionally receive orders placed with fraudulent data and we may ultimately be held liable for the unauthorized use of a cardholder's card number in an illegal activity and be required by card issuers to pay charge-back fees. Charge-backs result not only in our loss of fees earned with respect to the payment, but also leave us liable for the underlying money transfer amount. If our chargeback rate becomes excessive, card associations also may require us to pay fines or refuse to process our transactions. To mitigate credit card fraud, we use Kount to score all credit card orders for risk of fraud. In addition, we may be subject to additional fraud risk if third-party service providers or our employees fraudulently use consumer information for their own gain or facilitate the fraudulent use of such information. Overall, we may have little recourse if we process a criminally fraudulent transaction. If any of these events were to occur, our business, financial condition, results of operations and prospects could be adversely affected.

We rely on third-party suppliers, labels, studios, publishers, suppliers, retail and ecommerce partners and other vendors, and they may not continue to produce products or provide services that are consistent with our standards or applicable regulatory requirements, which could harm our brand, cause consumer dissatisfaction, and require us to find alternative suppliers of our products or services.

We do not own or operate any manufacturing facilities. We use multiple third-party suppliers and labels, studios, publishers, suppliers based primarily in the United States, China and Mexico and other countries to a lesser extent, to manufacture and supply all the products we offer and sell.

We engage many of our third-party suppliers and labels, studios, publishers, suppliers on a purchase order basis and in most cases are not party to long-term contracts with them. The ability and willingness of these third parties to supply and manufacture the products we offer, and sell may be affected by competing orders placed by other companies and the demands of those companies. If we experience significant increases in demand or need to replace a significant number of existing suppliers or manufacturers, there can be no assurance that additional supply and manufacturing capacity will be available when required on terms that are acceptable to us, or at all, or that any supplier or manufacturer will allocate sufficient capacity to us to meet our requirements. Furthermore, our reliance on suppliers and manufacturers outside of the United States, the number of third parties with whom we transact and the number of jurisdictions to which we sell complicates our efforts to comply with customs duties and excise taxes; any failure to comply could adversely affect our business. In addition, quality control problems, such as the use of materials and delivery of products that do not meet our quality control standards and specifications or comply with applicable laws or regulations, could harm our business. Quality control problems could result in regulatory action, such as restrictions on importation, products of inferior quality or product stock outages or shortages, harming our sales and creating inventory write-downs for unusable products.

We have also outsourced minute portions of our fulfillment process, as well as certain technology-related functions, to third-party service providers. Specifically, we are dependent on third-party vendors for credit card processing, and we use third-party hosting and networking providers to host our sites. The failure of one or more of these entities to provide the expected services on a timely basis, or at all, or at the prices we expect, or the costs and disruption incurred in changing these outsourced functions to being performed under our management and direct control or that of a third party, could have an adverse effect on our business, financial condition, results of operations and prospects.

We are party to short-term contracts with some of our retail and ecommerce partners, and upon expiration of these existing agreements, we may not be able to renegotiate the terms on a commercially reasonable basis, or at all.

Further, our third-party labels, studios, publishers, suppliers and retail and ecommerce partners may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions, requests, policies, or objectives;
- be unable or unwilling to fulfill their obligations under relevant purchase orders, including obligations to meet our production deadlines, quality standards, pricing guidelines and product specifications, and to comply with applicable regulations, including those regarding the safety and quality of products;
- have financial difficulties;
- encounter raw material or labor shortages;
- encounter increases in raw material or labor costs which may affect our procurement costs;

- encounter difficulties with proper payment of custom duties or excise taxes;
- disclose our confidential information or intellectual property to competitors or third parties;
- engage in activities or employ practices that may harm our reputation; and
- work with, be acquired by, or come under control of, our competitors.

Risks Related to Our Debt

Alliance's existing and any future indebtedness could adversely affect its ability to operate its business.

On October 1, 2025, the Company, as parent, and certain of its subsidiaries, as borrowers and/or Guarantors, entered into a Loan and Security Agreement with Bank of America, N.A., as agent, and the other lenders from time to time party thereto (the "Credit Agreement"), which provides for a \$120.0 million senior secured revolving credit facility (the "Revolving Credit Facility"). The Revolving Credit Facility also permits, subject to the satisfaction of certain conditions and the consent of the Agent and the other lenders, additional borrowings in an amount not to exceed \$50.0 million, and provides for a \$3.0 million sub-limit for letters of credit. The Revolving Credit Facility matures on October 1, 2030 (the "Revolving Credit Facility Maturity Date"). As of June 30, 2026, the Company had approximately \$74 million outstanding under the Revolving Credit Facility (see Note 8 to Notes to Consolidated Financial Statements).

Borrowings under the Revolving Credit Facility bear interest at the 30-day SOFR rate, subject to a floor of 2.00%, plus an applicable margin of 1.50% through March 31, 2026 and 1.625% thereafter. The 30-day SOFR rate as of June 30, 2026 was 3.61%. The Company also pays a commitment fee of 0.15% per annum on unused availability. Commitment fees incurred during the year ended June 30, 2026 and June 30, 2025 were \$0.12 million and \$0.22 million respectively. Included in interest expense for the year ended June 30, 2026, is \$1.6 million related to the accelerated amortization of unamortized deferred financing costs associated with the prior revolving credit facility that was refinanced and replaced. The effective interest rate from execution of the Revolving Credit Facility through June 30, 2026 was 5.3%.

The Credit Agreement is secured by a first priority security interest on substantially all of the Company's and the Borrowers' and other Guarantors' assets. In addition, the Revolving Credit Facility contains customary representations and warranties, events of default, financial reporting requirements and affirmative covenants, including a fixed charge coverage ratio (on a trailing twelve months basis) of at least 1.0, measured on the last day of each month, as well as certain additional covenants, including restrictions limiting the Company's ability to incur additional indebtedness, incur liens, pay dividends, hold unpermitted investments, or make material changes to the business, except, in the case of certain payments, distributions, acquisitions or investments, if specified payment conditions are satisfied, including that pro forma excess availability under the Revolving Credit Facility is at least equal to the greater of (i) 20% of the Borrowing Base (as defined in the Credit Agreement) and (ii) \$20 million.

A breach of the covenants under the Credit Agreement could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the Credit Agreement could permit the lenders under the Credit Agreement to terminate all commitments to extend further credit under the Credit Agreement. Furthermore, if we were unable to repay the amounts due and payable under the Credit Agreement, those lenders could proceed against the collateral granted to them to secure that indebtedness. In the event our lenders accelerate the repayment of our borrowings, we may not have sufficient assets to repay that indebtedness.

Availability under the Revolving Credit Facility is limited by formula based on eligible accounts receivable and eligible inventory, subject to adjustment at the discretion of the lenders.

Alliance's outstanding indebtedness, including any additional indebtedness beyond our borrowings under the Credit Agreement, combined with its other financial obligations and contractual commitments, could have significant adverse consequences, including:

- Requiring us to dedicate a portion of our cash resources to the payment of interest and principal, reducing money available to fund working capital, capital expenditures, potential acquisitions, international expansion, new product development, new enterprise relationships and other general corporate purposes;
- Increasing our vulnerability to adverse changes in general economic, industry and market conditions;
- Subjecting us to restrictive covenants that may reduce our ability to take certain corporate actions or obtain further debt or equity financing;
- Limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and placing us at a competitive disadvantage compared to our competitors that have less debt or better debt servicing options.

We intend to satisfy our current and future debt service obligations with our then existing cash. However, we may not have sufficient funds and may be unable to arrange for additional financing to pay the amounts due under the Revolving Credit Facility or any other debt instruments. Failure to make payments or comply with other covenants under our existing credit facility or such other debt instruments could result in an event of default and acceleration of amounts due, which would have a material adverse effect on our business.

Covenants and events of default under Alliance's Credit Agreement could limit our ability to undertake certain types of transactions and adversely affect our liquidity.

The Credit Agreement contains a fixed charge coverage ratio covenant of at least 1.0 on a trailing twelve months basis, measured on the last day of each month, and restricts our ability to, among other things, incur additional indebtedness, incur liens, pay dividends, hold unpermitted investments or make material changes to our business. Certain payments, distributions, acquisitions and investments are permitted only if specified payment conditions are satisfied, including that pro forma excess availability under the Revolving Credit Facility is at least equal to the greater of 20% of the Borrowing Base and \$20 million. These restrictions could limit our ability to undertake certain types of transactions and adversely affect our liquidity.

A breach of the covenants under the Revolving Credit Facility could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the Revolving Credit Facility could permit the lenders under the Revolving Credit Facility to terminate all commitments to extend further credit under the Revolving Credit Facility. Furthermore, if we were unable to repay the amounts due and payable under the Revolving Credit Facility, those lenders could proceed against the collateral granted to them to secure that indebtedness. In the event our lenders accelerate the repayment of our borrowings, we may not have sufficient assets to repay that indebtedness.

Government efforts to combat inflation, along with other interest rate pressures arising from an inflationary economic environment, could lead to us to incur even higher interest rates and financing costs.

Inflation has risen on a global basis, the United States has been experiencing historically high levels of inflation, and government entities have taken various actions to combat inflation, such as raising interest rate benchmarks. Government entities may continue their efforts, or implement additional efforts, to combat inflation, which could include among other things continuing to raise interest rate benchmarks and/or maintaining interest rate benchmarks at elevated levels. Such government efforts, along with other interest rate pressures arising from an inflationary economic environment, could lead to us to incur even higher interest rates and financing costs on our Credit Agreement with Bank of America, N.A. and have material adverse effects on our business, financial condition, and results of operations.

Our indebtedness may limit our availability of cash, cause us to divert cash to fund debt service payments or make it more difficult to take certain other actions.

We operate the business with an asset-based line of credit to fund working capital to support our Accounts Payable and our Inventory purchases.

- make it more difficult and/or costly for us to pay or refinance our debts as they become due, particularly during adverse economic and industry conditions, because a decrease in revenues or increase in costs could cause cash flow from operations to be insufficient to make scheduled debt service payments;
- require a substantial portion of our available cash to be used for debt service payments, thereby reducing the availability of our cash to fund working capital, capital expenditures, development projects, acquisitions or other strategic opportunities, dividend payments, share repurchases and other general corporate purposes;
- make it more difficult for us to raise capital to fund working capital, make capital expenditures, pay dividends, pursue strategic initiatives or for other purposes and result in higher interest expense, which could be further increased in case of current or future borrowings subject to variable rates of interest;
- require that materially adverse terms, conditions, or covenants be placed on us under our debt instruments, which could include, for example, limitations on additional borrowings or limitations on our ability to create liens, pay dividends, repurchase our common stock or make investments, any of which could hinder our access to capital markets or our flexibility in the conduct of our business and make us more vulnerable to economic downturns and adverse competitive industry conditions; and
- jeopardize our ability to pay our indebtedness if our business experienced a severe downturn.

If we were unable to obtain or service our other external financing, or if the restrictions imposed by such financing were too burdensome, our business would be harmed.

Due to the seasonal nature of our business, we rely on a revolving credit agreement to meet our working capital needs, providing a \$120 million committed, asset-based revolving credit facility. The Revolving Credit Facility contains certain restrictive covenants setting forth leverage and coverage requirements and certain other limitations typical of an investment-grade facility. These restrictive covenants may limit our future actions as well as our financial, operating, and strategic flexibility.

Not only may our financial performance impact our ability to access external financing sources, but significant disruptions to credit markets in general may also harm our ability to obtain financing. In times of severe economic downturn and/or distress in the credit markets, it is possible that one or more sources of external financing may be unable or unwilling to provide funding to us. In such a situation, it may be that we would be unable to access funding under our existing credit facilities, and it might not be possible to find alternative sources of funding.

We also may choose to finance our capital needs, from time to time, through the issuance of debt securities. Our ability to issue such securities on satisfactory terms, if at all, will depend on the state of our business and financial condition, any ratings issued by major credit rating agencies, market interest rates, and the overall condition of the financial and credit markets at the time of the offering. The condition of the credit markets and prevailing interest rates have fluctuated significantly in the past and are likely to fluctuate in the future. Variations in these factors could make it difficult for us to sell debt securities or require us to offer higher interest rates in order to sell new debt securities. The failure to receive financing on desirable terms, or at all, could damage our ability to support our future operations or capital needs or engage in other business activities.

If we are unable to generate sufficient available cash flow to service our outstanding debt, we would need to refinance our outstanding debt or face default. We cannot guarantee that we would be able to refinance debt on favorable terms, or at all.

Risks Related to our Management

Our success is dependent on the efforts and dedication of our officers and other employees.

Our officers and employees are at the heart of all our efforts. It is their skill, innovation and hard work that drive our success. We compete with many other potential employers in recruiting, hiring, and retaining our management team and our many other skilled officers and employees around the world. The increasing prevalence of remote work creates further challenges in retaining employees as some employees desire more flexibility in their employment and the ability to work remotely opens more employment opportunities. The impact of failing to retain key employees can be high due to loss of key knowledge and relationships, loss of creative talent, lost productivity, hiring and training costs, all of which could result in lower profitability. We cannot guarantee that we will recruit, hire, or retain the key personnel we need to succeed.

Our future success also depends on the continued leadership of key executives, including Mr. Bruce Ogilvie, our Executive Chairman, and Mr. Jeff Walker, our Chief Executive Officer. The loss of any key members of our management team, including Mr. Ogilvie and Mr. Walker, or the failure to attract and retain talented individuals with the necessary skill sets for our diverse and evolving business could materially and adversely affect our operations and financial results. We cannot guarantee that we will successfully recruit, hire, or retain the personnel essential to our success.

If we fail to develop diverse top talent, we may be unable to compete, and our business may be harmed.

To compete successfully, we must continuously develop a diverse group of talented people. We promote a diverse and inclusive work environment. To that end, we have set goals and objectives with respect to hiring and retention of talented, diverse employees, who we believe will foster new ideas and perspectives that will benefit our business. Competition for diverse talent is intense. We cannot guarantee we will achieve our goals or that our actions will result in expected benefits to our business.

Alliance has engaged in transactions with related parties, and such transactions present possible conflicts of interest that could have an adverse effect on our business and results of operations.

Alliance has entered into transactions with related parties, including our two principal stockholders, Bruce Ogilvie, our Executive Chairman, and Jeffrey Walker, our Chief Executive Officer. These include transactions with companies owned by Messrs. Ogilvie and Walker, such as GameFly Holdings, LLC (“GameFly”), which they own equally.

For each of the years ended June 30, 2026 and 2025, Alliance sold new-release movies, video games, and video game consoles to GameFly, a customer of Alliance, in the amount of approximately \$2.7 million. As of June 30, 2026, and 2025, amounts due from GameFly were \$0.24 million and \$0.22 million, respectively.

We may in the future enter into additional transactions with entities in which our principal stockholders, executive officers, members of our board of directors and other related parties hold ownership interests. All such transactions are subject to review and approval in accordance with our related person transaction policy. See “Certain Relationships and Related Party Transactions.”

Transactions with such related parties present potential for conflicts of interest, as the interests of the third-party owned related entity and its shareholders may not align with the interests of our stockholders with respect to the negotiation of, and certain other matters. For example, conflicts of interest may arise in connection with decisions regarding the structure and terms of the GameFly contract, contractual remedies, events of default and dealings with customers.

Pursuant to our related party transactions policy, all additional material related party transactions that we enter require either (i) the unanimous consent of our audit committee or (ii) the approval of a majority of the members of our board of directors. See “Certain Relationships and Related Party Transactions — Policies and Procedures for Related Party Transactions.” Nevertheless, we may have achieved more favorable terms if such transactions had not been entered into with related parties and these transactions, individually or in the aggregate, may have an adverse effect on our business and results of operations or may result in government enforcement actions or other litigation.

A default under the personal loan between our Executive Chairman and our Chief Executive Officer could result in a substantial change in the ownership of our common stock.

On May 21, 2026, Bruce Ogilvie, our Executive Chairman, extended a personal loan in the principal amount of \$2.0 million to Jeffrey Walker, our Chief Executive Officer. The loan bears interest at 12% per annum and matures on May 21, 2027. Mr. Walker has pledged 4,350,000 shares of our common stock, representing approximately 9% of our outstanding shares of Class A common stock, as collateral for the loan. If an event of default occurs under the loan, Mr. Ogilvie could acquire beneficial ownership of the pledged shares through foreclosure or sale. Such a transfer would increase Mr. Ogilvie’s beneficial ownership from approximately 30.1% to approximately 38.6% of our outstanding common stock, further concentrating ownership and voting power in a single stockholder and potentially resulting in a change in control of the Company. A sale of a block of shares of this size into the public market could also cause the market price of our common stock to decline.

The Company is not a party to the loan or the related pledge agreement, has not guaranteed any obligations under the loan, and has no ability to control or prevent any of the outcomes described above. For additional information, see “Certain Relationships and Related Party Transactions—Alliance Related Party Transactions—Personal Loan Between Executive Chairman and Chief Executive Officer.”

Risks Related to Our Technology and Intellectual Property

Our business may be harmed if we are unable to protect our critical intellectual property rights.

Our intellectual property, including our patents, trademarks and tradenames, copyrights, patents, and rights under our license agreements and other agreements that establish our intellectual property rights and maintain the confidentiality of our intellectual property, is of critical value. We rely on a combination of trade secret, copyright, trademark, patent, and other proprietary rights laws to protect our rights to valuable intellectual property in the U.S. and around the world. From time to time, third parties have challenged, and may in the future try to challenge, our ownership of our intellectual property in the U.S. and around the world. In addition, our business is subject to the risk of third parties counterfeiting our products or infringing on our intellectual property rights, as well as the risk of unauthorized third parties copying and distributing our entertainment content or leaking portions of planned entertainment content. We may need to resort to litigation to protect our intellectual property rights, which could result in substantial costs and diversion of resources. Similarly, third parties may claim ownership over certain aspects of our products, productions, or other intellectual property. Our failure to successfully protect our intellectual property rights could significantly harm our business and competitive position.

Failure to successfully operate our information systems and implement new technology effectively could disrupt our business or reduce our sales or profitability.

We rely extensively on various information technology systems and software applications to manage many aspects of our business, including product development, management of our supply chain, sale and delivery of our products, royalty and financial reporting and various other processes and transactions. We are critically dependent on the integrity, security and consistent operations of these systems and related back-up systems. These systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, malware and other cybersecurity breaches, catastrophic events such as hurricanes, fires, floods, earthquakes, tornadoes, acts of war or terrorism and usage errors by our employees or partners. The efficient operation and successful growth of our business depends on these information systems, including our ability to operate them effectively and to select and implement appropriate upgrades or new technologies and systems and adequate disaster recovery systems successfully. The failure of our information systems or third-party hosted technology to perform as designed or our failure to implement and operate them effectively could disrupt our business, require significant capital investments to remediate a problem or subject us to liability.

If our electronic data is compromised, our business could be significantly harmed.

We and our business partners maintain significant amounts of data electronically in locations around the United States and in the cloud. This data relates to all aspects of our business, including current and future products and entertainment under development, and also contains certain customer, consumer, supplier, partner and employee data. We maintain systems and processes designed to protect this data, but notwithstanding such protective measures, there is a risk of intrusion, cyber-attacks or tampering that could compromise the integrity and privacy of this data. Cyber-attacks are increasing in their frequency, sophistication, and intensity, and are becoming increasingly difficult to detect. They are often carried out by motivated, well-resourced, skilled, and persistent actors, including nation states, organized crime groups, “hacktivists” and employees or contractors acting with malicious intent. Cyber-attacks could include the deployment of harmful malware and key loggers, ransomware, a denial-of-service attack, a malicious website, the use of social engineering and other means to affect the confidentiality, integrity and availability of our technology systems and data. Cyber-attacks could also include supply chain attacks, which could cause a delay in the manufacturing of our products. In addition, we provide confidential and proprietary information to our third-party business partners in certain cases where doing so is necessary to conduct our business. While we obtain assurances from those parties that they have systems and processes in place to protect such data, and where applicable, that they will take steps to assure the protections of such data by third parties, those partners may also be subject to data intrusion or otherwise compromise the protection of such data. Any compromise of the confidential data of our customers, consumers, suppliers, partners, employees or ourselves, or failure to prevent or mitigate the loss of or damage to this data through breach of our information technology systems or other means could substantially disrupt our operations, harm our customers, consumers, employees and other business partners, damage our reputation, violate applicable laws and regulations, subject us to potentially significant costs and liabilities and result in a loss of business that could be material.

Risks Related to Matters Outside our Control That May Impact Our Business

Risks Related to International Trade Policies and Tariffs

We are subject to risks arising from changes in international trade policies, including the imposition of new or increased tariffs on imported goods. These risks are particularly relevant to our gaming and collectibles categories, where a significant portion of our inventory is sourced from foreign suppliers.

There have recently been significant changes to international trade policies and tariffs affecting imports and exports. Any significant increases in tariffs on goods or materials or other changes in trade policy could negatively affect our search for a target and/or our ability to complete a business combination.

Recently, the U.S. has implemented a range of new tariffs and increases to existing tariffs. In response to the tariffs announced by the U.S., other countries have imposed, are considering imposing and may in the future impose new or increased tariffs on certain exports from the United States. There is currently significant uncertainty about the future relationship between the United States and other countries with respect to trade policies, taxes, government regulations and tariffs, and we cannot predict whether and to what extent current tariffs will continue or trade policies will change in the future.

Tariffs, the threat of tariffs or increases in tariffs, could materially increase our cost of goods sold. While we may be able to offset some of these increases through price adjustments, there is no guarantee that market conditions will support such increases without negatively affecting consumer demand. In some cases, higher retail prices could increase revenues, but these effects are uncertain and highly dependent on our ability to maintain price elasticity and competitive positioning in the marketplace.

If we are unable to pass through increased costs or if supply chain disruptions prevent us from sourcing key products, our business, financial condition, results of operations, and cash flows could be materially and adversely affected.

Adverse economic conditions in the markets in which we and our employees, consumers, customers, suppliers, and manufacturers operate could negatively impact our ability to produce and ship our products, and lower our revenues, margins and profitability.

Various economic conditions in the markets we, our employees, consumers, customers, suppliers, and manufacturers operate, could have a significant negative impact on our revenues, profitability and business. The occurrence of adverse economic conditions can result in manufacturing and other work stoppages, slowdowns, and delays; shortages or delays in production or shipment of products or raw materials; delays or reduced purchases from customers and consumers; and other factors that cause increases in costs or delay in revenues. Inflation, such as what consumers in the U.S. and other economies are experiencing, can cause significant increases in the costs of other products which are required by consumers, such as gasoline, home heating fuels, or groceries, may reduce household spending on the discretionary products and entertainment we offer. Weakened economic conditions, higher interest rates, lowered employment levels or recessions may also significantly reduce consumer purchases of our products and spending on entertainment. Economic conditions may also be negatively impacted by terrorist attacks, wars, and other conflicts, such as the war in Ukraine, natural disasters, increases in critical commodity prices or labor costs, or the prospect of such events. Such a weakened economic and business climate, as well as consumer uncertainty created by such a climate, could significantly harm our revenues and profitability.

Our success and profitability not only depend on consumer demand for our products, but also on our ability to produce and sell those products at costs which allow us to make a profit. Rising fuel and raw material prices, due to inflation or otherwise, for paperboard and other components such as resin used in plastics or electronic components, increased transportation and shipping costs, and increased labor costs in the markets in which our products are manufactured all may increase the costs we incur to produce and transport our products, which in turn may reduce our margins, reduce our profitability and harm our business.

Changes in U.S., global or regional economic conditions could harm our business and financial performance.

Our financial performance is affected by the level of discretionary consumer spending in the markets where we operate. Reductions in stimulus payments provided to consumers, high inflation and rising interest rates on credit cards could impact discretionary spending. Recessions, credit crises and other economic downturns, or disruptions in credit and financial markets in the U.S. and in other markets in which we operate can result in lower levels of economic activity, lower employment levels, less consumer disposable income, and lower consumer confidence. Similarly, reductions in the value of key assets held by consumers, such as their homes or stock market investments, can lower consumer confidence and consumer spending power. Any of these factors can reduce the amount which consumers spend on the purchase of our products and entertainment. This in turn can reduce our revenues and harm our financial performance and profitability.

Our global operations mean we transact business in many jurisdictions and currencies. As a result, if the exchange rate between the U.S. dollar and a local currency for an international market in which we have significant sales or operations changes, our financial results as reported in U.S. dollars, may be meaningfully impacted even if our business in the local currency is not significantly affected. Similarly, our expenses can be significantly affected in U.S. dollar terms by exchange rates, meaning the profitability of our business in U.S. dollar terms can be negatively impacted by exchange rate movements that we do not control. Depreciation in key currencies may have a significant negative impact on our revenues and earnings as they are reported in U.S. dollars.

Our quarterly and annual operating results may fluctuate due to seasonality in our business and union strikes impacting the availability of content.

Sales of our music, video movies, video games and other entertainment products are seasonal, with an increase of retail sales occurring during the period from October through December for the holiday season. This seasonality for our consumer products business has increased over time, as retailers become more and more efficient in their control of inventory levels through quick response or just in time inventory management techniques, including the use of automated inventory replenishment programs. Further, ecommerce continues to grow significantly and accounts for a higher portion of the ultimate sales of our products to consumers. Ecommerce retailers tend to hold less inventory and take inventory closer to the time of sale to consumers than traditional retailers. As a result, customers are timing their orders so that they are being fulfilled by suppliers, such as us, closer to the time of purchase by consumers. While these techniques reduce a retailer's investment in inventory, they increase pressure on suppliers like us to fill orders promptly and thereby shift a significant portion of inventory risk and carrying costs to the supplier. This can also result in our losing significant revenues and earnings if our supply chain is unable to supply product to our customers when they want it.

The level of inventory carried by retailers may also reduce or delay retail sales resulting in lower revenues for us. If we or our customers determine that one of our products is more popular at retail than was originally anticipated, we may not have sufficient time to procure and ship enough additional products to fully meet consumer demand. Additionally, the logistics of supplying more product within shorter time periods increases the risk that we will fail to achieve tight and compressed shipping schedules, which also may reduce our sales and harm our financial performance.

Our entertainment business is also subject to seasonal variations based on the timing of music, television, film, gaming content releases. Release dates are determined by several factors, including the timing of holiday periods, geographical release dates and competition in the market.

This seasonal pattern of our business requires significant use of working capital, mainly to purchase inventory during the months prior to the holiday season and requires accurate forecasting of demand for products during the holiday season in order to avoid losing potential sales of popular products or producing excess inventory of products that are less popular with consumers. Our failure to accurately predict and respond to consumer demand, resulting in our underproducing popular items and/or overproducing less popular items, would reduce our total sales and harm our results of operations.

As a result of the seasonal nature of our business, we would be significantly and adversely affected, in a manner disproportionate to the impact on a company with sales spread more evenly throughout the year, by unforeseen events such as a natural disaster, a terrorist attack, economic shock or pandemic that harms the retail environment or consumer buying patterns during our key selling season, or by events such as strikes or port delays or other supply chain challenges that interfere with the shipment of goods, particularly from the Far East, during the critical months leading up to the holiday shopping season.

Risks Related to Taxes and Government Related Matters

We face additional tax liabilities and collection obligations. Changes in, or differing interpretations of, income tax laws and rules, and changes in our geographic operating results, may impact our effective tax rate.

We are subject to income taxes in the United States and the United Kingdom, as well as tax collection and reporting obligations in various other jurisdictions where we conduct business. Changes in tax laws, regulations, or their interpretations, whether at the federal, state, or international level, could increase our tax liabilities or compliance costs. For example, the OECD's Pillar Two initiative has resulted in the implementation of a 15% global minimum tax in the European Union and other jurisdictions, and additional countries are actively considering similar legislation. At this time, we do not expect these developments to have a material impact on our effective tax rate or financial position, but we continue to monitor legislative activity across relevant jurisdictions.

In the U.S., the Inflation Reduction Act of 2022 introduced a corporate alternative minimum tax and a 1% excise tax on certain stock repurchases. These provisions currently do not have a material effect on our consolidated financial statements. In addition, we are subject to routine audits by domestic and international tax authorities. The outcome of tax audits or disputes, changes in applicable tax laws or rates, or changes in the recognition of deferred tax assets could materially affect our effective tax rate, income tax expense, or cash flows.

We are subject to various government regulations, violations of which could subject us to sanctions or otherwise harm our business. In addition, we could be the subject of future product liability suits or merchandise recalls, which could harm our business.

We are subject to significant government regulations, including, in the U.S., under The Consumer Products Safety Act, The Federal Hazardous Substances Act, and The Flammable Fabrics Act, as well as under product safety and consumer protection statutes in our international markets. In addition, certain of our products are subject to regulation by the Food and Drug Administration or similar international authorities. Advertising to children is subject to regulation by the Federal Trade Commission, the Federal Communications Commission, and a host of other agencies globally, and the collection of information from children under the age of 13 is subject to the provisions of the Children's Online Privacy Protection Act and other privacy laws around the world. The collection of personally identifiable information from anyone, including adults, is under increasing regulation in many markets, such as the General Data Protection Regulation adopted by the European Union, and data protection laws in the United States and in a number of other countries. While we take all the steps, we believe are necessary to comply with these acts and regulations, we cannot assure you that we will be in compliance and, if we fail to comply with these requirements or other regulations enacted in the future, we could be subject to fines, liabilities or sanctions which could have a significant negative impact on our business, financial condition and results of operations. We may also be subject to involuntary product recalls or may voluntarily conduct a product recall. While costs associated with product recalls have generally not been material to our business, the costs associated with future product recalls individually or in aggregate in any given fiscal year could be significant. In addition, any product recall, regardless of direct costs of the recall, may harm the reputation of our products and have a negative impact on our future revenues and results of operations.

As a multinational corporation, we are subject to a host of governmental regulations throughout the world, including antitrust, employment, customs and tax requirements, anti-boycott regulations, environmental regulations, and the Foreign Corrupt Practices Act. Complying with these regulations imposes costs on us which can reduce our profitability and our failure to successfully comply with any such legal requirements could subject us to monetary liabilities and other sanctions that could further harm our business and financial condition.

Risks Related to Litigation

We may face increased costs in achieving our sustainability goals and any failure to achieve our goals could result in reputational damage.

We view sustainability challenges as opportunities to innovate and continuously improve our product design and operational efficiencies. We also believe the long-term viability and health of our own operations and our supply chain, and the significant potential for environmental improvements, are critical to our business success. We have set key goals and objectives in this area as described in our business section of this Form 10-K.

We devote significant resources and expenditure to help achieve these goals. It is possible that we will incur significant expense in trying to achieve these goals with no assurance that we will be successful. Additionally, our reputation could be damaged if we fail to achieve our sustainability goals, or if we or others in our industry do not act, or are perceived not to act, responsibly with respect to the production and packaging of our products.

Our entertainment business involves risks of liability claims for media content, which could adversely affect our business, results of operations and financial condition.

As a distributor of media content, we may face potential liability for defamation, invasion of privacy, negligence, copyright or trademark infringement, and other claims based on the nature and content of the materials distributed. These types of claims have been brought, sometimes successfully, against producers and distributors of media content. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a material adverse effect on our business, results of operation and financial condition.

We are involved in litigation, arbitration or regulatory matters where the outcome is uncertain, and which could entail significant expense.

As a larger multinational corporation, we are subject to regulatory investigations, risks related to internal controls, litigation and arbitration disputes, including potential liability from personal injury or property damage claims by the users of products that have been or may be developed by us, claims by third parties that our products infringe upon or misuse such third parties' property or rights, or claims by former employees for employment related matters. Because the outcome of litigation, arbitration and regulatory investigations is inherently difficult to predict, it is possible that the outcome of any of these matters could entail significant cost for us and harm our business. The fact that we operate in a significant number of international markets also increases the risk that we may face legal and regulatory exposures as we attempt to comply with a large number of varying legal and regulatory requirements. Any successful claim against us could significantly harm our business, financial condition, and results of operations.

We are exposed to claims and litigation of varying degrees arising in the ordinary course of business and use various methods to resolve these matters. When a loss is probable, we record an accrual based on the reasonably estimable loss or range of loss. When no point of loss within an estimated range is more likely than another, we record the lowest amount in the range and, if material, disclose the estimated range of loss.

Of the matters described below, only the Office Create claim exceeds that threshold; the remaining matters are described because management considers them relevant to an understanding of the Company's contingencies.

On June 6, 2024, Office Create Corporation ("Office Create") filed a complaint against COKeM International Ltd. ("COKeM") in the United States District Court for the District of Minnesota alleging contributory trademark infringement, contributory false designation of origin and unjust enrichment relating to COKeM's alleged distribution of the video game Cooking Mama: Cookstar. Office Create originally sought damages of no less than \$20,913,200, plus interest of 9% accruing from October 3, 2022. On August 29, 2024, COKeM filed a response denying all allegations, and on September 12, 2024 filed a third-party complaint against Planet Entertainment LLC and Steven Grossman asserting claims for indemnification and contribution. Office Create later filed an amended complaint impleading the former owner, chairman, chief financial officer and senior vice president of purchasing of COKeM and asserting claims for willful trademark infringement and civil conspiracy, increasing the damages sought to an amount in excess of \$35 million. COKeM filed an amended answer as to the new claims pertaining to it directly on March 12, 2025, denies the allegations, and intends to continue to defend the lawsuit vigorously.

A court-ordered settlement conference scheduled for August 11, 2025, was canceled by the court. The parties then completed fact discovery, including depositions of a co-defendant corporate designee and of current and former COKeM personnel taken between September 2025 and February 2026, and each party designated a damages expert. On January 6, 2026, Office Create stipulated to the dismissal of its claims against the Plaion defendants pursuant to a confidential settlement, and the court dismissed those defendants from the litigation the same day. Fact discovery has concluded.

The parties have engaged in settlement discussions that have not resulted in an agreement, and their respective positions as to value remain materially divergent. During the period from April 17, 2026 through June 30, 2026 the matter remained in the expert-motion phase: COKeM opposed Office Create's motion to strike portions of COKeM's rebuttal expert report, the court heard the matter in June 2026, and the parties were required to submit public and redacted versions of the expert materials by June 30, 2026 following the court's ruling. COKeM denies liability and continues to defend the matter. The Company maintains liability insurance applicable to this claim, subject to a policy limit of \$2.5 million for all claims that is shared with the Video Privacy Protection Act matters described below, a portion of which has been utilized. Because the proceedings remain at an expert and pre-trial stage and the parties' valuations of the claim differ materially, the Company is unable to estimate the amount or range of reasonably possible loss, and no liability has been recorded for this matter as of June 30, 2026. An unfavorable outcome could exceed available insurance and could be material to the Company's consolidated financial position, results of operations and cash flows.

Jonathan Hoang To v. DirectToU, LLC, United States District Court for the Northern District of California, Case No. 3:24-cv-06447; Douglas Feller, Jeffrey Haise, and Joseph Mull v. Alliance Entertainment, LLC and DirectToU, LLC, United States District Court for the Southern District of Florida, Case No. 0:24-cv-61444; and Vivek Shah v. DirectToU, LLC, JAMS Arbitration, No. 5220006749. — On or about September 12, 2024, these actions were brought against DirectToU, LLC (“DirectToU”) and/or Alliance Entertainment, LLC (“Alliance”) alleging violations of the Video Privacy Protection Act (“VPPA”) related to the alleged collection of, and alleged disclosure to Meta and other third parties including data brokers of, private information and user data regarding a user’s account information and video viewing and purchasing history from websites operated by the Company. DirectToU and Alliance disputed the allegations. The Feller action was dismissed and those plaintiffs were added to the Hoang To matter.

The parties agreed to resolve the claims on a class-wide basis for \$1.58 million. The court granted preliminary approval of the settlement on September 22, 2025 and entered final approval on May 5, 2026. The settlement was funded during the fiscal year ended June 30, 2026, and the matter was fully resolved as of that date. No further obligation or contingency exists in respect of these claims.

The Company recorded a contingent liability of \$1.58 million for the settlement and a related insurance recovery receivable from CNA of \$1.38 million as of June 30, 2025. Both amounts were settled during the fiscal year ended June 30, 2026, and no balances relating to this matter remain recorded on the consolidated balance sheet as of June 30, 2026.

On June 9, 2025, Sparkle Pop, LLC v. Alliance Entertainment Holding Corporation and Alliance Entertainment, LLC (U.S. Bankruptcy Court for MD-In Re Diamond Comic Distributors): Sparkle Pop sued the Alliance entities in the United States Bankruptcy Court for the District of Maryland (In re Diamond Comic Distributors) alleging theft of trade secrets and tortious interference with contracts arising out of Alliance’s successful bid for, and then Alliance’s subsequent termination of, the asset purchase agreement in the Diamond Comic Distributors bankruptcy. Alliance moved to dismiss the original complaint on July 10, 2025. On July 24, 2025, Sparkle Pop filed an amended complaint asserting the same claims plus an additional claim for breach of a non-disclosure agreement, and on August 7, 2025 Alliance moved to dismiss the amended complaint on the grounds that Sparkle Pop lacks standing, having been neither a party to, an intended third-party beneficiary of, nor an assignee of rights under the non-disclosure agreement, and that it failed to state a claim. Briefing was completed on September 17, 2025, and on November 10, 2025 the court heard oral argument and denied Alliance’s motion to dismiss. The adversary proceeding was stayed until February 16, 2026 to permit the appointed Chapter 7 trustee to become familiar with the litigation, after which the parties advance to discovery.

Risks Related to Accounting Matters

Prior to the Business Combination, Adara had accounted for its outstanding Warrants as a warrant liability and following the Business Combination, Alliance is now required to determine the value warrant liability for the Private Warrants quarterly, which could have a material impact on Alliance's financial position and operating results.

Included on Alliance's consolidated balance sheets as of June 30, 2026, and 2025, contained elsewhere in this Form 10-K, are derivative liabilities related to embedded features contained within the Warrants. Accounting Standards Codification 815, *Derivatives and Hedging* ("ASC 815") provides for the remeasurement of the fair value of such derivatives at each balance sheet date, with a resulting non-cash gain or loss related to the change in the fair value being recognized in earnings in the statements of income and comprehensive income. As a result of the recurring fair value measurement, our financial statements and results of operations may fluctuate quarterly based on factors that are outside of our control. Due to the recurring fair value measurement, we expect that we will recognize non-cash gains or losses on our warrants each reporting period and that the amount of such gains or losses could be material.

Following the Business Combination, although Alliance has determined that the Public Warrants are treated as equity, Alliance is required to continue to recognize the changes in the fair value of the Private Warrants from the prior period, if any, in its operating results for the current period, which could have a material impact on Alliance's financial position and operating results.

Because Alliance qualifies as a "smaller reporting company" within the meaning of the Securities Act of 1933, as amended, it is eligible for, and relies on, certain scaled disclosure and reporting accommodations. This could make Alliance's securities less attractive to investors and may make it more difficult to compare Alliance's performance to the performance of other public companies.

Alliance qualifies as a "smaller reporting company" as defined in Rule 405 under the Securities Act and Rule 12b-2 under the Exchange Act, and as a "non-accelerated filer" under Rule 12b-2.

Alliance ceased to qualify as an "emerging growth company" effective June 30, 2026 and can no longer rely on the exemptions previously available to it on that basis, including the extended transition period under Section 107 of the JOBS Act for complying with new or revised accounting standards, the exemptions from the say-on-pay, say-on-frequency and say-on-golden-parachute advisory voting requirements, and the exemption from pay-versus-performance disclosure. Accordingly, the financial statements included in this Annual Report on Form 10-K for the fiscal year ended June 30, 2026 reflect the effective dates for new or revised accounting standards applicable to public business entities, and the advisory voting and pay-versus-performance requirements apply, in each case as modified by the scaled accommodations available to smaller reporting companies.

Alliance continues to qualify as a smaller reporting company and, as such, may continue to rely on reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, may present only the two most recent fiscal years of audited financial statements in its Annual Reports on Form 10-K, and may provide pay-versus-performance disclosure on a scaled basis. As a non-accelerated filer, Alliance is also not required to comply with the auditor attestation requirement under Section 404(b) of the Sarbanes-Oxley Act, and management's assessment of the effectiveness of Alliance's internal control over financial reporting has not been, and is not required to be, attested to by its independent registered public accounting firm.

Investors may find Alliance's common stock less attractive because of its reliance on these accommodations, which could result in a less active trading market for the stock and greater price volatility.

Risks Related to Our Securities

The warrant agreement designates the courts of the State of New York or the United States District Court for the Southern District of New York as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by holders of the Warrants, which could limit the ability of warrant holders to obtain a favorable judicial forum for disputes with Alliance.

The warrant agreement provides that, subject to applicable law, (i) any action, proceeding or claim against us arising out of or relating in any way to the warrant agreement, including under the Securities Act, will be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and (ii) that we irrevocably submit to such jurisdiction, which jurisdiction shall be the exclusive forum for any such action, proceeding or claim. Alliance will waive any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum.

Notwithstanding the foregoing, these provisions of the warrant agreement do not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal district courts of the United States of America are the sole and exclusive forum. Any person or entity purchasing or otherwise acquiring any interest in any of the Warrants shall be deemed to have notice of and to have consented to the forum provisions in the warrant agreement. If any action, the subject matter of which is within the scope the forum provisions of the warrant agreement, is filed in a court other than a court of the State of New York or the United States District Court for the Southern District of New York (a “foreign action”) in the name of any holder of the Warrants, such holder shall be deemed to have consented to:

- (x) the personal jurisdiction of the state and federal courts located in the State of New York in connection with any action brought in any such court to enforce the forum provisions (an “enforcement action”), and
- (y) having service of process made upon such warrant holder in any such enforcement action by service upon such warrant holder’s counsel in the foreign action as agent for such warrant holder.

This choice of forum provision may limit a warrant holder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with our company, which may discourage such lawsuits. Alternatively, if a court were to find this provision of our warrant agreement inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, Alliance may incur additional costs associated with resolving such matters in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and board of directors.

Alliance may redeem unexpired Warrants prior to their exercise at a time that is disadvantageous to a Warrant holder, thereby making the Warrants worthless.

Alliance has the ability to redeem outstanding Warrants at any time after they become exercisable and prior to their expiration, at a price of \$0.01 per warrant, provided that the last reported sales price of the Class A common stock equals or exceeds \$18.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading-day period commencing once the warrants become exercisable and ending on the third trading day prior to the date on which Alliance gives proper notice of such redemption and provided certain other conditions are met. If and when the Warrants become redeemable, Alliance may not exercise our redemption right if the issuance of shares of common stock upon exercise of the Warrants is not exempt from registration or qualification under applicable state blue sky laws or it is unable to affect such registration or qualification. Alliance will use its best efforts to register or qualify such shares of Class A common stock under the blue-sky laws of the state of residence in those states in which the Warrants were offered in the IPO, if necessary. Redemption of the outstanding warrants could force holders (i) to exercise the Warrants and pay the exercise price therefor at a time when it may be disadvantageous for a holder to do so, (ii) to sell Warrants at the then-current market price when the holder might otherwise wish to hold Warrants or (iii) to accept the nominal redemption price which, at the time the outstanding Warrants are called for redemption, is likely to be substantially less than the market value of the Warrants. None of the Private Warrants are redeemable by Alliance so long as they are held by the Sponsor or its permitted transferees.

If Warrant holders exercise Public Warrants on a “cashless basis,” they will receive fewer shares of Alliance common stock from such exercise than if you were to exercise such warrants for cash.

There are circumstances in which the exercise of the Public Warrants may be required or permitted to be made on a cashless basis. First, if a registration statement covering the shares of Class A common stock issuable upon exercise of the Warrants is not effective by a specified date, warrant holders may, until such time as there is an effective registration statement, exercise warrants on a cashless basis in accordance with Section 3(a)(9) of the Securities Act or another exemption. Second, if a registration statement covering the Class A common stock issuable upon exercise of the warrants is not effective within a specified period following the consummation of the Business Combination, warrant holders may, until such time as there is an effective registration statement and during any period when Alliance shall have failed to maintain an effective registration statement, exercise Warrants on a cashless basis pursuant to the exemption provided by Section 3(a)(9) of the Securities Act, provided that such exemption is available; if that exemption, or another exemption, is not available, holders will not be able to exercise their Warrants on a cashless basis.

Third, if Alliance calls the Public Warrants for redemption, Alliance's management will have the option to require all holders that wish to exercise Warrants to do so on a cashless basis. In the event of an exercise on a cashless basis, a holder would pay the Warrant exercise price by surrendering the Warrants for that number of shares of Class A common stock equal to the quotient obtained by dividing (x) the product of the number of shares of Class A common stock underlying the Warrants, multiplied by the difference between the exercise price of the Warrants and the "fair market value" (as defined in the next sentence) by (y) the fair market value. The "fair market value" for this purpose shall mean the average reported last sale price of the Class A common stock for the ten trading days ending on the third trading day prior to the date on which the notice of exercise is received by the warrant agent or on which the notice of redemption is sent to the holders of Warrants, as applicable. As a result, you would receive fewer shares of Class A common stock from such exercise than if you were to exercise such warrants for cash.

The receipt of cash proceeds from the exercise of our Warrants is dependent upon the market price exceeding the \$11.50 exercise price and the Warrants being exercised for cash.

The receipt of cash proceeds from our Warrants' exercise depends on the market price exceeding the \$11.50 exercise price and the Warrants being exercised for cash. The \$11.50 exercise price per share of the Warrants is considerably higher than the \$5.45 closing sale price of the Class A common stock on September 8, 2026. If the price of our Class A Common Stock remains below the respective Warrant exercise prices per share, warrant holders will unlikely cash exercise their Warrants, resulting in little or no cash proceeds to us.

In addition, we may lower the exercise price of the Warrants in accordance with the Warrant Agreement to induce the holders to exercise such warrants. We may affect such a reduction in exercise price without the consent of such warrant holders and such reduction would decrease the maximum amount of cash proceeds we would receive upon the exercise in full of the Warrants for cash. Further, the holders of the Private Warrants and the Underwriter Warrants may exercise such Warrants on a cashless basis at any time. The holders of the Public Warrants may exercise such Warrants on a cashless basis at any time a registration statement is not effective. A prospectus is not currently available for issuing Class A common stock shares upon such exercise. Accordingly, we would not receive any proceeds from a cashless exercise of Warrants.

Concentration of ownership among Alliance's executive officers, directors and their affiliates may prevent new investors from influencing significant corporate decisions.

As of the date of this Form 10-K, the executive officers and directors and their affiliates collectively beneficially owned, directly, or indirectly, excluding the Contingent Class E Shares, approximately 94% of the outstanding Class A common stock.

As a result, these stockholders are able to exercise a significant level of control over all matters requiring stockholder approval, including the election of directors, appointment and removal of officers, any amendment of our Certificate of Incorporation and approval of mergers and other business combination transactions requiring stockholder approval, including proposed transactions that would result in Alliance's stockholders receiving a premium price for their shares and other significant corporate transactions. This control could have the effect of delaying or preventing a change of control or changes in and will make the approval of certain transactions difficult or impossible without the support of these stockholders.

An active trading market may not develop for our securities, and you may not be able to sell your Class A common stock at or above the price per share for which you purchased it.

Our Class A common stock shares are thinly traded, and we cannot predict when or if an active trading market will develop or how liquid that market might become. If such a market does not develop or is not sustained, it may be difficult for you to sell your shares of Class A common stock at a time or at price that is attractive to you, or at all.

The trading market for our Class A common stock in the future could be subject to wide fluctuations in response to several factors, including, but not limited to:

- Actual or anticipated variations in our results of operations.
- Our ability or inability to generate revenues or profit.
- The relatively small number of shares in our public float, which could exacerbate stock price volatility.
- Increased competition.

Furthermore, our stock price may be impacted by unrelated or disproportionate factors to our operating performance. These market fluctuations, along with general economic, political, and market conditions—such as recessions, interest rates, or international currency fluctuations—may adversely affect the market price of our Class A common stock. Due to our status as a smaller reporting company, the limited number of shares in our public float could contribute to extreme fluctuations in our Class A common stock price, increasing the risk of price volatility.

We might not be able to maintain the listing of our Class A common stock on the Nasdaq Capital Market.

Our Class A common stock and warrants are listed on the Nasdaq Capital Market. However, there can be no assurance that we will be able to maintain the listing standards of that exchange, which include requirements that we maintain our stockholders' equity, total value of shares held by unaffiliated stockholders, and market capitalization above certain specified levels. If we fail to maintain the Nasdaq listing requirements on an ongoing basis, our Class A common stock might cease to trade on the Nasdaq Capital Market, and may move to the OTCQX, OTCQB or OTC Pink Open Market operated by OTC Markets Group, Inc. These quotation services are generally considered to be less efficient, and to provide less liquidity, than the Nasdaq Capital Market.

If securities or industry analysts do not publish or cease publishing research or reports about Alliance, its business, or its market, or if they change their recommendations regarding Alliance's securities adversely, the price and trading volume of Alliance's securities could decline.

The trading market for Alliance's securities is influenced by the research and reports that industry or securities analysts may publish about Alliance, its business, market, or competitors. Securities and industry analysts do not currently, and may never, publish research on Alliance. If no securities or industry analysts commence coverage of Alliance, Alliance's share price and trading volume would likely be negatively impacted. If any of the analysts who may cover Alliance change their recommendation regarding Alliance's shares of common stock adversely, or provide more favorable relative recommendations about its competitors, the price of Alliance's shares of common stock would likely decline. If any analyst who may cover Alliance were to cease coverage of Alliance or fail to regularly publish reports on it, Alliance could lose visibility in the financial markets, which in turn could cause its share price or trading volume to decline.

Because we have no current plans to pay cash dividends on Alliance's common stock for the foreseeable future, you may not receive any return on investment unless you sell Alliance's common stock for a price greater than that which you paid for it.

Alliance may retain future earnings, if any, for future operations, expansion and debt repayment and has no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends as a public company in the future will be made at the discretion of Alliance's board of directors and will depend on, among other things, Alliance's results of operations, financial condition, cash requirements, contractual restrictions and other factors that Alliance's board of directors may deem relevant. In addition, Alliance's ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness it or its subsidiaries incur. As a result, you may not receive any return on an investment in the Class A common stock unless you sell your shares of common stock for a price greater than that which you paid for it.

Anti-takeover provisions in the Certificate of Incorporation and under Delaware law could make an acquisition of Alliance, which may be beneficial to its stockholders, more difficult and may prevent attempts by its stockholders to replace or remove Alliance's then current management.

The Certificate of Incorporation contains provisions that may delay or prevent an acquisition of Alliance or a change in its management. These provisions may make it more difficult for stockholders to replace or remove members of the board of directors. Because the board of directors is responsible for appointing the members of the management team, these provisions could in turn frustrate or prevent any attempt by the stockholders to replace or remove current management. In addition, these provisions could limit the price that investors might be willing to pay in the future for shares of Class A common stock. Among other things, these provisions include:

- the limitation of the liability of, and the indemnification of, its directors and officers.

- a prohibition on actions by its stockholders except at an annual or special meeting of stockholders.
- a prohibition on actions by its stockholders by written consent; and
- the ability of the board of directors to issue preferred stock without stockholder approval, which could be used to institute a “poison pill” that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by the board of directors.

Moreover, because Alliance is incorporated in Delaware, it is governed by the provisions of Section 203 of the Delaware General Corporation Law (the DGCL), which prohibits a person who owns 15% or more of its outstanding voting stock from merging or combining with Alliance for a period of three years after the date of the transaction in which the person acquired 15% or more of Alliance’s outstanding voting stock, unless the merger or combination is approved in a prescribed manner. This could discourage, delay, or prevent a third party from acquiring or merging with Alliance, whether or not it is desired by, or beneficial to, its stockholders. This could also have the effect of discouraging others from making tender offers for Alliance’s common stock, including transactions that may be in its stockholders’ best interests. Finally, these provisions establish advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings. These provisions would apply even if the offer may be considered beneficial by some stockholders. For more information, see the section titled “*Description of Securities — Certain Anti-Takeover Provisions of Delaware Law and the Existing Certificate of Incorporation and Bylaws.*”

The Certificate of Incorporation requires, to the fullest extent permitted by law, that derivative actions brought in our name, actions against our directors, officers, other employees or stockholders for breach of fiduciary duty and certain other actions may be brought only in the Court of Chancery in the State of Delaware and, if brought outside of Delaware, the stockholder bringing the suit will, subject to certain exceptions, be deemed to have consented to service of process on such stockholder’s counsel, which may have the effect of discouraging lawsuits against our directors, officers, other employees or stockholders.

The Certificate of Incorporation requires, to the fullest extent permitted by law, that derivative actions brought in the name of Alliance, actions against our directors, officers, other employees or stockholders for breach of a fiduciary duty owed by any officer, director or other employee of Alliance or Alliance’s shareholders, any action asserting a claim against Alliance, its directors, officers or other employees arising pursuant to any provision of the DGCL or the Certificate of Incorporation or By-laws and certain other actions may be brought only in the Court of Chancery in the State of Delaware and, if brought outside of Delaware, the stockholder bringing the suit will be deemed to have consented to service of process on such stockholder’s counsel except any action (A) as to which the Court of Chancery in the State of Delaware determines that there is an indispensable party not subject to the jurisdiction of the Court of Chancery (and the indispensable party does not consent to the personal jurisdiction of the Court of Chancery within ten days following such determination), (B) which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery or (C) for which the Court of Chancery does not have subject matter jurisdiction. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provisions in the Certificate of Incorporation. This choice of forum provision may limit or make more costly a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees, or stockholders, which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provision contained in the Certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm Alliance’s business, operating results and financial condition.

The Certificate of Incorporation provides that the exclusive forum provision will be applicable to the fullest extent permitted by applicable law, subject to certain exceptions. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. As a result, the exclusive forum provision will not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. In addition, The Certificate of Incorporation provides that, unless Alliance consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act, or the rules and regulations promulgated thereunder. There is, however, the uncertainty as to whether a court would enforce this provision and that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Section 22 of the Securities Act creates concurrent jurisdiction for state and federal courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder.

A possible “short squeeze” due to a sudden increase in demand of our Class A common stock that largely exceeds supply may lead to price volatility in our Class A common stock.

Investors may purchase our Class A common stock to hedge existing exposure in our Class A common stock or to speculate on the price of our Class A common stock. Speculation on the price of our Class A common stock may involve long and short exposures. To the extent aggregate short exposure exceeds the number of shares of our Class A common stock available for purchase in the open market, investors with short exposure may have to pay a premium to repurchase our common stock for delivery to lenders of our Class A common stock. Those repurchases may in turn, dramatically increase the price of our Class A common stock until investors with short exposure are able to purchase additional Class A common stock to cover their short position. This is often referred to as a “short squeeze.” A short squeeze could lead to volatile price movements in our common stock that are not directly correlated to the performance or prospects of our Class A common stock and once investors purchase the shares of Class A common stock necessary to cover their short position the price of our Class A common stock may decline.

We may issue additional shares of Class A common stock or preferred shares under the 2023 Plan, which would dilute the interest of our stockholders.

Pursuant to the Certificate of Incorporation, Alliance’s authorized capital stock consists of 490,000,000 shares of Class A common stock, 60,000,000 shares of Alliance contingent Class E common stock and 1,000,000 shares of preferred stock. As of June 30, 2026, we had 50,979,630 shares of Class A common stock outstanding, 60,000,000 shares of contingent Class E common stock outstanding and unallocated and no shares of preferred stock outstanding. All outstanding shares of contingent Class E common stock are held in escrow pursuant to the Contingent Consideration Escrow Agreement dated February 10, 2023, and remain unallocated and issued and outstanding unless and until they are forfeited or cancelled in accordance with that agreement.

For Alliance’s 2023 Omnibus Equity Incentive Plan we may issue a number of additional shares of common stock or shares of preferred stock under the 2023 Plan. Pursuant to Alliance’s 2023 Omnibus Equity Incentive Plan, Alliance may issue an aggregate of up to 1,000,000 shares of Class A common stock, of which 248,700 shares remained available for future awards as of June 30, 2026. For additional information about this plan, please read the discussion under the heading “Alliance’s Executive Compensation - Employee Benefit Plans.”

Additionally, as of June 30, 2026, Alliance had Warrants outstanding to purchase an aggregate of 9,919,993 shares of common stock. Alliance may also issue additional shares of common stock or other equity securities of equal or senior rank in the future in connection with, among other things, future acquisitions, or repayment of outstanding indebtedness, without stockholder approval, in a number of circumstances.

The issuance of additional common stock or preferred shares:

- may significantly dilute the equity interest of holders of Class A common stock.
- may subordinate the rights of holders of shares of common stock if one or more classes of preferred stock are created, and such shares of preferred stock are issued, with rights senior to those afforded to Class A common stock.
- could cause a change in control if a substantial number of shares of common stock are issued, which may affect, among other things, our ability to use our net operating loss carry forwards, if any, and could result in the resignation or removal of our present officers and directors; and
- may adversely affect prevailing market prices for the Class A common stock and/or Warrants.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity

In the ordinary course of business, we receive, process, use, and store digitally large amounts of data, including customer data as well as confidential, sensitive, proprietary, and personal information. Maintaining the integrity and availability of our information technology systems and this information, as well as appropriate limitations on access and confidentiality of such information, is important to us and our business operations. To this end, we have implemented a program designed to assess, identify, and manage risks from potential unauthorized occurrences on or through our information technology systems that may result in adverse effects on the confidentiality, integrity, and availability of these systems and the data residing in them.

The program is managed by our executive management team, and includes mechanisms, controls, technologies, systems, policies, and other processes designed to prevent or mitigate data loss, theft, misuse, or other security incidents or vulnerabilities affecting the systems and data residing in them. We consult with and rely upon outside advisors and experts to assist us with assessing, identifying, and managing cybersecurity risks.

We consider cybersecurity, along with other significant risks that we face, within our overall enterprise risk management framework. Our Board of Directors has oversight for the most significant risks facing us and for our processes to identify, prioritize, assess, manage, and mitigate those risks. The Board of Directors receives periodic updates on cybersecurity and information technology matters and related risk exposures from management.

Item 2. Properties.

Our principal executive offices are located at 8201 Peters Road, Suite 1000, Plantation, FL 33324, and our telephone number is (954) 255-4000. We lease several distribution center facilities:

- *Shepherdsville, Kentucky* — A 662,087 square foot facility leased for \$5.86 per square foot through January 31, 2031. with 3.25% annual increases to base rent. In addition, we retain the right to extend for an additional term of five years at fair market rent.
- *Shepherdsville, Kentucky* (Additional Storage Facility) — We have vacated our previous cold storage building and moved to a new facility that charges \$11.00 per pallet with a \$14,000 monthly minimum, which equates to 1,273 pallets. This facility can accommodate up to 3,000 skids. There is no time limit set for this agreement

We also maintain marketing and sales offices in six cities throughout the United States and believe our facilities are adequate and suitable for our current business needs and expect to continue to reduce reliance on fixed office space in the future.

Item 3. Legal Proceedings.

Alliance is currently involved in, and may in the future be involved in, legal proceedings, claims, and government investigations in the ordinary course of business. These include proceedings, claims, and investigations relating to, among other things, regulatory matters, commercial matters, intellectual property, competition, tax, employment, pricing, discrimination, consumer rights, personal injury, and property rights.

Depending on the nature of the proceeding, claim, or investigation, the Company may be subject to monetary damage awards, fines, penalties, or injunctive orders. Furthermore, the outcome of these matters could materially adversely affect Alliance's business, results of operations, and financial condition. The outcomes of legal proceedings, claims, and government investigations are inherently unpredictable and subject to significant judgment to determine the likelihood and amount of loss related to such matters.

On June 6, 2024, Office Create Corporation (“Office Create”) filed a complaint against COKeM International Ltd. (“COKeM”) in the United States District Court for the District of Minnesota alleging contributory trademark infringement, contributory false designation of origin and unjust enrichment relating to COKeM’s alleged distribution of the video game Cooking Mama: Cookstar. Office Create originally sought damages of no less than \$20,913,200, plus interest of 9% accruing from October 3, 2022. On August 29, 2024, COKeM filed a response denying all allegations, and on September 12, 2024 filed a third-party complaint against Planet Entertainment LLC and Steven Grossman asserting claims for indemnification and contribution. Office Create later filed an amended complaint impleading the former owner, chairman, chief financial officer and senior vice president of sales of COKeM and asserting claims for willful trademark infringement and civil conspiracy, increasing the damages sought to an amount in excess of \$35 million. COKeM filed an amended answer as to the new claims pertaining to it directly on March 12, 2025, denies the allegations, and intends to continue to defend the lawsuit vigorously.

The parties then completed fact discovery, including depositions of a co-defendant corporate designee and of current and former COKeM personnel taken between September 2025 and February 2026, and each party designated a damages expert. On January 6, 2026, Office Create stipulated to the dismissal of its claims against the Plaion defendants pursuant to a confidential settlement, and the court dismissed those defendants from the litigation the same day. Fact discovery has concluded.

The parties have engaged in settlement discussions that have not resulted in an agreement, and their respective positions as to value remain materially divergent. During the period from April 17, 2026 through June 30, 2026 the matter remained in the expert-motion phase: COKeM denies liability and continues to defend the matter. The Company maintains liability insurance applicable to this claim. Because the proceedings remain at an expert and pre-trial stage and the parties’ valuations of the claim differ materially, the Company is unable to estimate the amount or range of reasonably possible loss, and no liability has been recorded for this matter as of June 30, 2026. An unfavorable outcome could exceed available insurance and could be material to the Company’s consolidated financial position, results of operations and cash flows.

Jonathan Hoang To v. DirectToU, LLC, United States District Court for the Northern District of California, Case No. 3:24-cv-06447; Douglas Feller, Jeffry Haise, and Joseph Mull v. Alliance Entertainment, LLC and DirectToU, LLC, United States District Court for the Southern District of Florida, Case No. 0:24-cv-61444; and Vivek Shah v. DirectToU, LLC, JAMS Arbitration, No. 5220006749. — On or about September 12, 2024, these actions were brought against DirectToU, LLC (“DirectToU”) and/or Alliance Entertainment, LLC (“Alliance”) alleging violations of the Video Privacy Protection Act (“VPPA”) related to the alleged collection of, and alleged disclosure to Meta and other third parties including data brokers of, private information and user data regarding a user’s account information and video viewing and purchasing history from websites operated by the Company. DirectToU and Alliance disputed the allegations. The Feller action was dismissed and those plaintiffs were added to the Hoang To matter.

The parties agreed to resolve the claims on a class-wide basis for \$1.58 million. The court granted preliminary approval of the settlement on September 22, 2025 and entered final approval on May 5, 2026. The settlement was funded during the fiscal year ended June 30, 2026, and the matter was fully resolved as of that date. No further obligation or contingency exists in respect of these claims.

The Company recorded a contingent liability of \$1.58 million for the settlement and a related insurance recovery receivable from CNA of \$1.38 million as of June 30, 2025. Both amounts were settled during the fiscal year ended June 30, 2026, and no balances relating to this matter remain recorded on the consolidated balance sheet as of June 30, 2026.

Sparkle Pop, LLC v. Alliance Entertainment Holding Corporation and Alliance Entertainment, LLC (U.S. Bankruptcy Court for MD-In Re Diamond Comic Distributors): On June 9, 2025, Sparkle Pop sued the Alliance entities in the United States Bankruptcy Court for the District of Maryland (In re Diamond Comic Distributors) alleging theft of trade secrets and tortious interference with contracts arising out of Alliance’s successful bid for, and subsequent termination of, the asset purchase agreement in the Diamond Comic Distributors bankruptcy. Alliance moved to dismiss the original complaint on July 10, 2025. On July 24, 2025, Sparkle Pop filed an amended complaint asserting the same claims plus an additional claim for breach of a non-disclosure agreement, and on August 7, 2025 Alliance moved to dismiss the amended complaint on the grounds that Sparkle Pop lacks standing, having been neither a party to, an intended third-party beneficiary of, nor an assignee of rights under the non-disclosure agreement, and that it failed to state a claim. Briefing was completed on September 17, 2025, and on November 10, 2025 the court heard oral argument and denied Alliance’s motion to dismiss. The adversary proceeding was stayed until February 16, 2026 to permit the appointed Chapter 7 trustee to become familiar with the litigation, after which the parties advance to discovery.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our Class A common stock and warrants are quoted on the NASDAQ under the symbol "AENT" and "AENTW".

Holders

Although there are a larger number of beneficial owners, at June 30, 2026, there were 28 holders of record of our Class A common stock and 34 holders of record of our warrants.

Dividends

We have not paid any cash dividends on the Class A common stock to date. We may retain future earnings, if any, for future operations, expansion, and debt repayment, and we have no current plans to pay cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the Board and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions, and other factors that we may deem relevant. We do not anticipate declaring any cash dividends to holders of the Class A common stock in the foreseeable future. Further, our ability to declare dividends may be limited by the terms of financing or other agreements entered by us or our subsidiaries from time to time.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Offerings

We had no sales of unregistered equity securities during the period covered by this annual report that were not previously reported in a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

Purchases of Equity Securities

We have not repurchased any shares of our common stock during the fiscal year ended June 30, 2026.

Item 6. Reserved.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The objective for the "Management's Discussion and Analysis of Financial Condition and Results of Operations" is to provide information the Company's management team believes is necessary to achieve an understanding of its financial condition and the results of business operations with particular emphasis on the Company's future and should be read in conjunction with the Company's audited consolidated financial statements, and footnotes.

This analysis contains forward-looking statements concerning the Company's performance expectations and estimates. Other than statements with historical context, commentary should be considered forward-looking and carries with it risks and uncertainties. See "Statement Regarding Forward-Looking Statements" and Part I, Item 1A. Risk Factors, of this Form 10-K for a discussion of other uncertainties, risks and assumptions associated with these statements.

Alliance is a leading global wholesaler and a key player in the entertainment industry, with a diverse portfolio of owned brands and e-commerce properties, including DeepDiscount, Movies Unlimited, importCDs, WowHD, CD WOW, popmarket, blowitoutahere, Handmade by Robots, Vinyl Unlimited, Collectors Choice Vinyl, Heartland Music, Alliance Authentic, Fulfillment Express, Critics' Choice, and other consumer-facing brands and specialty marketplaces. As a leading global wholesaler, direct-to-consumer ("DTC") distributor, and e-commerce provider, Alliance serves as a key distribution partner between leading entertainment content and consumer product manufacturers, including Universal Pictures, Nintendo, Warner Bros. Home Entertainment, Sony Pictures, Paramount, Studio Distribution Services, Universal Music Group, Sony Music Entertainment, Warner Music Group, Microsoft, The Orchard, Allied Vaughn, Music Video Distribution, Lionsgate, and others, including a broad network of retailers and consumers. Alliance distributes products to many of the world's largest retailers, both domestically and internationally, including Walmart, Amazon, Best Buy, Barnes & Noble, Target, Verizon, BJ's Wholesale Club, EBAY, Costco, Vintage Stock, and numerous other customers.

Employing an established multi-channel distribution strategy, Alliance markets and distributes a broad portfolio of physical media, video games, collectibles, consumer electronics, accessories, and other entertainment products across wholesale, direct-to-consumer, and e-commerce channels. The Company sells products, where permitted for export, to customers in more than 75 countries worldwide.

Alliance provides integrated warehousing, distribution, technology, and logistics services that support the efficient distribution of entertainment products to retailers, e-commerce partners, and consumers. The Company's proprietary technology platforms and operating systems facilitate order management, inventory visibility, electronic data interchange ("EDI"), and fulfillment activities across its wholesale, direct-to-consumer, and e-commerce channels. These capabilities provide customers with access to the Company's in-stock inventory of more than 340,000 SKUs, including vinyl records, video games, compact discs, DVDs, Blu-ray discs, collectibles, consumer electronics, accessories, and other entertainment products. Combined with Alliance's nationwide distribution network and fulfillment capabilities, these technology-enabled platforms allow customers to source a broad assortment of products through a single distribution partner. Alliance also provides retailers with back-office support, logistics services, and fully integrated EDI capabilities designed to simplify product onboarding, inventory replenishment, and order fulfillment. These services enable retail partners to efficiently expand their product offerings while leveraging Alliance's inventory management and distribution infrastructure.

License Agreements

Amazon MGM

In January 2026, the Company entered into an exclusive home entertainment license agreement with Amazon MGM Studios Distribution to serve as the exclusive physical media distribution partner for the United States and Canada. Under the agreement, the Company distributes new releases and catalog titles across physical media formats, expanding its exclusive distribution portfolio and strengthening its relationships with major content licensors.

Paramount Pictures

In January 2025, Alliance entered into an exclusive home entertainment distribution agreement with Paramount Pictures, designating Alliance as the sole distributor of Paramount's physical media – including DVDs, Blu-rays, and 4K UHD titles, across the United States and Canada. This strategic partnership significantly enhances Alliance's leadership in home entertainment distribution by providing direct access to Paramount's extensive library of blockbuster films and iconic TV series. The collaboration has already yielded positive results. This partnership not only strengthens relationships with major retailers and collectors but also reinforces Alliance's commitment to delivering high-quality entertainment products to consumers.

Merger and Business Acquisition

Alliance has a proven history of successfully acquiring and integrating competitors and complementary businesses. The Company will continue to evaluate opportunities to identify targets that meet strategic and economic criteria.

On December 31, 2025, Alliance completed its strategic acquisition of Endstate Authentic LLC and established Endstate as a wholly owned subsidiary focused on authentication and resale technology. The acquisition supports the launch of Alliance Authentic, a new premium platform designed to create authenticated, certified vinyl collectibles and a trusted global marketplace for buying, selling, and trading investment-grade physical media. Endstate's patented NFC-enabled authentication and digital product identity technology enables real-time product verification, counterfeit prevention, and authenticated resale services, forming the technological foundation of the Alliance Authentic platform. As part of the transaction, Endstate co-founders Bennett Collen and Stephanie Howard joined Alliance's leadership team as President and Senior Vice President of Operations, respectively. The acquisition resulted in the recognition of \$5 million of goodwill and \$3.3 million of identifiable intangible assets as of June 30, 2026, primarily related to Endstate's proprietary technology and digital identity systems. Management believes the acquisition strengthens Alliance's strategic position in the growing authenticated collectibles market and supports the development of new technology-enabled and recurring revenue opportunities.

On December 17, 2024, Alliance acquired Handmade by Robots from Bensussen Deutsch & Associates, LLC, for \$7.7 million. Handmade by Robots produces licensed vinyl figures that mimic the look of knitted or crocheted plush toys. These figures feature characters from popular franchises such as DC Comics, Ghostbusters, Harry Potter, Star Trek, and Stranger Things, and have become favorites among fans and collectors. The acquisition included inventory, tooling equipment, and a trademark associated with the product line. This addition has diversified our product offerings by adding an exclusive line to our portfolio.

On February 10, 2023, Alliance completed its business combination with Adara Acquisition Corp., which was accounted for as a reverse recapitalization with Alliance treated as the accounting acquirer (the "Merger"). The recapitalization has been retroactively reflected in all periods presented. The Company continues to recognize certain warrant and equity-related impacts from this transaction, including the outstanding contingent Class E shares and warrant liabilities.

As a result of the Merger, Alliance Entertainment became the successor to an SEC-registered company, which requires us to hire additional personnel and implement procedures and processes to address public company regulatory requirements and customary practices.

Macroeconomic Uncertainties

The Company operated throughout the fiscal year ended June 30, 2026, amid continued macroeconomic uncertainty, including inflationary pressures, evolving trade policies, changes in tariff policies, and geopolitical instability related to ongoing global conflicts. Although inflation moderated compared to prior periods, consumer discretionary spending remained uneven across certain product categories. During the fiscal year, the Company continued to experience cost pressures associated with existing and proposed tariffs on imported goods, particularly products sourced internationally, including collectibles and certain consumer products. Management actively monitored these developments and continued to manage pricing, product mix, sourcing strategies, and inventory levels to help mitigate the impact of economic and trade-related volatility. While uncertainty surrounding the broader economic environment may persist, the Company believes its diversified product portfolio, broad supplier relationships, and emphasis on higher-value and collectible product categories position it to effectively navigate these challenges. For further discussion of the potential impacts of macroeconomic conditions on our business, financial condition, and results of operations, "Risk Factors".

Tariffs and Trade Policy

The U.S. trade policy environment has undergone significant change since early 2025. From February 4, 2025, through February 24, 2026, the U.S. government-imposed tariffs on a broad range of imported goods under IEEPA. These tariffs affected certain products distributed by the Company. The impact of IEEPA tariffs on the Company's cost of sales during the year ended June 30, 2026, was not material.

On February 20, 2026, the U.S. Supreme Court held in *Learning Resources, Inc. v. Trump* that IEEPA does not authorize the President to impose tariffs, invalidating all IEEPA-based tariff orders. The President subsequently revoked the IEEPA tariff orders effective February 24, 2026. Following litigation before the U.S. Court of International Trade, CBP launched the CAPE portal on April 20, 2026, to process IEEPA refund applications. Based on its internal analysis of CBP entry records, the Company estimates it may be entitled to refunds of approximately \$0.2 million in IEEPA tariffs previously paid. This amount has not been recognized in the financial statements as of June 30, 2026, due to uncertainties surrounding the refund process, including potential government appeal and administrative implementation. See Note 12 to the consolidated financial statements.

Despite the invalidation of IEEPA-based tariffs, other tariff authorities remain in effect. The administration has imposed a 10% temporary import surcharge under Section 122 of the Trade Act of 1974, effective February 24, 2026, and expired on July 24, 2026, along with continuing Section 301 tariffs on goods of Chinese origin and Section 232 tariffs on steel and aluminum products. The Company continues to evaluate the impact of the evolving trade policy environment on its sourcing, cost structure, and product distribution arrangements. While the Company's exposure to currently effective tariffs has not been material to date, a further escalation of tariffs or the imposition of new tariff measures could adversely affect the Company's cost of sales, gross margin, or supply chain in future periods.

Key Performance Indicators

Management monitors and analyzes key performance indicators to evaluate financial performance, including:

Net Revenue: To derive net revenue, the Company reduces total gross sales by customer returns, returns reserve, and allowances including discounts.

Cost of Revenues (excluding depreciation and amortization): Our cost of revenues reflects the total costs incurred to market and distribute products to customers. Changes in cost are impacted primarily by sales volume, product mix, product obsolescence, freight costs, and market development funds.

Margins: To analyze profitability, the Company reviews gross and net margins in dollars and as a percentage of revenue by line of business and product line.

Operating Expenses: Our operating expenses are the direct and indirect costs associated with the distribution and fulfillment of products and services. They include both distribution and fulfillment and selling, general and administrative (SG&A) expenses. The distribution and fulfillment Expenses are the payroll and operating expenses associated with the receipt, warehousing, and distribution of product.

Selling, General and Administrative Expenses: The Selling, General and Administrative Expenses are payroll and operating costs for Information Technology, Sales & Marketing, and General & Administrative functions. In addition, we include Depreciation and Amortization expenses and Transaction Costs, if applicable.

Balance Sheet Indicators: The Company views cash, product inventory, accounts payable, and working capital as key indicators of its financial position.

We consider the following metrics to be key performance indicators to evaluate our business, develop financial forecasts and make strategic decisions.

(\$ in thousands)	Year Ended June 30, 2026	Year Ended June 30, 2025
Net revenues	\$ 1,148,986	\$ 1,063,457
Net income	\$ 13,058	\$ 15,078
EBITDA (1)	\$ 31,779	\$ 34,617
Adjusted EBITDA (1)	\$ 41,532	\$ 36,543
Adjusted Net Income (1)	\$ 23,449	\$ 18,948

(1) EBITDA, Adjusted EBITDA, and Adjusted Net Income are financial measures not calculated in accordance with U.S. GAAP. For a reconciliation of each of these measures to net income, the most directly comparable U.S. GAAP financial measure, see “Non-GAAP Financial Measures” in this Item 7.

Alliance Entertainment Holding Corporation
Results of Income for the Year Ended June 30, 2026, Compared to Year Ended June 30, 2025

(\$ in thousands)	Year Ended June 30, 2026	Year Ended June 30, 2025
Net Revenues	\$ 1,148,986	\$ 1,063,457
Cost of Revenues (excluding depreciation and amortization)	996,662	930,605
Operating Expenses		
Distribution and Fulfillment Expense	44,960	40,375
Selling, General and Administrative Expense	66,169	55,992
Loss on Vendor Receivable	7,823	-
Depreciation and Amortization	5,359	5,334
Transaction Costs	1,213	957
Restructuring Costs	-	73
Insurance Claim Recovery	(395)	-
Gain on Disposal of Fixed Assets	(24)	(15)
Total Operating Expenses	125,105	102,716
Operating Income	27,219	30,136
Other Expenses		
Change in Fair Value of Warrants	850	853
State Tax Benefit from Prior Year	(51)	-
Interest Expense	7,606	10,575
Total Other Expenses	8,405	11,428
Income Before Income Tax Expense	18,814	18,708
Income Tax Expense	5,756	3,630
Net Income	13,058	15,078
Other Comprehensive (loss) income	(1)	3
Total Comprehensive Income	13,057	15,081

Net Revenue: Net revenues increased 8%, or \$86.0 million, to \$1.149 billion for the fiscal year ended June 30, 2026, compared to \$1.063 billion for the prior fiscal year. The increase was driven by continued demand across several key product categories, particularly physical media, together with expanded exclusive distribution relationships and the Company’s diversified sales channels. The Company operated throughout the fiscal 2026 in a challenging macroeconomic environment characterized by elevated interest rates, uneven consumer discretionary spending, evolving trade policies, and ongoing geopolitical uncertainty. Despite these conditions, Alliance continued to leverage its position as a value-added distributor with exclusive distribution rights for nearly 200 film studios, music labels, and other entertainment content providers. The Company’s extensive product assortment, deep inventory, and broad supplier relationships enable it to effectively serve both business-to-business (“B2B”) customers and direct-to-consumer (“DTC”) customers with a wide selection of entertainment products, many of which are not broadly available through other distributors. The Company’s proprietary DTC fulfillment and technology platform, led by its DirectToU LLC subsidiary, continued to support growth across multiple e-commerce channels and represented approximately 34% of gross revenue for the fiscal year ended June 30, 2026, compared to 37% in the prior fiscal year. The year-over-year decrease as a percentage of gross revenue primarily reflects stronger relative growth in the Company’s wholesale distribution business rather than a decline in DTC operations.

Year over year, vinyl record sales increased from \$340 million to \$383 million (+\$43 million, 13%) for the year ending June 30, 2026. This growth was driven by a 7.4% increase in sales volume and by a 4.8% increase in the average selling price. The increase was driven by higher unit sales, continued consumer demand for physical music formats, and a favorable product mix that included premium and limited-edition releases. Demand remained strong throughout the fiscal year, supported by a robust release schedule from major recording artists and continued interest from both collectors and mainstream consumers. Record Store Day 2026, along with its companion Black Friday Record Store Day event, generated strong demand for exclusive and limited-edition vinyl releases and continued to reinforce consumer interest in the vinyl format. Notable vinyl releases during the fiscal year included Taylor Swift's *The Tortured Poets Department: The Anthology* on vinyl, Sabrina Carpenter's *Short n' Sweet*, Lorde's *Virgin*, Billy Idol's *Dream Into It*, Bruce Springsteen's *Tracks II: The Lost Albums*, and other high-profile new releases and catalog reissues from major recording artists. These releases, together with continued demand for classic catalog titles and exclusive retailer editions, contributed to the Company's vinyl sales growth. The Company's leading vinyl distribution customers for the fiscal year ended June 30, 2026, included Walmart, Barnes & Noble, and Amazon.

Music Compact Discs (CDs) sales increased from \$125 million to \$156 million (+\$31 million, +25%) for the year ended June 30, 2026. The increase was driven by a 17.6% increase in unit volume and a 6.6% increase in average selling price, reflecting continued consumer demand for physical music formats and a favorable product mix, supported by a robust release schedule from major recording artists, anniversary reissues, deluxe collector's editions, and multi-disc box sets. Notable releases during the period included BTS's *ARIRANG*, Morgan Wallen's *I'm the Problem*, Harry Styles' *Kiss All the Time*, *Disco, Occasionally*, and Olivia Rodrigo's *You Seem Pretty Sad for a Girl So in Love*, among other high-profile new releases. These releases, together with continued demand for catalog titles and collector-oriented editions, contributed to increased unit sales and higher average selling prices across the CD category.

Physical movie sales, which include DVDs, Blu-Ray, and Ultra HD, increased from \$279 million to \$339 million (+\$60 million, +22%) for the year ended June 30, 2026, versus the same period last year. The increase was driven primarily by a 20.8% increase in unit volume, with a 0.6% increase in average selling price providing additional support to revenue growth. Growth in physical movie sales was supported by a strong pipeline of theatrical releases, continued consumer demand for premium physical formats, including 4K Ultra HD and collectible SteelBook editions, and expanded content availability resulting from the Company's studio relationships. During the 2026 fiscal year, the Company continued to benefit from its exclusive distribution relationship with Paramount, which expanded the Company's portfolio of film content, and entered into a new distribution relationship with Amazon MGM Studios, further enhancing access to a broader range of new releases and catalog titles across retail and e-commerce channels. Notable releases during the fiscal year included *Wicked*, *Moana 2*, *Gladiator II*, Paramount's *The Running Man* and *Yellowstone*, and other high-profile theatrical releases. In addition, continued demand for catalog films, anniversary editions, premium formats, and collector-focused releases contributed to increased consumer engagement with physical home entertainment products and supported growth across the Company's DVD, Blu-ray, and Ultra HD categories.

Year-over-year, gaming sales decreased from \$255 million to \$187 million (-\$68 million, -27%) for the 12 months ended June 30, 2026. The decrease was primarily driven by a 24.6% decline in average selling price and a 2.6% decrease in unit volume. The decline in average selling price was primarily attributable to changes in product mix compared to the prior year, which benefited from a greater mix of premium-priced hardware products associated with the Nintendo Switch 2 launch at the end of the last fiscal year ended June 30, 2025. During the 2026 fiscal year, the gaming category was impacted by the transition following major hardware introductions, a more limited pipeline of major software releases, and evolving consumer purchasing patterns. While demand for gaming content and accessories remained supported by the broader gaming ecosystem, sales reflected the normalization of hardware-related demand following the prior year's console launch cycle. As a leading distributor of physical gaming products, Alliance continues to leverage its broad retail relationships, supplier network, and inventory management capabilities to support customers across the gaming category. Management continues to adjust purchasing and inventory strategies to align with product release schedules, consumer demand trends, and changing market conditions.

For the year ended June 30, 2026, consumer products revenue, which includes Collectibles and Electronics, increased from \$37 million to \$48 million (+\$11 million, +30%) versus the prior year. Collectibles revenue totaled \$32 million, up from \$22 million the prior year (+\$10 million, +45%). Collectibles revenue growth was driven by a 65.7% increase in average selling price, partially offset by a 13.2% decrease in unit volume. The increase in average selling price reflects a favorable shift in product mix toward higher-value collectibles, including premium figures, limited-edition products, and licensed merchandise. The Company continued to expand its collectibles portfolio following its acquisition of Handmade by Robots, adding new product offerings across established entertainment franchises and licensed properties. The collectibles category continues to represent an important component of the Company's entertainment product portfolio, supported by consumer interest in recognizable entertainment brands and unique collectible offerings. Management continues to focus on expanding product offerings, strengthening supplier relationships, and leveraging the Company's distribution network to support growth in this category.

Electronics revenue was \$16 million, up slightly from \$15 million in the prior year (+\$1 million, +7%). The increase was driven by a 9.3% increase in unit volume, partially offset by a 1.7% decrease in average selling price. The decrease in average selling price primarily reflected changes in product mix and competitive pricing dynamics within the category. Electronics sales primarily consist of audio playback devices and accessories, including turntables, headphones, speakers, and related products, which are often sold as complementary products alongside the Company's physical music and movie offerings. Growth in the category was supported by continued consumer interest in vinyl and physical media formats, which contributed to demand for playback devices and related accessories. Management continues to leverage the Company's product assortment and distribution channels to support sales across the electronics category.

Distribution and fulfillment fee revenue increased \$3.8 million, or 25.7%, to \$18.6 million for the fiscal year ended June 30, 2026, compared to \$14.8 million in the prior fiscal year. The increase was primarily driven by higher fulfillment and distribution activity associated with the Company's expanded studio relationships, including its exclusive distribution partnership with Paramount and new distribution relationship with Amazon MGM Studios. These partnerships contributed to increased physical distribution and fulfillment volumes as the Company supported a broader portfolio of film releases across its retail and e-commerce channels. The increase also reflects continued demand for the Company's value-added logistics and fulfillment services provided to customers. The remaining \$17.3 million of net revenue for the fiscal year ended June 30, 2026, compared to \$13.3 million in the prior fiscal year, consisted of digital download and freight revenue, net of customer allowances and the provision for estimated product returns, none of which was individually material.

Cost of Revenues: Total cost of revenues, excluding depreciation and amortization, increased from \$931 million to \$997 million (+\$66 million or 7%) compared to the prior fiscal year. The increase was primarily attributable to higher sales volume and the corresponding increase in product costs. Gross profit increased by \$19 million compared to the prior year, reflecting higher net revenues and improved product margins. Gross margin increased from 12.5% to 13.3%, an improvement of 80 basis points, for the fiscal year ended June 30, 2026, compared to the prior fiscal year. The improvement was primarily driven by stronger margins in the Company's physical movie and collectibles categories, which benefited from an expanded portfolio of premium and exclusive content, improved product mix, and increased demand for higher-margin offerings. Gross margin also benefited from favorable returns activity and lower wholesale freight costs as a percentage of sales.

Operating Expenses: Total Operating Expenses increased 22% year over year and increased as a percentage of revenue from 9.7% to 10.9%, or 1.2 percentage points. The increase was primarily driven by a vendor transaction loss, as well as higher Distribution and Fulfillment expenses and SG&A expenses.

Vendor Transaction Loss: During the fiscal year ended June 30, 2026, the Company recorded a \$7.8 million vendor transaction loss related to the write-off of a receivable associated with a historical rebate arrangement with Tastemakers. The receivable represented amounts previously accrued under a contractual vendor rebate program and was expected to be recovered through future purchase order deductions and other contractual recovery mechanisms. During the 2026 fiscal year, Tastemakers ceased operations and was no longer able to fulfill its obligations under the arrangement, resulting in the determination that the remaining receivable balance was no longer recoverable. Accordingly, the Company recorded a non-cash charge of approximately \$7.8 million to write off the remaining balance. The Company does not consider this charge reflective of its ongoing operating performance, as it resulted from a specific counterparty insolvency event rather than current-period merchandising, purchasing, or distribution activities.

Total Distribution and Fulfillment expense increased to 3.9% of net revenue for the fiscal year ended June 30, 2026, compared to 3.8% (0.1 percentage point) in the prior fiscal year. The increase was primarily attributable to higher order fulfillment activity associated with increased sales volumes, partially offset by continued operational efficiencies. Fulfillment payroll remained consistent at approximately 2.5% of net revenue despite a \$2.4 million, or 9.1%, increase in payroll expense, reflecting the Company's ability to leverage higher sales volumes while maintaining labor efficiency. During the fiscal year, the Company continued to invest in warehouse automation and operational improvements designed to enhance productivity and optimize labor resources. Average labor costs increased modestly by 1.5% year over year, while non-payroll fulfillment expenses, including shipping supplies and packaging materials, also increased. The increase in shipping supplies was primarily driven by higher sales volumes, particularly within the vinyl category, which generally requires more specialized packaging and handling than traditional bulk shipments.

Selling, General and Administrative ("SG&A") expenses increased \$10.2 million, or 18.2%, to \$66.2 million for the fiscal year ended June 30, 2026, compared to \$56.0 million in the prior fiscal year. As a percentage of net revenue, SG&A expenses increased to 5.8% from 5.3% in the prior fiscal year. The increase was primarily attributable to higher payroll and employee-related costs associated with supporting the Company's continued growth, as well as increased consulting and professional service expenses related to strategic initiatives and public company operations. Management continues to review SG&A expenditures and business processes to identify opportunities to improve operational efficiency, including the ongoing evaluation and implementation of artificial intelligence tools and automation technologies to enhance workflows, streamline financial and operational processes, and support scalable growth while maintaining appropriate controls.

Operating Income: Total Operating Income decreased 9.7% year over year and decreased as a percentage of revenue from 2.8% to 2.4%, or 0.4 percentage points. The decrease was primarily attributable to the \$7.8 million vendor transaction loss, partially offset by higher gross profit resulting from increased revenues and improved gross margins.

Interest Expense: Interest expense decreased \$3.0 million, or 28%, from \$10.6 million to \$7.6 million for the fiscal year ended June 30, 2026, compared to the prior fiscal year. The decrease was primarily driven by a reduction in the average effective interest rate from 9.2% to 6.1%, reflecting the Company's refinancing of its revolving credit facility with Bank of America and lower interest rates under the new facility. This benefit more than offset a 1.9% increase in the average revolver balance, from \$77.5 million to \$78.8 million.

Income Tax: For the year ended June 30, 2026, an income tax provision of \$5.8 million was recorded compared to \$3.6 million for the prior year. Alliance reported a pretax income of \$18.8 million and \$18.7 million for the years ended June 30, 2026, and 2025, respectively. The annual effective tax rate ("ETR") for the year ending June 30, 2026 is a 25% expense and is primarily adjusted from the statutory rate of 21% by state taxes, export tax incentives and noncash immaterial prior year adjustments.

Provision for income taxes, effective tax rate and statutory federal income tax rate for the years ended June 30, 2026, and 2025 were as follows:

(\$ in thousands)	Year Ended June 30, 2026		Year Ended June 30, 2025	
Income tax provision	\$	5,756	\$	3,630
Effective tax rate		25%		19%
Statutory federal income tax rate		21%		21%

Non-GAAP Financial Measures: EBITDA, Adjusted EBITDA, Adjusted Net Income, and Adjusted Earnings per Diluted Share (collectively, the "Non-GAAP Financial Measures") are supplemental measures of our performance that are not required by, or presented in accordance with, U.S. GAAP. The Non-GAAP Financial Measures are not measurements of our financial performance under U.S. GAAP and should not be considered as alternatives to net income, earnings per share or any other performance measure derived in accordance with U.S. GAAP. We define EBITDA as net income before interest expense, net, income tax expense, depreciation and amortization. We define Adjusted EBITDA as EBITDA further adjusted for non-cash charges related to equity-based compensation programs, acquisition and deal-related costs, changes in the fair value of warrants and vendor transaction loss, insurance claim recoveries, and restructuring costs and net gains and losses on the disposal of assets. We define Adjusted Net Income as net income adjusted for the impact of certain non-cash charges and other items that we do not consider in our evaluation of ongoing operating performance. These items include, among other things, non-cash charges related to equity-based compensation programs, acquisition and deal-related costs, amortization of acquisition-related intangible assets, amortization of deferred financing costs, changes in the fair value of warrants and litigation costs and settlements, regulatory assessments and insurance settlements, and the income tax expense effect of these adjustments. We define Adjusted Earnings per Diluted Share as Adjusted Net Income divided by the weighted-average shares outstanding used in the calculation of diluted earnings per share in accordance with U.S. GAAP.

We caution investors that amounts presented in accordance with our definitions of the Non-GAAP Financial Measures may not be comparable to similar measures disclosed by our competitors, because not all companies and analysts calculate the Non-GAAP Financial Measures in the same manner. We present the Non-GAAP Financial Measures because we consider them to be important supplemental measures of our performance and believe they are frequently used by securities analysts, investors, and other interested parties in the evaluation of companies in our industry. Management believes that investors' understanding of our performance is enhanced by including these Non-GAAP Financial Measures as a reasonable basis for comparing our ongoing results of operations.

Management uses the Non-GAAP Financial Measures:

- as a measurement of operating performance because they assist us in comparing the operating performance of our business on a consistent basis, as they remove the impact of items not directly resulting from our core operations;
- for planning purposes, including the preparation of our internal annual operating budget and financial projections;
- to evaluate the performance and effectiveness of our operational strategies; and
- to evaluate our capacity to expand our business.

By providing these Non-GAAP Financial Measures, together with reconciliations, we believe we are enhancing investors' understanding of our business and our results of operations, as well as assisting investors in evaluating how well we are executing our strategic initiatives. The Non-GAAP Financial Measures have limitations as analytical tools, and should not be considered in isolation, or as an alternative to, or a substitute for net income or other financial statement data presented in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K as indicators of financial performance. Some of the limitations are:

- such measures do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- such measures do not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA and Adjusted EBITDA do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and such measures do not reflect any cash requirements for such replacements;
- Adjusted Net Income and Adjusted Earnings per Diluted Share exclude amortization of acquisition-related intangible assets, while the revenue generated by those intangible assets is not excluded;
- certain of the items excluded in arriving at such measures require settlement in cash, and excluding an item does not reduce the cash we are required to pay in respect of that item; and
- other companies in our industry may calculate such measures differently than we do, limiting their usefulness as comparative measures.

Due to these limitations, Non-GAAP Financial Measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our U.S. GAAP results and using these non-GAAP measures only as a supplement. As noted in the tables below, the Non-GAAP Financial Measures include adjustments for non-cash charges related to equity-based compensation programs, acquisition and deal-related costs, amortization of acquisition-related intangible assets, amortization of deferred financing costs, changes in the fair value of warrants and contingent consideration, litigation costs and settlements, regulatory assessments and insurance settlements, and restructuring costs and net gains and losses on the disposal of assets. It is reasonable to expect that certain of these items will occur in future periods. However, we believe these adjustments are appropriate because the amounts recognized can vary significantly from period to period, do not directly relate to the ongoing operations of our business and complicate comparisons of our internal operating results and operating results of other companies over time. Each of the adjustments described herein and in the reconciliation tables below help management with a measure of our core operating performance over time by removing items that are not related to day-to-day operations.

The following tables reconcile the Non-GAAP Financial Measures to the most directly comparable U.S. GAAP financial performance measure, which is net income, for the years presented:

(in thousands, except share and per share data)	Year Ended June 30, 2026	Year Ended June 30, 2025
Net income	\$ 13,058	\$ 15,078
Equity-based compensation (1)	337	58
Acquisition and deal-related costs (2)	1,213	957
Amortization of acquisition-related intangible assets (3)	390	180
Amortization of deferred financing costs (4)	2,086	1,404
Change in fair value of warrants and contingent consideration (5)	850	853
Loss on Vendor Receivable (6)	7,823	-
Litigation costs and settlements (7)	1,267	1,424
Insurance Claim Recovery (8)	(395)	—
Income tax effect of adjustments (9)	(3,180)	(1,006)
Adjusted net income	\$ 23,449	\$ 18,948
Weighted-average shares outstanding—basic	50,963,975	50,957,370
Effect of dilutive securities	87,765	8,600
Weighted-average shares outstanding—diluted	51,051,740	50,965,970
Earnings per diluted share	\$ 0.26	\$ 0.30
Adjusted earnings per diluted share	\$ 0.46	\$ 0.37

(\$ in thousands)	Year Ended June 30, 2026	Year Ended June 30, 2025
Net income	\$ 13,058	\$ 15,078
<i>Add back:</i>		
Interest expense, net	7,606	10,575
Income tax expense	5,756	3,630
Depreciation and amortization (10)	5,359	5,334
EBITDA	31,779	34,617
<i>Adjustments:</i>		
Acquisition and deal-related costs (2)	1,213	957
Restructuring costs (11)	—	73
Loss on vendor receivable (6)	7,823	—
Equity-based compensation (1)	337	58
Change in fair value of warrants and contingent consideration (5)	850	853
Insurance claim recovery (8)	(395)	—
State tax benefit from Prior Year (13)	(51)	-
Gain on disposal of property and equipment (12)	(24)	(15)
Adjusted EBITDA	\$ 41,532	\$ 36,543

(1) Represents non-cash charges related to equity-based compensation programs, which vary from period to period depending on the timing of awards.

(2) Represents costs incurred in connection with completed and contemplated business combinations, including advisory, legal, accounting and other professional fees.

(3) Represents amortization of intangible assets acquired in business combinations. The revenue generated by those intangible assets is not excluded from the Non-GAAP Financial Measures.

(4) Represents amortization of debt issuance costs incurred in connection with our credit facility with Bank of America and the terminated White Oak Credit Facility.

(5) Represents non-cash gains and losses resulting from the remeasurement of warrant liabilities and contingent consideration to fair value at each reporting date.

(6) Represents a loss recognized on a receivable due from a vendor for rebates owed before the company went out of business.

(7) Represents legal fees, settlement amounts and other costs associated with litigation matters that we do not consider indicative of our ongoing operating performance.

(8) Represents recoveries received under insurance claims

(9) Represents the income tax effect of the above adjustments. This adjustment uses a blended federal and state statutory income tax rate of 25% for all periods presented and is applied only to those adjustments that carry an income tax consequence. Changes in the fair value of warrants and contingent consideration are not deductible for income tax purposes and accordingly have not been tax effected.

(10) Represents total depreciation and amortization determined in accordance with U.S. GAAP, which includes amortization of acquisition-related intangible assets. Accordingly, no separate adjustment for that amortization is presented in the reconciliation of EBITDA to Adjusted EBITDA.

(11) Represents restructuring costs.

(12) Represents net gains and losses on the disposal of property and equipment.

(13) State Tax refund for abandoned property

LIQUIDITY AND CAPITAL RESOURCES

Liquidity: On October 1, 2025, Alliance Entertainment Holding Corporation entered into a Loan and Security Agreement with Bank of America, N.A. establishing a \$120 million senior secured revolving credit facility (the “Revolving Credit Facility”), replacing the Company’s previous asset-based credit facility with White Oak Commercial Finance, LLC (the “Prior Credit Facility”). The Revolving Credit Facility provides enhanced borrowing capacity and greater financial flexibility to support the Company’s working capital requirements and ongoing operating activities. In addition, the Company has continued to implement strategic initiatives focused on reducing operating expenses and optimizing its product mix through the sale of higher-margin products. Based on the Company’s financial performance for the year ended June 30, 2026, together with available borrowing capacity under the Revolving Credit Facility, cash on hand, cash flows generated from operations, and existing working capital resources, management believes the Company has sufficient liquidity to fund its operations, meet its financial obligations, and support its strategic objectives for at least the next twelve months from the date these consolidated financial statements are issued.

Our primary sources of liquidity are cash on hand, cash provided by operating activities, and borrowings under our revolving credit facility. As of June 30, 2026, the Company had \$0.8 million of cash on hand and \$74 million outstanding under the Revolving Credit Facility. As of June 30, 2025, the Company had \$1.2 million of cash on hand and \$57 million outstanding under the Prior Credit Facility. Higher outstanding borrowings primarily reflect the Company’s working capital requirements, including inventory investments to support sales growth and ongoing operations. The Revolving Credit Facility provides increased borrowing capacity and financial flexibility compared to the Prior Credit Facility, with availability under the facility of approximately \$46 million as of June 30, 2026.

(Sin millions)	June 30, 2026		June 30, 2025	
Revolver Balance	\$	74	\$	57
Availability		46		54

The Company currently intends to continue relying primarily on its borrowing capacity under the Current Credit Facility, as well as any renewal or replacement of such facility, to fund working capital and other operational requirements. The availability of additional cash proceeds from the potential exercise of outstanding Warrants is contingent upon the market price of the Company’s Class A common stock exceeding the Warrant exercise price of \$11.50 per share. Given that the market price of the Class A common stock was \$5.84 as of June 30, 2026, the Company does not currently expect Warrants to be exercised unless and until the market price exceeds the exercise price. Although the Company does not currently have any definitive plans to do so, it may seek to raise additional capital through the issuance of equity securities in the future, depending on market conditions, strategic opportunities and liquidity needs.

In addition, we may lower the exercise price of the Warrants in accordance with the Warrant Agreement to induce the holders to exercise such Warrants. We may effect such reduction in exercise price without the consent of such warrant holders and such reduction would decrease the maximum amount of cash proceeds we would receive upon the exercise in full of the Warrants for cash. Further, the holders of the Private Warrants and the Underwriter Warrants may exercise such Warrants on a cashless basis at any time and the holders of the Public Warrants may exercise such Warrants on a cashless basis at any time an effective registration statement is not available for the issuance of shares of Class A common stock upon such exercise. Accordingly, we would not receive any proceeds from a cashless exercise of Warrants.

Cash Flow: The following table summarizes our net cash provided by or used on operating activities, investing activities and financing activities for the periods indicated and should be read in conjunction with our consolidated financial statements for the year ended June 30, 2026, and 2025.

(\$ in thousands)	Year Ended			
	June 30, 2026		June 30, 2025	
Net Income	\$	13,058	\$	15,078
Net Cash (Used In) Provided By:				
Operating Activities		(1,700)		26,809
Investing Activities		(2,021)		(8,134)
Financing Activities		3,300		18,571

For the year ended June 30, 2026, the Company used \$1.7 million of cash in operating activities compared to \$26.8 million of cash generated in the prior year, primarily driven by changes in working capital. Net income decreased to \$13.1 million from \$15.1 million in the prior year, while non-cash adjustments increased, including higher amortization of deferred financing costs and higher non-cash lease expense associated with finance leases. The increase in deferred financing costs was primarily related to the Company's transition to a new Bank of America revolving credit facility, including the write-off of remaining deferred financing costs associated with the prior White Oak facility. Working capital increased to \$62.4 million as of June 30, 2026, compared to \$45.4 million as of June 30, 2025, reflecting higher investments in inventory and trade receivables to support sales growth and anticipated customer demand. Inventory increased by \$23.8 million compared to a \$4.7 million increase in the prior year, and trade receivables increased by \$17.5 million compared to a \$6.1 million increase in the prior year, primarily due to higher sales activity and timing of collections. These uses of cash were partially offset by an increase in accounts payable of \$15.7 million compared to an increase of \$22.1 million in the prior year, reflecting the timing of inventory purchases and payments. Overall, the change in operating cash flow reflects the Company's investment in working capital to support growth initiatives, partially offset by vendor financing and operating performance.

Cash used in investing activities was \$2.0 million for the year ended June 30, 2026, compared to \$8.1 million used during the prior year. Cash used during the current year primarily reflects \$1.1 million of capital expenditures related to facility improvements and warehouse automation, as well as \$1.2 million of cash paid in connection with the Endstate acquisition completed on December 31, 2025, partially offset by nominal proceeds from asset disposals and other investing activities. Cash used in the prior year was significantly higher and was primarily driven by \$7.6 million paid for the acquisition of Handmade by Robots, with minimal capital expenditures during that period. The year-over-year decrease in investing cash outflows primarily reflects lower acquisition-related spending during the 2026 fiscal year compared to the prior year.

Net cash provided by financing activities was \$3.3 million for the year ended June 30, 2026, compared to net cash used in financing activities of \$18.6 million for the year ended June 30, 2025. Financing activity during the 2026 fiscal year was primarily driven by net borrowings of approximately \$17.0 million under the Revolving Credit Facility to support the Company's working capital requirements. During the 2026 fiscal year, the Company entered into a new \$120.0 million revolving credit facility with Bank of America, which replaced the Company's prior facility with White Oak. These cash inflows were partially offset by the repayment of \$10.0 million of related-party loans from Bruce Ogilvie, Executive Chairman of the Board and a principal stockholder of the Company, \$3.1 million of finance lease payments, and \$0.6 million of deferred financing costs. In comparison, financing activities during fiscal 2025 primarily reflected net repayments of approximately \$15.7 million under the Revolving Credit Facility and \$2.8 million of finance lease payments, resulting in total cash used in financing activities of \$18.6 million. The change in financing cash flows year over year was primarily attributable to net borrowings under the Revolving Credit Facility during the 2026 fiscal year to fund working capital requirements, compared to net repayments during fiscal 2025, partially offset by the repayment of related-party loans and ongoing finance lease obligations.

Critical Accounting Policies and Estimates

The consolidated financial statements and disclosures have been prepared in accordance with generally accepted accounting principles (GAAP), which require that management apply accounting policies, estimates, and assumptions that impact the results of operations and the reported amounts of assets and liabilities in the financial statements. Management uses estimates and judgments based on historical experience and other variables believed to be reasonable at the time. Actual results may differ from these estimates under a separate set of assumptions or conditions. Note 1 of the Notes to the Consolidated Financial Statements includes a summary of the significant accounting policies and methods used by the Company in the preparation of its consolidated financial statements. Significant estimates inherent in the preparation of the consolidated financial statements include management's estimates related to the sales returns reserve, customer rebates and discount reserves, inventory valuation, goodwill and intangible asset impairment, and the fair value of warrants. On an ongoing basis, management evaluates its estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities.

Management believes that of the Company's significant accounting policies and estimates, the following involve a higher degree of judgment or complexity:

Inventory and Returns Reserve: Product inventory is recorded at the lower of cost or net realizable value. The valuation of inventory requires significant judgment and estimates, including evaluating the need for any adjustments to net realizable value related to excess or obsolete inventory to ensure that the inventory is reported at the lower of cost or net realizable value. For all product categories, the Company records any adjustments to net realizable value, if appropriate, based on historical sales, current inventory levels, anticipated customer demand, and general market conditions.

For the year ended June 30, 2026, the Company continued to perform a net realizable value analysis to determine if a reserve or write-down was necessary for excess or obsolete inventory. The key assumptions in this analysis included estimated monthly sales and the average sales price of inventory items. The analysis considered factors such as fluctuations in market prices, recent purchase invoices, and advertised prices, adjusted for potential discounts and costs to complete and sell.

The Company tests its goodwill for impairment when events or circumstances indicate that the fair value of the entity may be less than its carrying amount. For the year ended June 30, 2026, the Company performed a qualitative assessment of goodwill at the entity level, which is considered a single reporting unit. Based on this analysis, the Company determined that the fair value of the reporting unit exceeded its carrying value, and no impairment was recognized.

Intangible assets are carried at cost, less accumulated amortization, if applicable. Definite-lived intangible assets are amortized over their estimated useful lives, which range from 5 to 15 years. Indefinite-lived intangible assets, including certain trade names, are not amortized but are tested for impairment annually, or more frequently if events or changes in circumstances indicate that their carrying amount may not be recoverable. Goodwill is also tested for impairment at least annually, or more frequently if triggering events occur. There was no impairment of goodwill or other intangible assets for the year ended June 30, 2026.

Given the inherent uncertainties in the macroeconomic environment, including interest rates and economic conditions, actual results could differ from management's estimates, which could lead to future impairment charges.

Business Combinations — Valuation of Acquired Assets and Liabilities Assumed: The Company allocates the purchase price for each business combination, or acquired business, based upon (i) the fair value of the consideration paid and (ii) the fair value of net assets acquired, and liabilities assumed. The determination of the fair value of net assets acquired and liabilities assumed requires estimates and judgements of future cash flow expectations for the acquired business and the allocation of those cash flows to identifiable tangible and intangible assets. Fair values are calculated by applying estimates related to Internal Rate of Return (IRR) and Weighted Average Cost of Capital (WACC) assumptions as well as incorporating expected cash flows into industry standard valuation techniques. Goodwill is the amount by which the purchase price consideration exceeds the fair value of tangible and intangible assets acquired, less assumed liabilities. Intangible assets, such as customer relations and trade names, when identified, are separately recognized and amortized over their estimated useful lives, if considered definite lived. Acquisition costs are expensed as incurred and are included in the consolidated statements of income and comprehensive income.

Warrant Liability – The Company's warrant liability is remeasured at fair value as of the reporting period balance sheet date. The fair value of the Private Warrant was measured using the Black Scholes model approach. Significant inputs into the respective models at June 30, 2026, and June 30, 2025, are as follows:

	June 30, 2026		June 30, 2025	
Stock Price	\$	5.84	\$	3.77
Exercise price per share	\$	11.5	\$	11.50
Risk-free interest rate		4.00%		3.63%
Expected term (years)		1.62		2.62
Expected volatility		50.3%		47.1%
Expected dividend yield		-		-

The warrants are scheduled to expire on February 10, 2028.

The significant assumptions using the Black Scholes model approach for valuation of the Private Placement Warrants and Representative Warrants were determined in the following manner:

- Risk-free interest rate: the risk-free interest rate is based on the U.S. Treasury rate with a term matching the time to expiration.
- Expected term: the expected term is estimated to be equivalent to the remaining contractual term.
- Expected volatility: expected stock volatility is based on daily observations of the Company's historical stock value and implied by market price of the Public Warrants, adjusted by guideline public company volatility.
- Expected dividend yield: expected dividend yield is based on the Company's anticipated dividend payments. As the Company has never issued dividends, the expected dividend yield is 0% and this assumption will be continued in future calculations unless the Company changes its dividend policy.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

This information appears following Item 15 of this annual report and is included herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.**Disclosure Controls and Procedures**

Our management, under the direction of and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act) as of June 30, 2026. Based on the evaluation of our disclosure controls and procedures, our management concluded that, as of June 30, 2026, our disclosure controls and procedures were effective. The Company has implemented the necessary business processes and related internal controls to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of our financial statements in accordance with U.S. generally accepted accounting principles.

Management's Report on Internal Controls Over Financial Reporting

As required by SEC rules and regulations implementing Section 404 of the Sarbanes-Oxley Act, our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company,
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect errors or misstatements in our consolidated financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting because we are a non-accelerated filer and are therefore not subject to the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2026 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

During the fiscal year ended June 30, 2026, the following directors or officers (as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended) adopted a “Rule 10b5-1 trading arrangement” (as defined in Item 408(a) of Regulation S-K):

On June 18, 2026, Bruce Ogilvie, Executive Chairman, through the Bruce Ogilvie, Jr. Trust dated January 20, 1994, of which Mr. Ogilvie serves as trustee, adopted a Rule 10b5-1 trading arrangement intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Securities Exchange Act of 1934, as amended. The trading arrangement provides for the sale of shares of common stock of the Company.

On June 18, 2026, Jeffrey Walker, Chief Executive Officer, adopted a Rule 10b5-1 trading arrangement intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Securities Exchange Act of 1934, as amended. The trading arrangement provides for the sale of shares of common stock of the Company.

No director or officer of the Company terminated a “Rule 10b5-1 trading arrangement” or adopted or terminated a “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K, during the fiscal year ended June 30, 2026.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III**Item 10. Directors, Executive Officers and Corporate Governance.**

Our current directors and executive officers are as follows:

Name	Age	Position
Bruce Ogilvie	68	Executive Chairman of the Board and AEC Director
Jeffrey Walker	58	Chief Executive Officer and AEC Director
Warwick Goldby	50	Chief Operating Officer
Amanda Gnecco	47	Chief Financial Officer
Robert Black	66	Chief Compliance Officer
W. Tom Donaldson III	49	Independent Director
Terilea J. Wielenga	67	Independent Director
Chris Nagelson	58	Independent Director
Sheila Bangalore	48	Independent Director
Dmitry Kozko	42	Independent Director

Bruce Ogilvie. Bruce Ogilvie has been Alliance’s Executive Chairman since 2023 and has been Executive Chairman of Legacy Alliance since 2013. Prior to assuming his current role, in 1996 Bruce was selected by a bank group to turn around the 600-store chain, Wherehouse Records. Under Bruce’s leadership Wherehouse emerged from bankruptcy within nine months and was sold to Cerberus Capital. Following his success with Wherehouse Records, Bruce bought a one-third interest in Super D in 2001 and assumed the role as CEO, joining with founders Jeff Walker and David Hurwitz. Bruce became the Chairman in 2013 after the merger of Super D and Alliance. Mr. Ogilvie has spent his entire career in the entertainment distribution industry starting with the founding of Abbey Road Distributors in 1980. Over the next 14 years, Bruce led Abbey Road’s growth to over \$94 million in sales and successfully sold the business in 1994. In 1995, Bruce was awarded E&Y’s Distribution Entrepreneur of the Year Award for his work with Abbey Road.

Jeffrey Walker. Jeffrey Walker has been Alliance’s Chief Executive Officer since February 2023, was Alliance’s Chief Financial Officer from February 2023 until July 2025 and was Legacy Alliance’s Chief Executive Officer since 2013. Mr. Walker has also been a director of Alliance since February 2023 and a director of Legacy Alliance since 2013. In 1990, Jeff co-founded the CD Listening Bar, Inc., a retail music store. A few years later, Jeff started wholesaling CDs from the back of the store, beginning the journey to create Super D, a music wholesaler founded in 1995. In 2001, Jeff and co-founder David Hurwitz sold a third of Super D to Bruce Ogilvie. Over the next decade, Bruce and Jeff continued to grow Super D’s presence in the music wholesaling space, with the acquisition of Alliance in 2013. In 2015, Jeff was awarded E&Y’s Distribution Entrepreneur of the Year award in Orange County. Mr. Walker received a bachelor’s degree in economics from the University of California – Irvine.

Warwick Goldby. Warwick Goldby joined Alliance in November 2016 and previously served as Senior Vice President of Distribution Operations until his promotion to Chief Operations Officer in May 2024. Prior to serving as Senior Vice President of Distribution Operations, Mr. Goldby has held several positions with increasing responsibilities in the operations department at Alliance. Mr. Goldby graduated from the University of Natal, South Africa, with a bachelor’s degree in Commerce.

Amanda Gnecco, CPA. Amanda Gnecco joined Alliance in August 2018 and prior to being named Chief Financial Officer, Gnecco served as Chief Accounting Officer and previously as Vice President of Finance & Accounting. During her tenure, she played a central leadership role in building and scaling the company's finance function, most notably leading the accounting organization and processes through Alliance's transition from a private company to a publicly traded organization. Earlier in her career, Gnecco held progressively senior finance and accounting roles, including Senior Director of Finance & Accounting at Alliance, and leadership positions supporting organizations such as Envision Healthcare and Pet Supermarket. Gnecco is a Certified Public Accountant and holds a Master of Science in Accounting from Keller Graduate School of Management and a Bachelor of Arts in Accounting from Midwestern State University.

Robert Black. Robert Black joined Alliance in September 2019 and previously served as Senior Vice President, Accounting and Finance until his promotion to Chief Compliance Officer. In May 2024 As Senior Vice President, Accounting and Finance, Mr. Black, together with Ms. Gnecco, has been responsible for overseeing Alliance's financial operations and financial and SEC reporting. Prior to joining Alliance, Mr. Black served as Senior Finance Manager at Amazon.com, Inc. from March 2017 through August 2019. Mr. Black earned an M.B.A. from the University of Notre Dame Mendoza College of Business and a B.S. at Ferris State University in Industrial Relations and Machine Tool Technology.

Terilea J. Wielenga. Teri Wielenga has served as a director of Alliance since February 2023. Teri is a senior global finance executive, board director, and advisor with more than 30 years of experience at complex, highly regulated Fortune 500 companies and a Big Four accounting firm. She is retired from Gilead Sciences (Nasdaq: GILD) where she served as Vice President, Head of Global Tax Policy and Strategy, and served as board director, secretary, and treasurer for The Gilead Foundation. She currently serves as audit committee chair for the Arc Research Institute. Teri managed rapid global growth as the Senior Vice President of Tax for Allergan (NYSE: AGN). She also previously served as board director and chief financial officer of the Allergan Foundation and served as a board director for multiple Allergan subsidiaries in Ireland, Japan, and Bermuda.

In addition to her work as a senior finance executive with public companies, Teri has advised a variety of pharmaceutical start-ups, pre-IPO ventures, and privately held companies.

Teri is recognized as a global tax specialist and has taught advanced accounting and business taxation for MBA programs at Chapman University and Loyola Marymount University. She is a Certified Public Accountant. She earned her M.S. in Taxation from Golden Gate University in San Francisco and her B.A. in Business Economics from the University of California, Santa Barbara.

We believe Ms. Wielenga is qualified to serve as a member of Alliance's board of directors based on her experience as a senior global finance executive and, her governance experience with public, private, and non-profit boards of directors.

Chris Nagelson. Chris Nagelson has served as a director of Alliance since February 2023. From February 2005 until August 2022, Mr. Nagelson was the Vice President, DMM for Walmart, Inc. in Bentonville, AR. During that period, he was responsible for providing the strategic direction for the department that delivered market share growth as well as supported the overall corporate strategy. Chris also identified and established key performance indicators to improve team efficiencies and sales strategies and led a broad, cross- functional team in strategic executive-level planning. From June 1997 to February 2005, Chris was the Divisional Merchandise Manager for American Eagle Outfitters, Inc., based in Pittsburgh, PA.

Mr. Nagelson received a Bachelor of Arts degree from the University of Arkansas, where he majored in advertising and public relations.

We believe Mr. Nagelson is qualified to serve as a member of Alliance's board of directors based on his extensive experience as a senior executive at a global merchandise and sales corporation.

W. Tom Donaldson III. Tom Donaldson has served as a director of Alliance since the Business Combination and as a director of Adara from its inception in August 2022 until the Business Combination in August 2020. Mr. Donaldson founded and has been the Managing Partner of Blystone & Donaldson since October 2018, a Charlotte, NC-based investment firm that focuses on middle-market companies. From January 2016 to December 2018, Mr. Donaldson served as an executive at Investors Management Corporation where he focused on investment decisions, managing risk and developing relationships with companies of interest. From around September 2013 to December 2015, he served as a Partner of Morehead Capital Management, LLC before it was merged into Investors Management Corporation in January 2016. From around June 2003 to August 2013, he practiced law as an associate and then a Partner at McGuireWoods LLP where he represented private funds and their portfolio companies in corporate governance, structuring and financing transactions and operating businesses in a wide variety of industries. Mr. Donaldson received his Master of Business Administration degree and Juris Doctor degree from Villanova University. He earned his undergraduate degree in Political Science from North Carolina State University. We believe Mr. Donaldson is qualified to serve on our board of directors based on his breadth and depth of experience in varied investment, financing and legal roles.

Sheila Bangalore. Sheila Bangalore is an accomplished board director and strategic advisor with over 20 years of experience spanning legal, financial, and corporate governance roles across both public and private companies. She currently acts as Chief Executive Officer of Artemis Endeavors, an advisory firm she founded to provide strategic guidance in mergers and acquisitions, scaling business operations, fundraising, compliance, and governance. Her clients include high-growth companies across diverse sectors, such as gaming, technology, healthcare, industrials, and critical minerals. Ms. Bangalore also serves as an independent board member for StoneAge Holdings, Inc., where she chairs the Governance Committee, and Principal Mineral Company. Previously, Ms. Bangalore served as Chief Strategy Officer, General Counsel, and Corporate Secretary at MP Materials Corp. (NYSE: MP), a leading rare-earth materials company. Her earlier career includes senior legal and business roles at global technology firms, including Aristocrat Technologies, Zappos, Inc., and Bally Technologies. Ms. Bangalore holds a B.A. in English Literature from Tufts University, a J.D. from Washington University School of Law, and an M.B.A. in Finance from The Wharton School at the University of Pennsylvania. She is an active member of the Nasdaq Center for Board Excellence Insights Council and serves on the executive advisory boards for Wharton Alumni for Boards and the National Association for Corporate Directors, Nashville chapter.

We believe Ms. Bangalore is qualified to serve as a member of Alliance's board of directors based on her experience as a senior global finance executive and her governance experience with public, private, and non-profit boards of directors.

Dmitry Kozko. Dmitry Kozko has over two decades of executive and entrepreneurial leadership, including serving as Chief Executive Officer, Chairman, and Chief Operating Officer across several technology, media, and consumer companies. Mr. Kozko has served as Chief Executive Officer of MyEV LLC, an AI-driven electric vehicle marketplace and dealer, since June 2024. From April 2023 through March 2024, Mr. Kozko served as interim chief executive officer for duPont REGISTRY Publishing, Inc., a luxury car marketplace. From January 2020 through March 2023, Mr. Kozko served as founder, Chief Executive Officer and director for Motorsport Games Inc. (Nasdaq: MSGM), a game developer and publisher of official racing series games. Mr. Kozko's prior board service includes directorships at Motorsport Games Inc. from January 2020 to September 2023, duPont REGISTRY Publishing, Inc. from March 2023 to August 2025, and IC Realtime, Inc. from May 2014 to September 2022. Mr. Kozko also previously served as a co-founder and executive officer of Net Element, Inc., which completed a reverse merger with a Nasdaq-listed special purpose acquisition company in 2012.

We believe Mr. Kozko is qualified to serve as a member of Alliance's board of directors based on his experience as a public company executive in the technology, media and consumer industries, his capital markets experience and his governance experience serving on public and private boards of directors.

Director Independence

An "independent director" is defined generally as a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship which in the opinion of the company's board of directors, would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director. Our board of directors has determined that Messrs. Donaldson, Nagelson and Kozko and Meses. Wielenga and Bangalore are "independent directors" as defined in the Nasdaq listing standards and applicable SEC rules. Our independent directors will have regularly scheduled meetings at which only independent directors are present.

Committees of the Board of Directors

Our board of directors has four standing committees: an audit committee, a compensation committee, a nominating committee and a technology governance committee. Subject to phase-in rules and a limited exception, the Nasdaq listing rules and Rule 10A-3 of the Exchange Act require that the audit committee of a listed company be comprised solely of independent directors, and the Nasdaq listing rules require that the compensation committee of a listed company be comprised solely of independent directors. Each of the audit committee, the compensation committee and the nominating and corporate governance committee may have as one of its members a "non-independent director" under exceptional and limited circumstances pursuant to the exemptions under Rules 5605(c)(2)(B), 5605(d)(2)(B) and 5605(e)(3) of the Nasdaq listing rules. The technology governance committee is not a committee required by the Nasdaq listing rules, and its composition is determined by our board of directors.

Audit Committee

Ms. Wielenga, Mr. Nagelson and Ms. Bangalore serve as members of our audit committee, and Ms. Wielenga chairs the audit committee. Under the Nasdaq listing standards and applicable SEC rules, the audit committee is required to have at least three members, all of whom must be independent, except that the audit committee may have as one of its members a "non-independent director" under exceptional and limited circumstances pursuant to the exemption under Rule 5605(c)(2)(B) of the Nasdaq listing rules. Each member of the audit committee meets the independent director standard under the Nasdaq listing standards and under Rule 10A-3(b)(1) of the Exchange Act.

Each member of the audit committee is financially literate, and our board of directors has determined that Ms. Wielenga qualifies as an "audit committee financial expert" as defined in applicable SEC rules.

We have adopted an audit committee charter, which details the principal functions of the audit committee, including:

- the appointment, compensation, retention, replacement, and oversight of the work of the independent registered public accounting firm engaged by us;
- pre-approving all audit and permitted non-audit services to be provided by the independent registered public accounting firm engaged by us, and establishing pre-approval policies and procedures;
- setting clear hiring policies for employees or former employees of the independent registered public accounting firm, including but not limited to, as required by applicable laws and regulations;
- setting clear policies for audit partner rotation in compliance with applicable laws and regulations;
- obtaining and reviewing a report, at least annually, from the independent registered public accounting firm describing (i) the independent registered public accounting firm's internal quality-control procedures, (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm and any steps taken to deal with such issues and (iii) all relationships between the independent registered public accounting firm and us to assess the independent registered public accounting firm's independence;
- reviewing the adequacy and effectiveness of internal control policies and procedures, including establishing special audit procedures in response to any material control deficiencies;
- reviewing and approving any related party transaction required to be disclosed pursuant to Item 404 of Regulation S-K promulgated by the SEC prior to us entering into such transaction, and addressing any conflicts of interest;
- reviewing with management, the independent registered public accounting firm, and our legal advisors, as appropriate, any legal, regulatory or compliance matters, including any correspondence with regulators or government agencies and any employee complaints or published reports that raise material issues regarding our financial statements or accounting policies and any significant changes in accounting standards or rules promulgated by the Financial Accounting Standards Board, the SEC or other regulatory authorities;
- periodically reviewing risk management policies; and
- reviewing, approving and monitoring a code of ethics for senior officers.

Compensation Committee

Messrs. Donaldson, Nagelson and Kozko and Ms. Wielenga serve as members of our compensation committee, and Mr. Donaldson chairs our compensation committee. Under the Nasdaq listing standards and applicable SEC rules, the compensation committee is required to have at least two members, all of whom must be independent, except that the compensation committee may, if it is comprised of at least three members, have as one of its members a "non-independent director" under exceptional and limited circumstances pursuant to the exemption under Rule 5605(d)(2)(B) of the Nasdaq listing rules.

We have adopted a compensation committee charter, which details the principal functions of the compensation committee, including:

- reviewing and approving on an annual basis the corporate goals and objectives relevant to our Chief Executive Officer's compensation, if any is paid by us, evaluating our Chief Executive Officer's performance in light of such goals and objectives and determining and approving the remuneration (if any) of our Chief Executive Officer based on such evaluation;
- reviewing and approving on an annual basis the compensation, if any is paid by us, of all of our other officers;
- reviewing on an annual basis our executive compensation policies and plans;
- implementing and administering our incentive compensation equity-based remuneration plans;
- assisting management in complying with our proxy statement and annual report disclosure requirements;
- approving all special perquisites, special cash payments and other special compensation and benefit arrangements for our officers and employees;
- if required, producing a report on executive compensation to be included in our annual proxy statement; and
- reviewing, evaluating and recommending changes, if appropriate, to the remuneration for directors.

The charter also provides that the compensation committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other adviser and will be directly responsible for the appointment, compensation and oversight of the work of any such adviser. However, before engaging or receiving advice from a compensation consultant, external legal counsel or any other adviser, the compensation committee will consider the independence of each such adviser, including the factors required by the SEC and any national securities exchange on which the Company is listed.

Nominating and Corporate Governance Committee

Mr. Donaldson and Ms. Wielenga serve as members of our nominating and corporate governance committee, and Mr. Nagelson serves as chair of the nominating and corporate governance committee. Under the Nasdaq listing standards, all of the directors on the nominating and corporate governance committee must be independent, except that the committee may, if it is comprised of at least three members, have as one of its members a “non-independent director” under exceptional and limited circumstances pursuant to the exemption under Rule 5605(e)(3) of the Nasdaq listing rules.

The nominating and corporate governance committee charter, which details the purpose and responsibilities of the committee, includes:

- identifying, screening and reviewing individuals qualified to serve as directors, consistent with criteria approved by the board, and recommending to the board of directors candidates for nomination for election at the annual general meeting or to fill vacancies on the board of directors;
- developing and recommending to the board of directors and overseeing implementation of our corporate governance guidelines;
- coordinating and overseeing the annual self-evaluation of the board of directors, its committees, individual directors and management in the governance of the company; and
- reviewing on a regular basis our overall corporate governance and recommending improvements as and when necessary.

The charter also provides that the nominating and corporate governance committee may, in its sole discretion, retain or obtain the advice of, and terminate, any search firm to be used to identify director candidates, and will be directly responsible for approving the search firm’s fees and other retention terms.

We have not formally established any specific, minimum qualifications that must be met or skills that are necessary for directors to possess. In general, in identifying and evaluating nominees for director, the board of directors will consider educational background, diversity of professional experience, knowledge of our business, integrity, professional reputation, independence, wisdom, and the ability to represent the best interests of our shareholders.

Technology Governance Committee

Mr. Kozko and Ms. Bangalore serve as members of our technology governance committee, and Mr. Kozko chairs the technology governance committee. Each member of the technology governance committee is an independent director under the Nasdaq listing standards. The technology governance committee is not a committee required by the Nasdaq listing rules, and the board of directors determines its composition and responsibilities. The purpose of the technology governance committee is to assist the board of directors in fulfilling its oversight responsibilities with respect to the Company’s technology related strategies, risks and policies.

We have adopted a technology governance committee charter, effective May 14, 2026, which details the principal functions of the technology governance committee, including:

- reviewing and making recommendations regarding the Company’s overall technology and data strategy;
- reviewing and evaluating the Company’s policies and procedures relating to technology, cyber security, data management and related matters;
- evaluating and understanding technology and data security threats and risks affecting the Company, and understanding the Company’s internal controls, vulnerabilities and plans for addressing such threats;
- assisting the board of directors in identifying and understanding new and emerging technology issues, trends, opportunities and threats that may impact the Company’s overall business strategy, which technologies may include, without limitation, artificial intelligence, machine learning and other emerging technologies;

- reviewing the technology aspects of significant business developments and acquisition opportunities;
- overseeing key technology and digital risks and related compliance matters, coordinating with the audit committee and other board committees, as appropriate, to ensure effective, non-duplicative oversight;
- assisting the board of directors in overseeing the Company's cybersecurity risk management, including the adequacy of cybersecurity programs and policies related to data privacy, network security and incident response;
- reviewing and recommending updates to the Company's governance, technology and information security policies;
- performing an annual assessment of the committee's performance, and reviewing and reassessing the adequacy of the committee's charter at least annually and recommending to the board of directors for approval any amendment or modification of the charter; and
- maintaining minutes of its meetings and periodically reporting to the board of directors on the significant results of the foregoing activities.

The charter also provides that the technology governance committee is composed of two or more directors appointed by the board of directors, that the board of directors designates one member of the committee to serve as chair, and that the committee meets at least quarterly, or as often as circumstances dictate. The committee has access to all Company books, records, facilities and personnel as deemed necessary or appropriate by any member of the committee, and may retain any advisors it deems necessary in the performance of its duties and determine the compensation terms for those advisors at the Company's expense.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers, directors and persons who beneficially own more than ten percent of our common stock to file reports of ownership and changes in ownership with the SEC. These reporting persons are also required to furnish us with copies of all Section 16(a) forms they file. Based solely upon a review of such forms, we believe that during the fiscal year ended June 30, 2026, there have been no delinquent filers.

Code of Ethics

We have adopted a Code of Ethics that applies to our directors, officers, and employees, including our principal executive officer, principal financial officer, and principal accounting officer. The Code of Ethics is designed to promote honest and ethical conduct, full and fair disclosure in reports and documents filed with the SEC, and compliance with applicable laws and regulations. The Code of Ethics was adopted on March 15, 2023.

The Code of Ethics is posted on our website at www.aent.com

Any amendments to, or waivers from, certain provisions of the Code of Ethics applicable to our principal executive officer, principal financial officer, or principal accounting officer require approval by the Board of Directors or the Audit Committee. We intend to disclose such amendments or waivers promptly in a Current Report on Form 8-K

No waivers were granted during the fiscal year ended June 30, 2026.

Insider Trading Policy

We have adopted an insider trading policy (the “Trading Policy”) that is designed to promote compliance with federal securities laws, rules, and regulations, as well as the rules and regulations of the NASDAQ Stock Market. The Trading Policy provides Alliance’s standards on trading and causing the trading of our securities or securities of other publicly traded companies while in possession of confidential information. It prohibits trading in certain circumstances and applies to all of our directors, officers, and employees, as well as independent contractors or consultants who have access to material nonpublic information of Alliance. Additionally, our Trading Policy imposes special additional trading restrictions applicable to all of our directors and executive officers. The Trading Policy is annexed to this Annual Report as an exhibit and the full text of the Trading Policy is available on our website at www.aent.com.

Item 11. Executive Compensation.

For the fiscal year ended June 30, 2026, Alliance’s named executive officers were Bruce Ogilvie, Executive Chairman, Jeffrey Walker, Chief Executive Officer and Amanda Gnecco, Chief Financial Officer.

This section provides an overview of Alliance’s executive compensation programs, including a narrative description of the material factors necessary to understand the information disclosed in the summary compensation table below.

2026 and 2025 Summary Compensation Table

The following table shows information regarding the compensation of Alliance’s named executive officers for services performed during the fiscal years ended June 30, 2026, and 2025.

Name and Position	Fiscal Year	Salary	Bonus	Stock Awards	All Other Compensation	Total Compensation
Bruce Ogilvie ⁽¹⁾	2026	\$ 953,846	\$ 966,154	-	\$ 34,526	\$ 1,954,526
Executive Chairman	2025	\$ 640,000	\$ 640,000	—	\$ 35,628	\$ 1,315,628
Jeffrey Walker ⁽²⁾	2026	\$ 955,946	\$ 966,154	-	\$ 13,838	\$ 1,935,938
Chief Executive Officer	2025	\$ 640,000	\$ 640,000	—	\$ 35,216	\$ 1,315,216
Amanda Gnecco ⁽³⁾	2026	\$ 238,462	\$ 40,000	-	\$ 6,646	\$ 289,107
Chief Financial Officer	2025	220,000	\$ 31,992	8,500	\$ 11,622	\$ 263,614

(1) Included in all other compensation expenses is \$22,128 and \$19,219 for car and phone allowance in FY26 and FY25. Also included is \$12,398 in 401(k) and health benefits in FY26 and \$16,408 in FY25. Fiscal 2026 salary consists of \$779,693 of base salary earned during FY26 and \$166,154 of retroactive salary approved by the Board. FY26 bonus consists of an \$800,000 annual bonus and \$166,154 of retroactive bonus approved by the Board. FY25 amounts reflect compensation paid at the reduced \$640,000 level.

(2) Included in all other compensation expenses is \$2,645 for car and phone allowance in FY26 and \$20,467 in FY25. Also included is \$11,193 in 401(k) and health benefits in FY26 and \$16,749 in FY25. FY26 salary consists of \$789,793 of base salary earned during FY26 and \$166,154 of retroactive salary approved by the Board. FY26 bonus consists of an \$800,000 annual bonus and \$166,154 of retroactive bonus approved by the Board. FY25 amounts reflect compensation paid at the reduced \$640,000 level.

(3) Included in all other compensation expenses is \$6,646 for 401(k) and health benefits in FY26.

Outstanding Equity Awards at Fiscal Year-End

	Option awards					Stock awards			
			Equity incentive plan awards: Number of				Market value of shares of units of stock that have not vested	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested
Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Number of securities underlying unexercised unearned options (#)	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares of units of stock that have not vested (\$)	Number of unearned shares, units or other rights that have not vested (\$)	Number of unearned shares, units or other rights that have not vested (\$)
Bruce Ogilvie	-	-	-	-	-	-	-	-	-
Jeffrey Walker	-	-	-	-	-	-	-	-	-
Amanda Gnecco	-	-	-	-	-	8,500	19,805	-	-

Employment Agreements for Named Executive Officers

Overview; Salaries and Bonuses

On February 10, 2023, Bruce Ogilvie, Alliance's Chairman, and Jeffrey Walker, Alliance's Chief Executive Officer, entered into employment agreements for initial three-year terms, which will automatically renew thereafter for successive one-year terms. On February 12, 2026, Messrs. Ogilvie and Walker each entered into a new employment agreements which replaced and superseded the 2023 employment agreements. The new employment agreements have three year terms.

Pursuant to the new employment agreements, Messrs Ogilvie and Walker are each entitled to base salary and a target bonus of a certain percentage of their base salary as follows:

Name	Base Salary (\$)	Target
		Bonus Percentage(%)
Bruce Ogilvie	800,000	100
Jeffrey Walker	800,000	100

Equity Incentive Plan Awards

In addition to the salaries and bonus targets set forth above, each of the two Named Executive Officers are eligible to participate in and receive awards under the 2023 Plan.

Benefits

Each of the two Named Executive Officers also has the right to receive or participate in all employee benefit programs and perquisites generally established by the Company from time to time for employees similarly situated to the Named Executive Officer, subject to the general eligibility requirements and other terms of such programs and perquisites, and subject to the Company's right to amend, terminate or take other similar action with respect to any such programs and perquisites. Each also receives approximately \$2,000 per month for an automobile lease and is entitled to first class air travel where available.

Termination; Severance Benefits

Pursuant to their employment agreements, in the event of a termination of such Named Executive Officer's employment for any reason, the executive would generally be entitled to receive earned but unpaid salary, accrued but unpaid annual bonus, any owed accrued expenses, as well as amounts payable under any benefit plans, programs or arrangements that such Named Executive Officer participates in or benefits therefrom. In the event that a Named Executive Officer's employment is terminated due to his death, in addition to the foregoing, he would be entitled to a pro-rated portion of his annual bonus, as determined by the Board.

In the event that a Named Executive Officer's employment is terminated either without "cause" (as defined in the applicable employment agreement) or by the Named Executive Officer for "good reason" (as defined in the applicable employment agreement), subject to his execution and non-revocation of a general release of claims and continued compliance with his restrictive covenant obligations, as described below, such Named Executive Officer would be entitled to payment of an amount (i) equal to the executive's base salary immediately prior to the termination date (or, if for "good reason" was attributable to the Company's failure to pay the minimum amount of Base Salary provided herein, such minimum amount) for the period of time from the day after the Termination Date through the last day of the employment term or for a period of twelve (12) months, whichever is greater (the "Severance Period"); (ii) in addition to payment of any unpaid bonuses from a prior fiscal year, a pro-rata portion of the bonus based on the amount of days executive worked for the fiscal year in which the termination occurs, and (iii) payment for such Named Executive Officer's insurance premiums incurred for participation in COBRA coverage pursuant group health plan through the earliest to occur of (A) the last day of the Severance Period, (B) the date the executive ceases to be eligible for COBRA or (C) such time as Executive is eligible for group health insurance benefits from another employer.

Provision of the severance benefits is conditioned on (i) the Named Executive Officer's continued compliance in all material respects with executive's continuing obligations to the Company, including, without limitation, the terms of the employment agreement that survive termination of executive's employment with the Company, and (ii) the Named Executive Officer's signing (without revoking if such right is provided under applicable law) a separation agreement and general release in a form of that provided to Executive by the Company on or about the termination date. The Named Executive Officer must so execute the separation agreement within 60 days following the termination date.

Fiscal Year 2026 Director Compensation

Name	Fees earned or paid in cash (\$)	Stock awards (\$)	Option awards (\$)	Non-equity incentive plan compensation (\$)	Change in pension value and nonqualified deferred compensation earnings	All other compensation (\$)	Total (\$)
Teri Wielenga	50,000	-	-	-	-	-	50,000
Chris Nagelson	50,000	-	-	-	-	-	50,000
Tom Donaldson	50,000	-	-	-	-	-	50,000
Dmitry Kozko (1)	33,333	20,000	-	-	-	-	53,333
Sheila Bangalore (1)	33,333	20,000	-	-	-	-	53,333

(1) Appointed November 6, 2025

Alliance has established a formal arrangement to compensate certain independent directors. Under this arrangement, independent directors receive an annual fee of \$50,000 for their service on the board of directors and its committees.

Equity Plans

Our board of directors adopted and approved the 2023 Omnibus Equity and Incentive Plan, or 2023 Plan, which was subsequently adopted by Alliance's stockholders. The 2023 Plan became effective on February 10, 2023, and is a comprehensive incentive compensation plan under which we can grant equity-based and other incentive awards to based officers, employees and directors of, and consultants and advisers to, Alliance and its subsidiaries. The purpose of the 2023 Plan is to help us attract, motivate and retain such persons with awards designed for the U.S. market and thereby enhance shareholder value.

Grant of Awards; Shares Available for Awards. The 2023 Plan provides for the grant of awards which are distribution equivalent rights, incentive share options, non-qualified share options, performance shares, performance units, restricted common stock, restricted share units, share appreciation rights ("SARs"), tandem share appreciation rights, unrestricted common stock or any combination of the foregoing, to key management employees and non-employee directors of, and non-employee consultants of, Alliance or any of its subsidiaries (each a "participant") (however, solely Alliance employees or employees of Alliance subsidiaries are eligible for awards which are incentive share options). We have reserved a total of 1,000,000 shares of common stock for issuance as or under awards to be made under the 2023 Plan. To the extent that an award lapses, expires, is canceled, is terminated unexercised or ceases to be exercisable for any reason, or the rights of its holder terminate, any common stock subject to such award shall again be available for the grant of a new award. The 2023 Plan shall continue in effect, unless sooner terminated, until the tenth (10th) anniversary of the date on which it is adopted by the Board of Directors (except as to awards outstanding on that date). The Board of Directors in its discretion may terminate the 2023 Plan at any time with respect to any shares for which awards have not theretofore been granted; provided, however, that the 2023 Plan's termination shall not materially and adversely impair the rights of a holder, without the consent of the holder, with respect to any award previously granted. The number of shares of common stock for which awards which are options or SARs may be granted to a participant under the 2023 Plan during any calendar year is limited to a number of shares equal to three percent (3%) of the total number of shares of common stock of the Company outstanding on the last day of the prior calendar year. Future new hires, non-employee directors and additional non-employee consultants are eligible to participate in the 2023 Plan as well. The number of awards to be granted to officers, non-employee directors, employees and non-employee consultants cannot be determined at this time as the grant of awards is dependent upon various factors such as hiring requirements and job performance.

Options. The term of each share option shall be as specified in the option agreement; provided, however, that except for share options which are incentive share options ("ISOs"), granted to an employee who owns or is deemed to own (by reason of the attribution rules applicable under Code Section 424(d)) more than 10% of the combined voting power of all classes of our common stock or the capital stock of our subsidiaries (a "ten percent shareholder"), no option shall be exercisable after the expiration of ten years from the date of its grant (five (5) years for an employee who is a ten percent shareholder).

The price at which a share may be purchased upon exercise of a share option shall be determined by the Plan Committee; provided, however, that such option price (i) shall not be less than the fair market value of a share on the date such share option is granted, and (ii) shall be subject to adjustment as provided in the 2023 Plan. The Plan Committee or the board of directors shall determine the time or times at which or the circumstances under which a share option may be exercised in whole or in part, the time or times at which options shall cease to be or become exercisable following termination of the share option holder's employment or upon other conditions, the methods by which such exercise price may be paid or deemed to be paid, the form of such payment, and the methods by or forms in which common stock will be delivered or deemed to be delivered to participants who exercise share options.

Options which are ISOs shall comply in all respects with Section 422 of the Code. In the case of ISOs granted to a ten percent shareholder, the per share exercise price under such ISO (to the extent required by the Code at the time of grant) shall be no less than 110% of the fair market value of a share on the date such ISO is granted. ISOs may only be granted to employees of Alliance or one of its subsidiaries. In addition, the aggregate fair market value of the shares subject to an ISO (determined at the time of grant) which are exercisable for the first time by an employee during any calendar year may not exceed \$100,000. An Option which specifies that it is not intended to qualify as ISOs or any Option that fails to meet the requirement of an ISO at any point in time will automatically be treated as a nonqualified option ("NQSO") under the terms of the Plan.

Restricted Share Awards. A restricted share award is a grant or sale of common stock to the participant, subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Plan Committee or the board of directors may impose, which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise, as the Plan Committee or the board of directors may determine at the date of grant or purchase or thereafter. Except to the extent restricted under the terms of the 2023 Plan and any agreement relating to the restricted share award, a participant who is granted or has purchased restricted shares shall have all of the rights of a shareholder, including the right to vote the restricted shares and the right to receive dividends thereon (subject to any mandatory reinvestment or other requirement imposed by the Plan Committee or the Board of Directors or in the award agreement). During the restricted period applicable to the restricted shares, subject to certain exceptions, the restricted shares may not be sold, transferred, pledged, hypothecated, or otherwise disposed of by the participant.

Unrestricted Share Awards. An unrestricted share award is the award of common stock which is not subject to transfer restrictions. Pursuant to the terms of the applicable unrestricted share award agreement, a holder may be awarded (or sold) common stock which are not subject to transfer restrictions, in consideration for past services rendered thereby to us or an affiliate or for other valid consideration.

Restricted Share Unit Awards. A restricted share unit award provides for a cash payment to be made to the holder upon the satisfaction of predetermined individual service-related vesting requirements, based on the number of units awarded to the holder. The Plan Committee shall set forth in the applicable restricted share unit award agreement the individual service-based or performance-based vesting requirement which the holder would be required to satisfy before the holder would become entitled to payment and the number of units awarded to the Holder. The vesting restrictions under any restricted share unit award shall constitute a “substantial risk of forfeiture” under Section 409A of the Code. At the time of such an award, the Plan Committee may, in its sole discretion, prescribe additional terms and conditions or restrictions. The holder of a restricted share unit shall be entitled to receive a cash payment equal to the fair market value of a share, or one (1) share, as determined in the sole discretion of the Plan Committee and as set forth in the restricted share unit award agreement, for each restricted share unit subject to such restricted share unit award, if and to the extent the applicable vesting requirement is satisfied. Such payment shall be made no later than by the fifteenth (15th) day of the third (3rd) calendar month next following the end of the calendar year in which the restricted share unit first becomes vested.

Performance Unit Awards. A performance unit award provides for a cash payment to be made to the holder upon the satisfaction of predetermined individual and/or Alliance performance goals or objectives, based on the number of units awarded to the holder. The Plan Committee shall set forth in the applicable performance unit award agreement the performance goals and objectives (and the period of time to which such goals and objectives shall apply) which the holder and/or Alliance would be required to satisfy before the holder would become entitled to payment, the number of units awarded to the holder and the dollar value assigned to each such unit. The vesting restrictions under any performance unit award shall constitute a “substantial risk of forfeiture” under Section 409A of the Code. At the time of such an award, the Plan Committee may, in its sole discretion, prescribe additional terms and conditions or restrictions. The holder of a performance unit shall be entitled to receive a cash payment equal to the dollar value assigned to such unit under the applicable performance unit award agreement if the holder and/or Alliance satisfy (or partially satisfy, if applicable under the applicable performance unit award agreement) the performance goals and objectives set forth in such performance unit award agreement.

If achieved, such payment shall be made no later than by the 15th day of the third calendar month following the end of Alliance’s fiscal year to which such performance goals and objectives relate.

Performance Share Awards. A performance share award provides for distribution of common stock to the holder upon the satisfaction of predetermined individual and/or Alliance goals or objectives. The Plan Committee shall set forth in the applicable performance share award agreement the performance goals and objectives (and the period of time to which such goals and objectives shall apply) which the holder and/or Alliance would be required to satisfy before the holder would become entitled to the receipt of common stock pursuant to such holder’s performance share award and the number of shares of common stock subject to such performance share award. The vesting restrictions under any performance unit award shall constitute a “substantial risk of forfeiture” under Section 409A of the Code and, if such goals and objectives are achieved, the distribution of such common stock shall be made no later than by the 15th day of the 3rd calendar month next following the end of our fiscal year to which such goals and objectives relate. At the time of such an award, the Plan Committee may, in its sole discretion, prescribe additional terms and conditions or restrictions. The holder of a performance share award shall have no rights as an Alliance shareholder until such time, if any, as the holder actually receives common stock pursuant to the performance share award.

Distribution Equivalent Rights. A distribution equivalent right entitles the holder to receive bookkeeping credits, cash payment and/or share distributions equal in amount to the distributions that would be made to the holder had the holder held a specified number of common stock during the period the holder held the distribution equivalent rights. The Plan Committee shall set forth in the applicable distribution equivalent rights award agreement the terms and conditions, if any, including whether the holder is to receive credits currently in cash, is to have such credits reinvested (at fair market value determined as of the date of reinvestment) in additional common stock or is to be entitled to choose among such alternatives. Such receipt shall be subject to a “substantial risk of forfeiture” under Section 409A of the Code and, if such award becomes vested, the distribution of such cash or common stock shall be made no later than by the 15th day of the third calendar month next following the end of the Company’s fiscal year in which the holder’s interest in the award vests. Distribution equivalent rights awards may be settled in cash or in common stock, as set forth in the applicable distribution equivalent rights award agreement. A distribution equivalent rights award may, but need not be, awarded in tandem with another award other than an Option or SAR award, whereby, if so awarded, such distribution equivalent rights award shall terminate or be forfeited by the holder, as applicable, under the same conditions as under such other award. The distribution equivalent rights award agreement for a distribution equivalent rights award may provide for the crediting of interest on a distribution rights award to be settled in cash at a future date (but in no event later than by the 15th day of the third calendar month next following the end of the Company’s fiscal year in which such interest was credited), at a rate set forth in the applicable distribution equivalent rights award agreement, on the amount of cash payable thereunder.

Share Appreciation Rights. A SAR provides the participant to whom it is granted the right to receive, upon its exercise, the excess of (A) the fair market value of the number of shares of common stock subject to the SAR on the date of exercise, over (B) the product of the number of shares of common stock subject to the SAR multiplied by the base value under the SAR, as determined by the Plan Committee or the board of directors. The base value of a SAR shall not be less than the fair market value of a share on the date of the grant. If the Plan Committee grants a share appreciation right which is intended to be a tandem SAR, additional restrictions apply.

Amendment and Termination. The 2023 Plan shall continue in effect, unless sooner terminated pursuant to its terms, until February 10, 2033, the tenth anniversary of the date on which it is adopted by the Board of Directors (except as to awards outstanding on that date).

As of June 30, 2026, a total of 751,300 awards have been granted under the 2023 Plan.

Bonus Incentive Plan

In fiscal year 2024, the Company updated its cash Bonus Incentive Plan (the “Plan”) designed to align leadership compensation with the Company’s financial performance, specifically its growth in earnings before interest, taxes, depreciation, and amortization (“EBITDA”). The Plan is structured as follows:

The Plan applies to executives and leaders as determined by the Compensation Committee of the Board of Directors. The bonus payout under the Plan is directly linked to the Company’s EBITDA growth year-over-year. The Plan uses the percentage increase in the Company’s EBITDA for the current fiscal year as compared to the prior fiscal year as the performance metric.

A full payout of the cash bonus will occur if the Company’s EBITDA for the current fiscal year increases by 10% or more compared to the prior year’s EBITDA. For EBITDA growth below 10%, the bonus payout is pro rata down to 1% of the bonus amount based on the percentage increase in EBITDA.

10% or greater EBITDA increase: 100% bonus payout.

9% EBITDA increase: 90% bonus payout.

8% EBITDA increase: 80% bonus payout.

This pattern continues, with a 10% reduction in payout for every 1% decrease in EBITDA growth. No bonus will be paid if EBITDA growth is less than 1%.

Bonuses earned under the Plan, if any, will be paid in the first quarter of the following fiscal year, after the Company’s financial results for the relevant year are finalized and audited. The Compensation Committee retains the discretion to adjust the final bonus payouts in the event of extraordinary or non-recurring items that materially affect the Company’s reported EBITDA. The Company will accrue bonuses based on its estimated performance to the Plan’s EBITDA targets throughout the fiscal year.

Clawback Policy

The Board has adopted a clawback policy which allows us to recover performance-based compensation, whether cash or equity, from a current or former executive officer in the event of an Accounting Restatement. The clawback policy defines an Accounting Restatement as an accounting restatement of our financial statements due to our material noncompliance with any financial reporting requirement under the securities laws. Under such policy, we may recoup incentive-based compensation previously received by an executive officer that exceeds the amount of incentive-based compensation that otherwise would have been received had it been determined based on the restated amounts in the Accounting Restatement.

The Board has the sole discretion to determine the form and timing of the recovery, which may include repayment, forfeiture and/or an adjustment to future performance-based compensation payouts or awards. The remedies under the clawback policy are in addition to, and not in lieu of, any legal and equitable claims available to the Company. The clawback policy is incorporated by reference into this Annual Report as an exhibit.

Equity Compensation Policy and Practices

While we do not have a formal written policy in place with regard to the timing of awards of options in relation to the disclosure of material nonpublic information, the Compensation Committee does not seek to time equity grants to take advantage of information, either positive or negative, about our company that has not been publicly disclosed. It has been our practice to grant equity awards to our officers and directors upon their appointment. We intend to issue equity grants to our officers and/or directors at the same time each year, in connection with our first meeting of the Board of Directors each fiscal year. Option grants are effective on the date the award determination is made by the Compensation Committee, and the exercise price of options is the closing market price of our Common Stock on the business day of the grant or, if the grant is made on a weekend or holiday, on the prior business day.

During the fiscal year ended June 30, 2026, we did not award any options to a named executive officer in the period beginning four business days before the filing of a periodic report on Form 10-Q or Form 10-K, or the filing or furnishing of a current report on Form 8-K that discloses material nonpublic information, and ending one business day after the filing or furnishing of such report.

Alliance Indemnification Agreements

In connection with the IPO, Alliance entered into agreements with its officers and directors to provide contractual indemnification in addition to the indemnification provided for in its certificate of incorporation. Alliance also purchased a policy of directors' and officers' liability insurance that insures its officers and directors against the cost of defense, settlement or payment of a judgment in some circumstances and insures Alliance against its obligations to indemnify its officers and directors.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information included under the heading "*Equity Plans*" in Item 11 and Part III of this annual report is hereby incorporated by reference into this Item 12 of Part II of this annual report.

The following table sets forth information regarding the beneficial ownership of our Class A common stock as of the date of this annual report, by:

- each person known by us to be the beneficial owner of more than 5% of our outstanding shares of Class A common stock;
- each of our executive officers and directors; and
- all our executive officers and directors as a group.

Beneficial ownership is determined according to the rules of the SEC, which generally provide that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power over that security, including options and warrants that are currently exercisable or exercisable within 60 days. Except as described in the footnotes below and subject to applicable community property laws and similar laws, we believe that each person listed below has sole voting and investment power with respect to such shares.

The beneficial ownership percentages set forth in the table below are based on 50,979,630 shares of Class A common stock issued and outstanding as of September 10, 2026.

Name of Beneficial Owner⁽¹⁾	Number of Shares of Class A Common Stock Beneficially Owned	Percentage of Outstanding Class A Common Stock
Bruce Ogilvie ⁽²⁾⁽³⁾	15,339,097	30.1%
Jeffrey Walker ⁽²⁾⁽⁴⁾	23,197,756	45.3%
W. Tom Donaldson III ⁽⁵⁾	2,569,362	4.9%
Terilea J. Wielenga	13,000	—
Chris Nagelson	5,000	—
Dmitry Kozko	2,630	-
Sheila Bangalore	2,630	-
Amanda Gnecco	7,500	—
Robert Black	20,000	—
Warwick Goldby	14,000	—
Directors and executive officers as a group (10 individuals)	41,170,975	77.5%
Ogilvie Legacy Trust dated September 14, 2021 ⁽⁶⁾	8,554,025	16.8%

(1) Unless otherwise indicated, the business address of Alliance’s directors and executive officers is c/o Alliance Entertainment Holding Corporation, 8201 Peters Road, Suite 1000, Plantation, Florida 33324.

(2) Excludes contingent Class E common stock.

(3) The shares are beneficially owned by the Bruce Ogilvie, Jr. Trust dated January 20, 1994, having Mr. Bruce Ogilvie, Jr. as trustee. Mr. Ogilvie disclaims individual ownership of such shares except for his individual pecuniary interest in such trusts. Includes 51,122 shares issuable upon exercise of public warrants.

(4) Includes 192,494 shares issuable upon exercise of public warrants. Mr. Walker has pledged 4,350,000 shares of our common stock to Mr. Ogilvie as collateral securing a \$2.0 million personal loan dated May 21, 2026, bearing interest at 12% per annum and maturing on May 21, 2027. In the event of a default under the loan, Mr. Ogilvie could acquire beneficial ownership of the pledged shares through foreclosure or sale, which would increase his beneficial ownership from approximately 30.1% to approximately 38.6% of our outstanding common stock and could result in a change in control of the Company. See “Certain Relationships and Related Party Transactions—Alliance Related Party Transactions—Personal Loan Between Chairman of the Board and Chief Executive Officer.”

(5) Includes (i) 65,000 shares held directly, (ii) 2,421,062 shares, including 1,837,335 shares issuable upon exercise of private warrants, held directly by B&D Series 2020, LLC, of which Mr. Donaldson is the manager and (iii) 83,300 shares held by Blystone & Donaldson, LLC, of which Mr. Donaldson is the manager. Mr. Donaldson disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein

(6) Mr. Ogilvie’s two adult children are trustees of the Ogilvie Legacy Trust dated September 14, 2021. Mr. Ogilvie disclaims beneficial ownership of the shares held by such trust.

Equity Compensation Plan Information

The following table provides certain information with respect to our equity compensation plans in effect as of June 30, 2026:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c))
Equity compensation plans approved by security holders (1)	—	—	248,700
Equity compensation plans not approved by security holders	—	—	—
Total	—	—	248,700

(1) Represents shares of Class A common stock reserved for issuance under the Alliance Entertainment Holding Corporation 2023 Omnibus Equity Incentive Plan (the “2023 Plan”), which became effective in connection with the Merger and under which 600,000 shares were initially reserved. On November 7, 2024, our stockholders approved an amendment to the 2023 Plan increasing the number of shares reserved thereunder by 400,000 shares, for a total of 1,000,000 shares of Class A common stock. The 2023 Plan provides for the grant of restricted stock awards, among other award types. As of June 30, 2026, 294,400 shares of restricted stock granted under the 2023 Plan remained outstanding and subject to vesting. Because shares of restricted stock are issued and outstanding upon grant, they are not reportable as securities to be issued upon exercise of outstanding options, warrants and rights in column (a), and are not available for future issuance for purposes of column (c). Shares subject to awards that lapse, expire, are canceled or are forfeited again become available for grant under the 2023 Plan.

Item 13. Certain Relationships and Related Transactions.

Registration Rights Agreement

The holders of the Initial Stockholder Shares and private warrants (and in each case holders of their underlying securities, as applicable) have registration rights to require us to register a sale of any of our securities held by them pursuant to a registration rights agreement that was signed on February 8, 2021. This agreement provided that these holders are entitled to make up to three demands, excluding short form registration demands, that we register such securities for sale under the Securities Act. In addition, these holders were granted “piggy-back” registration rights to include their securities in other registration statements filed by us.

In connection with the closing of the Business Combination, the Adara Initial Stockholders and the Legacy Alliance stockholders entered into the Registration Rights Agreement, which amended and restated the former registration rights agreement. Pursuant to the Registration Rights Agreement, Alliance filed a resale registration statement, and it was declared effective in accordance with the terms of the registration statement. In certain circumstances, the Adara Initial Stockholders and the Legacy Alliance stockholders may each demand up to two registrations, which may be underwritten offerings, and all of the registration rights holders will be entitled to piggyback registration rights.

Alliance Related Party Transactions

Personal Loan Between Executive Chairman and Chief Executive Officer

On May 21, 2026, Bruce Ogilvie, our Executive Chairman, extended a personal loan in the principal amount of \$2.0 million to Jeffrey Walker, our Chief Executive Officer. The loan is evidenced by a promissory note that bears interest at the rate of 12% per annum, with all principal and accrued interest due and payable on May 21, 2027 (the first anniversary of the loan date). Mr. Walker has pledged 4,350,000 shares of our common stock to Mr. Ogilvie as collateral for the loan pursuant to a pledge agreement. The pledged shares represent approximately 9% of our outstanding Class A common stock. The Company is not a party to, and has no rights or obligations under, the promissory note or the related pledge agreement, and the Company has not guaranteed any obligations of Mr. Walker under the loan. Because both Mr. Ogilvie and Mr. Walker are significant stockholders of the Company, a foreclosure on the pledged shares in the event of a default could result in a substantial increase in Mr. Ogilvie's beneficial ownership and could result in a change in control of the Company. For a discussion of the risks associated with this arrangement, see "Risk Factors—Risks Related to Our Business—A default under the personal loan between our Executive Chairman and our Chief Executive Officer could result in a substantial change in the ownership of our common stock."

GameFly Holdings, LLC

During the years ended June 30, 2026 and 2025, Alliance sold new-release movies, video games and video game consoles to GameFly Holdings LLC totalling approximately \$2.7 million in each year. GameFly, a customer of Alliance, is equally owned by Bruce Ogilvie and Jeff Walker, two Alliance shareholders. Alliance believes the amounts that GameFly paid for New Release, movies, video games, and video game consoles are at fair market value. GameFly does fulfilment services of fast selling new releases by providing 3PL services at market rates. Either party may terminate the agreement at any time. GameFly is free to purchase from any competitor of Alliance.

As of June 30, 2026 and 2025, the Company had receivables from GameFly LLC of \$0.2 million at each year-end, which were included in other receivables, net on the consolidated balance sheets.

For the year ended June 30, 2026 and 2025, the Company recognized revenue for consulting services provided to Gamefly of \$0.3 million in each period. For the year ended June 30, 2026 and 2025, the Company incurred consulting expense of \$0.09 million and \$0.2 million, respectively, for services received from GameFly.

Ogilvie Loans

On July 3, 2023, the Company entered into a \$17.0 million line of credit with Bruce Ogilvie, a principal stockholder (the "Ogilvie Loan"), which bore interest at a rate equal to 30-day SOFR plus 5.0% and would have matured on December 22, 2026. In connection with the Company's entry into an asset-based revolving credit facility with Bank of America on October 1, 2025, the Company repaid the outstanding balance of \$10.0 million under the Ogilvie Loan in full, and there were no amounts outstanding as of June 30, 2026. Interest expense related to the Ogilvie Loan was \$0.2 million and \$0.8 million for the fiscal years ended June 30, 2026, and 2025, respectively.

Policies and Procedures for Related Person Transactions

Our board of directors adopted a related person transaction policy setting forth the policies and procedures for the identification, review and approval or ratification of related person transactions. This policy covers, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we and a related person were or will be participants and the amount involved exceeds \$120,000, including purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness and guarantees of indebtedness. In reviewing and approving any such transactions, our audit committee will consider all relevant facts and circumstances as appropriate, such as the purpose of the transaction, the availability of other sources of comparable products or services, whether the transaction is on terms comparable to those that could be obtained in an arm's length transaction, management's recommendation with respect to the proposed related person transaction, and the extent of the related person's interest in the transaction.

Director Independence

An "independent director" is defined generally as a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship which in the opinion of the company's board of directors, would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director. Our board of directors has determined that Messrs. Donaldson, Nagelson and Kozko and Meses. Wielenga and Bangalore are "independent directors" as defined in the Nasdaq listing standards and applicable SEC rules. Our independent directors will have regularly scheduled meetings at which only independent directors are present.

Item 14. Principal Accountant Fees and Services.

Fee Type	Year Ended June 30, 2026	Year Ended June 30, 2025
Audit Fees (Grassi)	\$ 456,550	\$ 327,500
Professional Audit-related services (Grassi)	\$ 6,165	46,500
Audit Fees (BDO)	\$ 70,000	\$ 205,800
Professional Audit-related services (BDO)	\$ 25,000	
Total Audit Fees	\$ 557,715	\$ 579,800

Pre-Approval Policy

Our audit committee was formed upon the consummation of the Merger. Since the formation of our audit committee, and on a going-forward basis, the audit committee has and will pre-approve all auditing services and permitted non-audit services to be performed for us by our auditors, including the fees and terms thereof (subject to the de minimis exceptions for non-audit services described in the Exchange Act which are approved by the audit committee prior to the completion of the audit).

PART IV**Item 15. Exhibits, Financial Statement Schedules.**

(a) The following documents are filed as part of this Form 10-K:

(1) *Financial Statements:*

(34) As part of this annual report, the consolidated financial statements are listed in the accompanying index to financial statements on page F-2.

(2) *Financial Statement Schedules:*

(34) All financial statement schedules have been omitted because they are not applicable, not required or the information required is shown in the financial statements or the notes thereto.

(3) *Exhibits:*

We hereby file as part of this annual report the exhibits listed in the attached Exhibit Index. Exhibits which are incorporated herein by reference can be inspected and copied at the public reference facilities maintained by the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of such material can also be obtained from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates or on the SEC website at www.sec.gov.

Exhibit Number	Description of Document	Incorporated by Reference			
		Schedule/Form	File Number	Exhibits	Filing Date
2.1**	Business Combination Agreement, dated as of June 22, 2022, by and among Alliance, Merger Sub and Alliance.	Form 8-K	001-40014	2.1	June 23, 2022
3.1*	Second Amended and Restated Certificate of Incorporation.				
3.2	Amended and Restated Bylaws.	Form 8-K	001-40014	3.5	February 13, 2023
4.1	Specimen Class A Common Stock Certificate.	Form S-4	333-266098	4.5	October 18, 2022
4.2	Specimen Warrant Certificate.	Form S-4	333-266098	4.6	October 18, 2022
4.3	Warrant Agreement, dated February 8, 2021, by and between the Company and Continental Stock Transfer & Trust Company, as warrant agent.	Form 8-K	001-40014	4.1	February 11, 2021
4.4	Description of the Registrant's Securities	Form 10 K	001 40014	4.4	October 19, 2023
10.1	Form of Lock-Up Agreement (included in Exhibit 2.1).	Form 8-K	001-40014	2.1	June 23, 2022
10.2	Alliance Entertainment Holding Corporation 2023 Omnibus Equity Incentive Plan.	Form 10 K	001 40014	10.2	October 19, 2023

Exhibit Number	Description of Document	Incorporated by Reference			
		Schedule/Form	File Number	Exhibits	Filing Date
10.3	Form of Indemnity Agreement.	Form S-4	333-266098	10.11	October 18, 2022
10.4	Lease Agreement, dated as of August 18, 2017, by and between Liberty Property Limited Partnership and COKeM International, Ltd.	Form S-4	333-266098	10.16	October 18, 2022
10.5	First Amendment to Lease, dated as of January 22, 2018, by and among Liberty Property Limited Partnership and COKeM International, Ltd.	Form S-4	333-266098	10.17	October 18, 2022
10.6	Multi-Tenant Industrial Triple Net Lease, dated as of December 14, 2007, by and between Cedar Grove - Crossdock, LLC and Alliance Entertainment, LLC.	Form S-4	333-266098	10.18	October 18, 2022
10.7	First Amendment to Lease Agreement, dated as of January 18, 2013, by and between KTR LOU I LLC and Alliance Entertainment, LLC.	Form S-4	333-266098	10.19	October 18, 2022
10.8	Second Amendment to Lease Agreement, dated as of August 1, 2014, by and between KTR LOU I LLC and Alliance Entertainment, LLC.	Form S-4	333-266098	10.20	October 18, 2022
10.9	Guaranty Agreement, dated as of November 9, 2012, by and between Project Panther Acquisition Corporation and KTR LOU I LLC.	Form S-4	333-266098	10.21	October 18, 2022
10.10	Office Lease, dated as of January 7, 2011, by and between French Overseas Company, LLC and Alliance Entertainment, LLC.	Form S-4	333-266098	10.22	October 18, 2022
10.11	First Amendment to Lease, dated as of January 31, 2012, by and between French Overseas Company, LLC and Alliance Entertainment, LLC.	Form S-4	333-266098	10.23	October 18, 2022
10.12	Second Amendment to Lease, dated August 2016, by and between French Overseas Company, LLC and Alliance Entertainment, LLC.	Form S-4	333-266098	10.24	October 18, 2022
10.13	Standard Industrial Lease, dated as of August 12, 2020, by and between SCRS Valley Park Business Center, LLC and COKeM International, Ltd.	Form S-4	333-266098	10.25	October 18, 2022
10.14	Second Amendment to Lease, dated as of June 26, 2020, by and between Liberty Property Limited Partnership and COKeM International, Ltd.	Form S-4	333-266098	10.26	October 18, 2022

Exhibit Number	Description of Document	Incorporated by Reference		
		Schedule/Form	File Number	Filing Date
10.15	Contingent Consideration Escrow Agreement by and among the Combined Company, Bruce Ogilvie and Continental Stock Transfer and Trust Company dated February 10, 2023.	Form 8-K	001-40014	10.29
10.16	Distribution Agreement, by and between Gamefly Holdings, LLC and Distribution Solutions, a division of Alliance Entertainment, LLC, dated as of February 1, 2023.	Form 10-Q	001-40014	10.1
10.17	Loan and Security Agreement, dated as of October 1, 2025, by and among Alliance Entertainment Holding Corporation, as Parent and Borrower, each of its subsidiaries from time to time party thereto, as Borrowers, the Lenders from time to time parties thereto, and Bank of America, as Agent.	Form 8-K	001-40014	10.1
10.18†	Employment Agreement, by and between Alliance Entertainment Holding Corporation and Jeffrey Walker, dated as of February 10, 2026.	Form 8-K	001-40014	10.1
10.19†	Employment Agreement, by and between Alliance Entertainment Holding Corporation and Bruce Ogilvie, dated as of February 10, 2026.	Form 8-K	001-40014	10.2
19*	Insider Trading Policy			
21.1*	List of Subsidiaries.			
23.1*	Consent of Grassi & Co., CPAs, P.C.			
31.1*	Certification of Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
31.2*	Certification of Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
97.1	Clawback Policy	Form 10-K	001-40014	97.1

Exhibit Number	Description of Document	Incorporated by Reference		
		Schedule/Form	File Number	Exhibits Filing Date
101.INS	Inline XBRL Instance Document			
101.SCH	Inline XBRL Taxonomy Extension Schema Document			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document			
101. LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
104	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit)			

* Filed herewith.

Certain of the exhibits and schedules to this Exhibit have been omitted in accordance with Regulation S-K Item 601(a)(5). The Company agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon its request.

† Indicates a management contract or compensatory plan, contract or arrangement.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized, in Irvine, California, on the 10th day of September 2026.

Alliance Entertainment Holding Corporation

By: /s/ Jeffrey Walker
Name: Jeffrey Walker
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this annual report has been signed below by the following persons in the capacities and on the dates indicated.

<u>Name</u>	<u>Position</u>	<u>Date</u>
<u>/s/ Jeffrey Walker</u> Jeffrey Walker	Chief Executive Officer and Director (Principal Executive Officer)	September 10, 2026
<u>/s/ Bruce Ogilvie</u> Bruce Ogilvie	Executive Chairman of the Board of Directors	September 10, 2026
<u>/s/ Amanda Gnecco</u> Amanda Gnecco	Chief Financial Officer (Principal Financial and Accounting Officer)	September 10, 2026
<u>/s/ W. Tom Donaldson III</u> W. Tom Donaldson III	Director	September 10, 2026
<u>/s/ Chris Nagelson</u> Chris Nagelson	Director	September 10, 2026
<u>/s/ Terilea J. Wielenga</u> Terilea J. Wielenga	Director	September 10, 2026
<u>/s/ Dmitry Kozko</u> Dmitry Kozko	Director	September 10, 2026
<u>/s/ Sheila Bangalore</u> Sheila Bangalore	Director	September 10, 2026

ALLIANCE ENTERTAINMENT HOLDING CORPORATION.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm (PCAOB ID # 606)	F-2
Consolidated Balance Sheets as of June 30, 2026, and 2025	F-3
Consolidated Statements of Income and Comprehensive Income for the years end June 30, 2026, and 2025	F-4
Consolidated Statements of Changes in Stockholders' Equity for the years end June 30, 2026, and 2025	F-5
Consolidated Statements of Cash Flows for the years end June 30, 2026, and 2025	F-6
Notes to Consolidated Financial Statements	F-7 to F-34



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Alliance Entertainment Holding Corporation

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Alliance Entertainment Holding Corporation (the Company) as of June 30, 2026 and 2025, and the related statements of income and comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended June 30, 2026, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2026 and 2025, and the results of its operations and its cash flows for each of the years in the two-year period ended June 30, 2026, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Warrant Liability Fair Value Estimate

Critical Audit Matter Description

As disclosed in Note 20, the Company has certain warrants that are liability-classified and are required to be reported at fair value with the changes in fair value being recorded through comprehensive income. The fair of these warrants was estimated to be \$1,496 million as of June 30, 2026. As disclosed in Note 20, the Company estimates the value of these warrants using a Black-Scholes Model. The key assumptions in the model included the Company's stock price, the exercise price per share, the risk-free interest rate, the expected term (in years) of the warrants, the expected volatility of the Company's stock price, and the Company's expected dividend yield.

The principal consideration for our determination that the warrant liability fair value estimate was a critical matter was the significant auditor judgment required to evaluate management's fair value estimate. The valuation involved significant assumptions, and the fair value measurement was sensitive to changes in those assumptions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company's warrant liability fair value estimate included the following, among others:

- a) We read and reviewed the relevant agreements to evaluate the Company's classification of the warrants as a liability recorded at fair value at each reporting period.
- b) We evaluated the methodology used to determine the fair value of the warrant liability.
- c) We obtained the valuation report prepared by the third-party specialist engaged by management.
- d) We assessed the qualifications, competences, and objectivity of the third-party specialist.
- e) We tested the key data and assumptions used within the Black-Scholes model to estimate the fair value of the warrant liability.
- f) We involved an internal specialist who assisted in the evaluation and testing performed of the reasonableness of significant methods and assumptions to the model.
- g) We assessed the sufficiency and accuracy of the Company's disclosure of its accounting for the warrants included in Note 20.

Grassi & Co., CPAs, P.C.

We have served as the Company's auditor since 2024.

Jericho, New York

September 10, 2026

50 JERICHO QUADRANGLE, STE. 200, JERICHO, NY 11753
P: 516.256.3500 • F: 516.256.3510 • GRASSIADVISORS.COM

ALLIANCE ENTERTAINMENT HOLDING CORPORATION
CONSOLIDATED BALANCE SHEETS

(\$ in thousands, except per share amounts)

	June 30, 2026	June 30, 2025
Assets		
Current Assets		
Cash	\$ 814	\$ 1,236
Trade Receivables, Net of Allowance for Credit Losses of \$811 and \$867, respectively	111,038	95,027
Inventory, Net	126,599	102,848
Other Current Assets	9,843	19,021
Total Current Assets	248,294	218,132
Property and Equipment, Net	10,564	11,291
Operating Lease Right-Of-Use Assets, Net	16,062	19,214
Goodwill	94,081	89,116
Intangibles, Net	18,457	18,475
Other Long-Term Assets	9,932	789
Deferred Tax Asset, Net	210	4,211
Total Assets	<u>\$ 397,600</u>	<u>\$ 361,228</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts Payable	\$ 170,958	\$ 155,300
Accrued Expenses	8,361	9,548
Current Portion of Operating Lease Obligations	3,329	3,229
Current Portion of Finance Lease Obligations	1,937	3,075
Deferred Consideration	1,300	-
Contingent Liability	-	1,577
Total Current Liabilities	185,885	172,729
Revolving Credit Facility, Net	73,721	55,268
Finance Lease Obligation, Non- Current	-	1,931
Operating Lease Obligations, Non-Current	14,217	17,432
Shareholder Loan (subordinated), Non-Current	-	10,000
Contingent Liability, Non-Current	5,500	-
Acquired Royalty Obligation (Endstate), Non-Current	165	-
Warrant Liability	1,496	646
Total Liabilities	280,984	258,006
Commitments and Contingencies (Note 12)		
Stockholders' Equity		
Preferred Stock: Par Value \$0.0001 per share, Authorized 1,000,000 shares, Issued and Outstanding 0 shares as of June 30, 2026 and June 30, 2025	-	-
Common Stock: Par Value \$0.0001 per share, Authorized 550,000,000 shares at June 30, 2026, and at June 30, 2025; Issued and Outstanding 50,979,630 shares at June 30, 2026, and 50,957,370 at June 30, 2025, respectively	5	5
Paid In Capital	48,907	48,570
Accumulated Other Comprehensive Loss	(77)	(76)
Retained Earnings	67,781	54,723
Total Stockholders' Equity	116,616	103,222
Total Liabilities and Stockholders' Equity	<u>\$ 397,600</u>	<u>\$ 361,228</u>

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

ALLIANCE ENTERTAINMENT HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

<i>(\$ in thousands except share and per share amounts)</i>	Year Ended June 30, 2026	Year Ended June 30, 2025
Net Revenues	\$ 1,148,986	\$ 1,063,457
Cost of Revenues (excluding depreciation and amortization)	996,662	930,605
Operating Expenses		
Distribution and Fulfillment Expense	44,960	40,375
Selling, General and Administrative Expense	66,169	55,992
Depreciation and Amortization	5,359	5,334
Loss on Vendor Receivable	7,823	
Transaction Costs	1,213	957
Insurance Claim Recovery	(395)	-
Restructuring Cost	-	73
Gain on Disposal of Fixed Assets	(24)	(15)
Total Operating Expenses	<u>125,105</u>	<u>102,716</u>
Operating Income	<u>27,219</u>	<u>30,136</u>
Other Expenses		
Interest Expense	7,606	10,575
State tax Benefit from prior year	(51)	
Change in Fair Value of Warrants	850	853
Total Other Expenses	<u>8,405</u>	<u>11,428</u>
Income Before Income Tax Expense	<u>18,814</u>	<u>18,708</u>
Income Tax Expense	5,756	3,630
Net Income	<u>13,058</u>	<u>15,078</u>
Other Comprehensive Income (Loss)		
Foreign Currency Translation	(1)	3
Total Comprehensive Income	<u>13,057</u>	<u>15,081</u>
Net Income per Share – Basic	\$ 0.26	\$ 0.30
Weighted Average Common Shares Outstanding - Basic	50,963,975	50,957,370
Net Income per Share – Diluted	0.26	0.30
Weighted Average Common Shares Outstanding - Diluted	51,051,740	51,016,546

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

ALLIANCE ENTERTAINMENT HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED JUNE 30, 2026 AND 2025

<i>(\$ in thousands)</i>	Common Stock Shares Issued and Outstanding	Par Value	Paid In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total
Balances at June 30, 2024	50,957,370	\$ 5	\$ 48,058	\$ (79)	\$ 39,645	\$ 87,629
Warrant Conversion	-	-	454	-	-	454
Currency Translation Adjustment	-	-	-	3	-	3
Stock-based Compensation Expense	-	-	58	-	-	58
Net Income	-	-	-	-	15,078	15,078
Balances at June 30, 2025	50,957,370	\$ 5	\$ 48,570	\$ (76)	\$ 54,723	\$ 103,222
Warrant Conversion	-	-	-	-	-	-
Currency Translation Adjustment	-	-	-	(1)	-	(1)
Stock-based Compensation Expense	22,260	-	337	-	-	337
Net Income	-	-	-	-	13,058	13,058
Balances at June 30, 2026	50,979,630	\$ 5	\$ 48,907	\$ (77)	\$ 67,781	\$ 116,616

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

ALLIANCE ENTERTAINMENT HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in thousands)	Year Ended June 30, 2026	Year Ended June 30, 2025
Cash Flows from Operating Activities:		
Net Income	\$ 13,058	\$ 15,078
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation of Property and Equipment	1,793	1,828
Amortization of Intangible Assets	3,567	3,506
Amortization of Deferred Financing Costs (Included in Interest Expense)	2,086	1,404
Allowance for Credit Losses	1,445	1,068
Change in Fair Value of Warrants	850	853
Deferred Income Taxes	4,001	2,322
Non-cash lease expense	3,152	2,910
Stock-based Compensation Expense	337	58
Gain on Disposal of Fixed Assets	(24)	(15)
Changes in Assets and Liabilities		
Trade Receivables	(17,455)	(6,080)
Inventory	(23,751)	(4,665)
Income Taxes Receivable	(600)	(384)
Operating Lease Obligations	(3,115)	(1,731)
Other Assets	462	(11,340)
Accounts Payable	15,658	22,079
Accrued Expenses and Contingent Liability	(3,164)	(82)
Net Cash (Used In) Provided By Operating Activities	(1,700)	\$ 26,809
Cash Flows from Investing Activities:		
Capital Expenditures	(1,074)	(54)
Cash Inflow from Asset Disposal	30	15
Investment in Captive Stock (Equity Component)	173	-
Cash Paid for Business Acquisition/Asset Purchase	(1,150)	(7,595)
Cash Paid for Contract	-	(500)
Net Cash Used in Investing Activities	(2,021)	(8,134)
Cash Flows from Financing Activities:		
Payments on Financing Leases	(3,069)	(2,848)
Payments on Revolving Credit Facility	(1,142,898)	(986,132)
Borrowings on Revolving Credit Facility	1,159,913	970,409
Payments on Shareholder Note (Subordinated), Current	(10,000)	-
Deferred Financing Costs	(646)	-
Net Cash Provided By (Used In) Financing Activities	3,300	(18,571)
Net (Decrease)/Increase in Cash	(421)	104
Net Effect of Currency Translation on Cash	(1)	3
Cash, Beginning of the Year	1,236	1,129
Cash, End of the Year	\$ 814	\$ 1,236
Supplemental disclosure for Cash Flow Information		
Cash Paid for Interest	\$ 7,530	\$ 9,171
Cash Paid for Income Taxes	\$ 2,452	\$ 1,727
Supplemental Disclosure for Non-Cash Investing and Financing Activities		
Conversion of Warrants from liability to Equity	\$ -	454
Contract Acquisition	\$ -	1,800

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

Note 1: Organization and Summary of Significant Accounting Policies

Alliance Entertainment Holding Corporation (“Alliance”) was formed on August 9, 2010. The Company provides full-service distribution of pre-recorded music, video movies, video games and related accessories, and merchandising to retailers and other independent customers primarily in the United States. It provides product and commerce solutions to “brick-and-mortar”, e-commerce retailers, and consumer direct websites, while maintaining trading relationships with manufacturers of pre-recorded music, video movies, video games and related accessories.

On December 31, 2025, the Company completed the acquisition of Endstate Authentic LLC (“Endstate”), a digital authentication and loyalty-driven consumer brand. The transaction was accounted for as a business combination under ASC 805. Accordingly, the assets acquired and liabilities assumed have been recorded at their estimated fair values as of the acquisition date. The purchase price allocation is preliminary and subject to adjustment as the Company continues to finalize its valuation analyses. Results of operations for Endstate are included in the Company’s consolidated financial statements beginning on the acquisition date. Additional information related to this acquisition is provided in Note 22 – Business Combinations.

On February 10, 2023, Alliance completed its business combination with Adara Acquisition Corp., which was accounted for as a reverse recapitalization with Alliance treated as the accounting acquirer. The recapitalization has been retroactively reflected in all periods presented. The Company continues to recognize certain warrant and equity-related impacts from this transaction, including the outstanding contingent Class E shares and warrant liabilities, as discussed further in Notes 15 and 20.

A summary of the significant accounting policies consistently applied in the preparation of the consolidated financial statements:

Reclassification

Certain amounts from prior periods have been reclassified to conform to the current period presentation.

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements include the accounts of Alliance Entertainment Holding Corporation and its wholly owned subsidiaries. Intercompany transactions have been eliminated in consolidation.

Liquidity

On October 1, 2025, the Company entered into a \$120 million senior secured asset-based revolving credit facility with Bank of America, N.A. (the “Revolving Credit Facility”). The new facility refinanced and replaced the Company’s prior three-year \$120 million asset-based revolving credit facility with White Oak Commercial Finance, LLC, which was entered into on December 21, 2023, and was scheduled to mature on December 21, 2026. Based on the Company’s cash on hand, cash flows from operations, working capital, and availability under its revolving credit facility, management has concluded that the Company has sufficient liquidity to fund its operations and obligations for at least twelve months from the issuance of these consolidated financial statements.

Revenue Recognition

The Company enters into contracts with its customers for the purchase of products in the ordinary course of business. A contract with commercial substance exists once the Company receives and accepts a purchase order under a sales contract. Payment terms on invoiced amounts generally range from 0 to 90 days. Revenue from the sale and distribution of pre-recorded music, video, games, accessories, and other related products are recognized when the performance obligations under the terms of a contract with its customer are satisfied, which occurs with the transfer of control of the product. For the majority of the Company’s products, control is transferred, and revenue is recognized when the product is shipped from the Company’s distribution center to the Company’s customers, which primarily consist of retailers. For most of the Company’s distribution contracts, the Company is considered to be the principal to these transactions, and the revenue is recognized on a gross basis, since the Company is the primary obligor for fulfilling the promise to its customers on these arrangements, has inventory risk, and has latitude in establishing prices. In limited circumstances, the Company has determined that it acts as an agent (ASC 606-10-55-36 through 55-40) because it does not control the specified goods before they are transferred to the customer. For these arrangements, revenue is recognized on a net basis, reflecting only the fee or commission to which the Company is entitled in exchange for arranging the sale.

Additionally, the Company ships some of its products to retailers on a consignment basis. The Company retains ownership of its products stored at these retailers. As the Company's products are sold by the retailer, ownership is transferred from the Company to the retailer. At that time, the Company invoices the retailer and recognizes revenue for these consignment transactions. If a contract contains more than one performance obligation, the transaction price is allocated to each performance obligation based on relative standalone selling price. Shipping and handling activities are treated as a fulfillment activity rather than a promised service, and therefore, are not considered a performance obligation. Sales, use, value-added, and other excise taxes the Company collects concurrent with revenue producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense when incurred.

The Company applies ASC 606, *Revenue from Contracts with Customers*, (ASC 606) utilizing the following allowable exemptions or practical expedients:

- Portfolio approach practical expedient relative to the estimation of variable consideration.
- Shipping and handling practical expedient to account for shipping and handling activities that occur after control of the related good transfers as fulfillment activities.
- Costs of obtaining a contract practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset is one year or less.
- Sales taxes practical expedient to exclude sales taxes and other similar taxes from the transaction price.
- Significant financing component practical expedient

Revenue is recognized at the transaction price which the Company expects to be entitled to receive. When determining the transaction price, the Company estimates variable consideration by applying the portfolio approach practical expedient under ASC 606. The primary sources of variable consideration for the Company are rebate programs, incentive programs and product returns. The rebate and incentives are recorded as a reduction to revenue at the time of the initial sale or when offered. The Company estimates variable consideration related to products sold under its rebate and incentive programs using the expected value method, which is based on sales terms with customers, historical experience, inventory levels, volume purchases, and known changes in relevant trends in the future. There are no material instances where variable consideration is constrained and not recorded at the initial time of sale.

Substantially all of the Company's sales are domestic and are made to customers under agreements permitting certain limited rights of return based upon the prior months' sales and vendor return rights. Except for video games and vinyl sales, which are not returnable, generally it is the Company's policy not to accept product returns that cannot be returned to the Company's vendors. Revenue from product sales is recognized net of estimated returns. Sales in the pre-recorded music and video movies industry generally give certain customers the right to return products. In addition, the Company's suppliers generally permit the Company to return products that are in the supplier's current product listing, except for video games and vinyl.

Based on historical returns, review of current catalog list and the change of mass merchant's floor space and store locations carrying the Company's products, management provides for estimated net returns at the time of sale and other specific reserves when appropriate. This is typically done using a twelve-month average return rate by product.

The Company has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are most significantly affected by the overall economic health of the consumer product industry in the United States.

Cash

Cash includes all investments with original maturities of three months or less when purchased. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Trade Receivables, Net

The Company grants credit to customers on credit terms in the ordinary course of business. Credit is extended based on an evaluation of a customer's financial condition, and collateral is generally not required. Trade receivables are carried at the original invoice amount less estimates made for allowances for credit losses based on a periodic review of all outstanding amounts. Management measures all expected losses based on a forward-looking expected loss model, which reflects probable losses based on historical experience, current conditions, and reasonable and supportable forecasts. Trade receivables are written off against the allowance when they are deemed uncollectable. Recoveries of trade receivables previously written off are recorded as a credit to the allowance for uncollectable accounts when received.

Escrow Receivable

As of June 30, 2026, the Company had \$8.5 million held in escrow related to a terminated acquisition transaction. The Company does not have access to or control over the escrow account, and the acquisition did not proceed. The funds are classified as a receivable within Other Long-Term Assets, and the Company is actively pursuing return of the escrowed funds.

Inventory and Inventory Reserves

Inventory is stated at the lower of cost, using the weighted average cost method, or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Excess or obsolete inventory reserves that reduce the cost basis of the assets are established when inventory is estimated to not be sellable or returnable to suppliers based on product demand and product life cycle.

Property and Equipment, Net

Property and equipment are recorded at cost less accumulated depreciation. Depreciation and amortization are calculated using the straight-line method over the asset's estimated useful life. Costs of major additions and improvements are capitalized, while repair and maintenance costs are charged to expense as incurred. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts, and any gain or loss is reflected in the consolidated statements of income and comprehensive income.

Depreciation and Amortization

Depreciation is provided in amounts sufficient to allocate the cost of depreciable assets to operations over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Asset Class	Useful Life
Leasehold Improvements	5 – 10 years
Machinery and Equipment	3 – 7 years
Furniture and Fixtures	5 – 7 years
Capitalized Software	1 – 3 years
Equipment Under Finance Leases	5-7 years
Computer Equipment	2 – 5 years

Goodwill and Definite-Lived Intangible Assets, Net

Goodwill is assessed using either a qualitative assessment or quantitative approach to determine whether it is more likely than not that the fair value of the reporting unit is less than the carrying amount. The qualitative assessment evaluates factors including macroeconomic conditions, industry-specific and company-specific considerations, legal and regulatory environments, and historical performance. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying value, a quantitative assessment is performed. Otherwise, no further assessment is required. The quantitative approach compares the estimated fair value of the reporting units to its carrying amount, including goodwill. Impairment is indicated if the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, and an impairment charge is recognized for the differential.

The Company completes its annual goodwill impairment tests in the fourth quarter, or whenever there are indicators that the fair value of the reporting unit might be less than the carrying amount. For the years ended June 30, 2026, and 2025, the Company did not record any impairment.

Definite-Lived intangible assets are stated at cost, less accumulated amortization. Amortization of customer relationships, Trademarks, technology, and customer lists is recorded using an accelerated method over the useful lives of the related assets, which range from 5 to 15 years. Covenants not to compete and trade names are amortized using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 15 years.

Indefinite-lived intangible assets, such as certain trade names, are not amortized but are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. For the years ended June 30, 2026 and 2025 the company did not record any impairment.

Impairment of Long-Lived Assets

Recoverability of long-lived assets, including property and equipment and certain identifiable intangible assets are evaluated whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Factors considered important which could trigger an impairment review include but are not limited to significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the assets or the strategy for the overall business, significant decrease in the market value of the assets and significant negative industry or economic trends. In the event the carrying amount of the long-lived assets may not be recoverable based upon the existence of one or more of the indicators, the assets are assessed for impairment based on the estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the carrying amount of an asset exceeds the sum of the estimated future undiscounted cash flow, an impairment loss is recorded for the excess of the asset's carrying amount over its fair value. There was no impairment during the years ended June 30, 2026, and 2025.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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 and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates inherent in the preparation of the accompanying consolidated financial statements include management's estimates of allowance for credit losses, sales returns reserve, warrants fair value, customer rebates and discount reserves, goodwill impairment, and inventory valuation. On an ongoing basis, management evaluates its estimates against historical experience and trends, which form the basis for judgments about the carrying value of assets and liabilities.

Fair Value of Financial Instruments

The Company complies with ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles and expands disclosure requirements about fair value measurements. Under ASC 820, there are three categories for the classification and measurement of assets and liabilities carried at fair value:

Level 1: Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include publicly traded equity securities and publicly traded mutual funds that are actively traded on a major exchange or over-the-counter market.

Level 2: Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly. Examples include municipal bonds, where fair value is estimated using recently executed transactions, bid asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

Level 3: Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.

The estimated fair value of cash, trade receivables, accounts payable, accrued expenses and other current liabilities are based on Level 1 inputs as the fair values approximate carrying amounts as of June 30, 2026, and 2025, based on the short-term nature and maturity of these instruments.

The estimated fair value of the credit facility is based on Level 2 inputs, which consist of interest rates that are currently available to the Company for issuance of debt with similar terms and remaining maturities. As of June 30, 2026, and 2025 the estimated fair value of the Company's short and long-term debt approximates its carrying value due to market interest rates charged on such debt or their short-term maturities.

The estimated fair value of the tangible and intangible assets acquired, and the liabilities assumed in connection with the acquisition of Think3Fold were measured using Level 2 and Level 3 inputs.

The estimated fair value of warrants, and contingent shares is determined based on various valuation methodologies, including the Black-Scholes option pricing model and other appropriate valuation techniques. These methodologies consider factors such as the exercise price, expected volatility, expected term, and risk-free interest rate.

Warrants

Management evaluates all of the Company's financial instruments, including warrants issued to purchase its Class A Common Stock, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives, pursuant to ASC 480, *Distinguishing Liabilities from Equity* and ASC 815-15, *Derivatives and Hedging-Embedded Derivatives*. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is assessed at issuance of the financial instrument and re-assessed at the end of each reporting period.

As a result of the Merger, the Company initially had 5,750,000 Public Warrants, 4,120,000 Private Placement Warrants, and 50,090 Representative Warrants issued that are exercisable to purchase shares of Class A Common Stock. The Public Warrants qualify for the derivative scope exception under ASC 815 and are therefore presented as a component of Stockholders' Equity on the consolidated balance sheets without subsequent fair value re-measurement.

The Private Placement Warrants and Representative Warrants are recognized as derivative liabilities in accordance with ASC 815-40. Accordingly, the Company recognizes the Private Placement Warrants and Representative Warrants as liabilities at fair value in the consolidated balance sheets with the warrant liabilities subject to re-measurement at each balance sheet date until exercised, and any change in fair value recognized in the consolidated statements of income and comprehensive income.

The Company re-computes the fair value of the Private and the Representative Warrants at the issuance date and the end of each quarterly reporting period. Such value computation includes subjective input assumptions that are consistently applied each period. If the Company were to alter its assumptions or the numbers input based on such assumptions, the resulting fair value could be materially different. Refer to Note 20, Warrants and Note 21, Fair Value for additional details of the Warrants and related valuation.

Earnings per Share

Basic Earnings Per Share is computed by dividing net income available to common shareholders by the weighted average shares outstanding during the period. Diluted EPS takes into account the potential dilution that could occur if securities or other contracts to issue shares, such as stock options, warrants, and unvested restricted stock units, were exercised and converted into common shares and the impact would not be antidilutive. Diluted EPS is computed by dividing net income available to common shareholders by the weighted average shares outstanding during the period, increased by the number of additional shares that would have been outstanding if the potential shares had been issued and were dilutive. Contingently issuable shares are included in basic net loss per share only when there is no circumstance under which those shares would not be issued.

The following table sets forth the computation of basic and diluted net earnings per share of Common Stock for the years ended June 30, 2026, and 2025 respectively:

	Year Ended June 30, 2026	Year Ended June 30, 2025
Net Income (in thousands)	\$ 13,058	\$ 15,078
Basic and diluted shares		
Weighted-average Class A Common Stock outstanding (basic)	50,963,975	50,957,370
Weighted-average Class A Common Stock outstanding (diluted)	51,051,740	51,016,546
Income per share for Class A Common Stock		
— Basic	\$ 0.26	\$ 0.30
— Diluted	\$ 0.26	\$ 0.30

There are 60,000,000 shares of Class E issuable Common Stock that were not included in the computation of basic or diluted earnings per share since the contingencies for the issuance of these shares have not been met as of June 30, 2026. For the year ended June 30, 2026, there are also 9,919,993 warrants outstanding and 87,765 restricted shares that have been excluded from diluted earnings per share because they are anti-dilutive.

Advertising Costs

Advertising costs, which consist primarily of mailers, catalogs, online marketing and other promotions, are expensed in the period in which the advertisement or promotion occurs. Additionally, the Company maintains cooperative advertising agreements with certain vendors to include their logos and product descriptions prominently in the catalogs and calendars. The fee revenues charged to the vendors for the cooperative advertising arrangements are recorded as a reduction of advertising expense and any excess fees are recorded as a reduction of cost of revenues. Advertising costs, which are included as selling, general and administrative expenses, were \$7.6 million and \$7.7 million for the years ended June 30, 2026, and 2025, respectively.

Deferred Financing Costs

Deferred financing costs relating to the Company's revolving credit facility are deferred and amortized ratably over the life of the debt using the straight-line method. Deferred financing costs are included as an addition to interest expense on the consolidated statements of income and comprehensive income and are included in Revolving Credit Facility, Net on the consolidated balance sheets.

Shipping and Handling

The Company accounts for shipping and handling activities as fulfillment activities. As such, the Company does not evaluate shipping and handling as promised services to its customers. Shipping and handling costs are included in cost of revenues in the accompanying consolidated statements of income and comprehensive income.

Foreign Currency Translation and Transactions

The financial position and results of operations of the Company's foreign subsidiary is measured using the local currency as the functional currency. Assets and liabilities of this subsidiary are translated into United States dollars at the exchange rate in effect at each period end. Income statement accounts are translated at the average rate of exchange prevailing during the period. Foreign currency translation (loss) income totaled approximately (\$1) thousand and \$3 thousand for the years ended June 30, 2026, and 2025, respectively.

The Company does not typically hedge its foreign exchange rate position. Realized gains or losses from foreign currency transactions are included in operations as incurred.

Business Combinations — Valuation of Acquired Assets and Liabilities Assumed

The Company allocates the purchase price for each business combination, or acquired business, based upon (i) the fair value of the consideration paid and (ii) the fair value of net assets acquired, and liabilities assumed. The determination of the fair value of net assets acquired and liabilities assumed requires estimates and judgements of future cash flow expectations for the acquired business and the allocation of those cash flows to identifiable tangible and intangible assets. Fair values are calculated by applying estimates related to Internal Rate of Return (IRR) and Weighted Average Cost of Capital (WACC) assumptions as well as incorporating expected cash flows into industry standard valuation techniques. Goodwill is the amount by which the purchase price consideration exceeds the fair value of tangible and intangible assets acquired, less assumed liabilities.

Intangible assets, such as customer relationships and trade names, when identified, are separately recognized and amortized over their estimated useful lives, if considered definite lived. Acquisition costs are expensed as incurred and are included in the consolidated statements of income and comprehensive income.

Leases

The Company is a lessee in multiple noncancelable operating and financing leases. If the contract provides the Company with the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is generally considered to be or contain a lease. Right-of-Use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The discount rate used is the implicit rate in the lease contract, if it is readily determinable, or the Company's incremental borrowing rate. The Company uses the incremental borrowing rate based on the information available at the commencement date for all leases. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Operating leases with fluctuating lease payments: For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term. The ROU asset for finance leases is amortized on a straight-line basis over the lease term.

For all underlying classes of assets, the Company has elected the practical expedient to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are generally deemed short-term leases with lease costs included in short-term lease expense. The Company recognizes short-term lease cost on a straight-line basis over the lease term.

Variable Interest Entity

The Company evaluates its ownership, contractual, and other interests in entities to determine if it has any variable interest in a variable interest entity (VIE). These evaluations are complex, involve judgment, and the use of estimates and assumptions based on available historical information, among other factors. If the Company determines that an entity in which it holds a contractual, or ownership, interest is a VIE and that the Company is the primary beneficiary, the Company consolidates such entity in its consolidated financial statements. The primary beneficiary of a VIE is the party that meets both of the following criteria: (i) has the power to make decisions that most significantly affect the economic performance of the VIE; and (ii) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE. Management performs ongoing reassessments of whether changes in the facts and circumstances regarding the Company's involvement with a VIE will cause the consolidation conclusion to change.

Changes in consolidation status are applied prospectively. The Company evaluated its transactions with a related party included in Note 13 and concluded that the arrangements do not result in variable interests and do not require consolidation of any of the related party entities.

Concentrations

Customers:

	Year Ended June 30, 2026	Year Ended June 30, 2025
Revenues		
Customer #1	20.8%	14.5%
Customer #2	13.7%	14.0%
Customer #3	10.7%	11.4%
Receivables	June 30, 2026	June 30, 2025
Customer #1	29.3%	30.2%
Customer #2	15.6%	*
Customer #3	13.3%	13.1%

*Less than 10%

Suppliers:

	Year Ended June 30, 2026	Year Ended June 30, 2025
Purchases		
Supplier #1	23.7%	23.5%
Supplier #2	11.2%	10.4%
Supplier #3	11.2%	*
Supplier #4	*	12.1%

*Less than 10%

	June 30, 2026	June 30, 2025
Payables		
Supplier #1	14.9%	12.9%
Supplier #2	14.3%	18.8%

Segments

Operating segments are defined as components of an enterprise where discrete financial information is available and evaluated regularly by the chief operating decision maker or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision makers (CEO and Executive Chairman) manage the business, allocate resources, and assess performance on a consolidated basis. Accordingly, the Company has one operating and reportable segment.

Accounting Pronouncements

Recently Issued and Adopted Accounting Pronouncements

Accounting Standards Update 2023-07, In 2023, Segment Reporting. The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This ASU provides guidance intended to improve reportable segment disclosures, principally through enhanced disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, disclosure of an amount for other segment items by reportable segment and a description of its composition, disclosure of the title and position of the chief operating decision maker and an explanation of how the reported measures of segment profit or loss are used in assessing performance and allocating resources, and extension of the annual segment disclosures to interim periods. The ASU also requires that an entity with a single reportable segment provide all of the disclosures required by the amendments and all existing segment disclosures in Topic 280. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted, and is required to be applied retrospectively to all prior periods presented. The Company adopted the annual disclosure requirements of this ASU for the fiscal year ended June 30, 2025 and the interim disclosure requirements during the fiscal year ended June 30, 2026. The adoption of this ASU did not impact the Company's consolidated financial position, results of operations, or cash flows, and resulted in expanded segment disclosures. See Note 10 — Segment Information.

Accounting Standards Update 2023-09, In 2023, Income Taxes. The FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This ASU provides guidance requiring more detailed income tax disclosures, including disaggregated information about the effective tax rate reconciliation, additional information for reconciling items that meet a quantitative threshold, disclosure of income taxes paid net of refunds received disaggregated by federal, state and foreign jurisdictions and by individual jurisdictions meeting a quantitative threshold, and disaggregation of income before income taxes and of income tax expense between domestic and foreign amounts. This ASU is effective for public business entities for annual periods beginning after December 15, 2024, with early adoption permitted, and is required to be applied on a prospective basis, with retrospective application permitted. The Company adopted ASU 2023-09 effective July 1, 2025 for the fiscal year ended June 30, 2026 on a prospective basis. The adoption of this ASU did not impact the Company's consolidated financial position, results of operations, or cash flows, and resulted in expanded income tax disclosures in the notes to the consolidated financial statements, including a disaggregated effective tax rate reconciliation and disclosure of income taxes paid by jurisdiction. See Note 11 — Income Taxes.

Accounting Standards Update 2024-01, In 2024, Compensation—Stock Compensation. The FASB issued ASU 2024-01, Compensation—Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards. This ASU provides guidance clarifying how an entity determines whether a profits interest or similar award should be accounted for as a share-based payment arrangement under Topic 718 or as a cash bonus or profit-sharing arrangement under other Topics, and adds an illustrative example intended to reduce diversity in practice in applying that scope guidance. This ASU is effective for public business entities for annual periods beginning after December 15, 2024, and interim periods within those annual periods, with early adoption permitted. The Company adopted ASU 2024-01 effective July 1, 2025 for the fiscal year ended June 30, 2026. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements or disclosures.

Accounting Standards Update 2024-02, In 2024, Codification Improvements—Amendments to Remove References to the Concepts Statements. The FASB issued ASU 2024-02, Codification Improvements—Amendments to Remove References to the Concepts Statements. This ASU removes references to various FASB Concepts Statements from the Accounting Standards Codification. In most instances the references were extraneous and not required to understand or apply the guidance, and in other instances the references were used to provide guidance in certain topical areas. This ASU is effective for public business entities for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company adopted ASU 2024-02 effective July 1, 2025 for the fiscal year ended June 30, 2026. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements or disclosures.

Recently Issued but Not Yet Adopted Accounting Pronouncements

Accounting Standards Update 2024-04, In 2024, Debt—Debt with Conversion and Other Options. The FASB issued ASU 2024-04, Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments. This ASU provides guidance clarifying the requirements for determining whether certain settlements of convertible debt instruments, including convertible debt instruments with cash conversion features and convertible debt instruments that are not currently convertible, should be accounted for as an induced conversion. This ASU is effective for all entities for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods, which for the Company is the fiscal year beginning July 1, 2026, with early adoption permitted. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements or disclosures.

Accounting Standards Update 2025-05, In 2025, Financial Instruments—Credit Losses. The FASB issued ASU 2025-05, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets. This ASU provides all entities with a practical expedient permitting an entity to assume that current conditions as of the balance sheet date do not change for the remaining life of current accounts receivable and current contract assets arising from transactions accounted for under Topic 606 when estimating expected credit losses. The ASU also provides entities other than public business entities with an accounting policy election to consider collection activity after the balance sheet date; that election is not available to the Company. This ASU is effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods, which for the Company is the fiscal year beginning July 1, 2026, with early adoption permitted, and is required to be applied prospectively to estimates of expected credit losses performed after the date of adoption. The Company is currently evaluating whether it will elect the practical expedient and the impact of this ASU on its financial statements to determine the potential effect on its financial reporting and disclosures.

Accounting Standards Update 2024-03, In 2024, Income Statement—Reporting Comprehensive Income. The FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. This ASU provides guidance on the disaggregation of income statement expenses, aiming to enhance the transparency of financial reporting by requiring more detailed disclosures of expense categories, including purchases of inventory, employee compensation, depreciation and intangible asset amortization included within each relevant expense caption, a qualitative description of the amounts remaining in each relevant expense caption that are not separately disaggregated quantitatively, and disclosure of total selling expenses and, on an annual basis, the Company's definition of selling expenses. As clarified by ASU 2025-01, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date, this ASU is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within annual reporting periods beginning after December 15, 2027, which for the Company is the fiscal year beginning July 1, 2027 and interim periods within the fiscal year beginning July 1, 2028, with early adoption permitted. The amendments are required to be applied prospectively, with retrospective application to any or all prior periods presented permitted. The Company is currently evaluating the impact of this ASU on its financial statements to determine the potential effect on its financial reporting and disclosures.

Accounting Standards Update 2025-03, In 2025, Business Combinations and Consolidation. The FASB issued ASU 2025-03, Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity. This ASU provides guidance on determining the accounting acquirer in a transaction effected primarily by exchanging equity interests in which the legal acquiree is a variable interest entity that meets the definition of a business, requiring an entity to consider the same factors that are currently required for determining the accounting acquirer in other acquisition transactions. This ASU is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods, which for the Company is the fiscal year beginning July 1, 2027, with early adoption permitted, and is required to be applied prospectively to business combinations with an acquisition date on or after the date of initial application. The Company is currently evaluating the impact of this ASU on its financial statements to determine the potential effect on its financial reporting and disclosures.

Accounting Standards Update 2025-06, In 2025, Intangibles—Goodwill and Other—Internal-Use Software. The FASB issued ASU 2025-06, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. This ASU removes all references to software development project stages so that the guidance is neutral to the software development method used, and instead requires an entity to capitalize software costs when management has authorized and committed to funding the software project and it is probable that the project will be completed and the software will be used to perform the function intended. In evaluating that threshold, an entity is required to consider whether there is significant uncertainty associated with the development activities of the software. This ASU is effective for all entities for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods, which for the Company is the fiscal year beginning July 1, 2028, with early adoption permitted as of the beginning of an annual reporting period, and may be applied prospectively, using a modified transition approach, or retrospectively. The Company is currently evaluating the impact of this ASU on its financial statements to determine the potential effect on its financial reporting and disclosures.

Note 2: Trade Receivables, Net

Trade Receivables, Net consists of the following at:

(\$ in thousands)	June 30, 2026	June 30, 2025
Trade Receivables	\$ 117,700	\$ 100,799
Less:		
Allowance for Credit Losses	(811)	(867)
Sales Returns Reserve	(2,748)	(2,257)
Customer Rebate and Discount Reserve	(3,103)	(2,648)
Total Allowances	(6,662)	(5,772)
Trade Receivables, Net	\$ 111,038	\$ 95,027

The following table provides a roll forward of the allowance for credit losses accounts for the fiscal years ended June 30, 2026, and 2025:

Allowance for Credit Losses Roll forward	June 30, 2026	June 30, 2025
<i>(\$ in thousands)</i>		
Beginning Balance	(867)	(648)
Current Period Provision for Expected Credit Losses	(1,445)	(1,068)
Write-offs	1,509	861
Recoveries of Previously Written-off Accounts	(8)	(12)
Ending Balance	(811)	(867)

Note 3: Inventory, Net

Inventory, Net (all finished goods) consists of the following at:

<i>(\$ in thousands)</i>	June 30, 2026	June 30, 2025
Inventory	\$ 130,314	\$ 108,590
Less: Reserves	(3,715)	(5,742)
Inventory, Net	\$ 126,599	\$ 102,848

There were no inventory write-downs recorded for the fiscal years ended June 30, 2026, and 2025.

Note 4: Other Current and Long-Term Assets

Other Current and Long-Term Assets consist of the following at:

<i>(\$ in thousands)</i>	June 30, 2026	June 30, 2025
Other Assets—Current		
Prepaid Intellectual Property	\$ 1,686	\$ 2,786
Escrow Receivable	-	8,500
Contract Acquisition receivable	-	2,342
Insurance Receivable	51	1,377
Prepaid Insurance	533	377
Prepaid Catalogs	519	632
Prepaid Manufacturing Components	1,725	385
Prepaid Maintenance	1,646	1,041
Other Current Assets	1,039	-
Prepaid Molding	355	140
Prepaid Shipping Supplies	1,845	1,270
Prepaid Vault	-	154
Prepaid Royalties	444	17
Total Other Assets—Current	\$ 9,843	\$ 19,021
Other Long-Term Assets		
Escrow Receivable	\$ 8,500	\$ -
Deposits	220	175
Income tax receivable	1,212	614
Total Other Long-Term Assets	\$ 9,932	\$ 789

Note 5: Property and Equipment, Net

Property and Equipment, Net consists of the following at:

(\$ in thousands)	June 30, 2026	June 30, 2025
Property and Equipment		
Leasehold Improvements	\$ 1,313	\$ 908
Machinery and Equipment	31,184	30,624
Furniture and Fixtures	1,688	1,717
Capitalized Software	10,377	10,377
Equipment Under Finance Leases	12,488	12,488
Computer Equipment	1,756	1,757
Construction in Progress	-	43
	58,806	57,914
Less: Accumulated Depreciation and Amortization	(48,242)	(46,623)
Total Property and Equipment, Net	\$ 10,564	\$ 11,291

Depreciation Expense for the years ended June 30, 2026, and 2025 was \$1.8 million in both years.

Note 6: Goodwill and Intangibles, Net

Goodwill reported is the result of multiple acquisitions made by Alliance Entertainment Holding Corporation over the years. The \$4.97 million increase in goodwill during the fiscal year ended June 30, 2026 relates to the Endstate business combination discussed in Note 22, Business Combination (Endstate). For the fiscal year ended June 30, 2026 and June 30, 2025, goodwill activity consisted of the following:

(\$ in thousands)	June 30, 2026	June 30, 2025
Goodwill, Beginning Balance	\$ 89,116	\$ 89,116
Additions	4,965	-
Goodwill, Ending Balance	\$ 94,081	\$ 89,116

Intangibles, Net consists of the following at:

(\$ in thousands)	Year ended June 2026		Year Ended June 2025	
Intangibles:	Intangibles Cost	Accum. Amortization	Intangibles, Net	Intangibles, Net
Customer Relationships	\$ 78,000	(75,582)	\$ 2,418	(73,928) \$ 4,072
Contract Acquisition	2,100	(570)	1,530	(180) \$ 1,620
Tradenname - HMBR	6,800	-	6,800	- 6,800
Trademark - Endstate	800	(40)	760	- -
Technology - Endstate	1,550	(78)	1,473	- -
Customer Relationships - Endstate	900	(45)	855	- -
Mecca Customer Relationships	8,023	(6,969)	1,054	(6,393) \$ 1,630
Customer List	12,760	(9,192)	3,568	(8,407) \$ 4,353
Total	\$ 110,933	(92,476)	\$ 18,457	(88,908) \$ 18,475

During the years ended June 30, 2026, and 2025, the Company recorded amortization expense of \$3.6 million and \$3.5 million, respectively.

Expected amortization over the next five years and thereafter, as of June 30, 2026, is as follows:

(\$ in thousands)	Intangible Assets
Year Ended June 30,	
2027	\$ 3,829
2028	2,788
2029	1,544
2030	966
2031	696
Thereafter	1,834
Total Expected Amortization	\$ 11,657
Indefinite-lived Intangible asset	6,800
Total Intangible Assets	\$ 18,457

Note 7: Accrued Expenses

Accrued Expenses consists of the following at:

<i>(\$ in thousands)</i>	June 30, 2026	June 30, 2025
Marketing Funds Accruals	\$ 6,027	\$ 4,870
Payroll and Payroll Tax Accruals	1,746	1,690
Accruals for Other Expenses	188	1,688
Accrued Contract Liability	400	1,300
Total Accrued Expenses	<u>\$ 8,361</u>	<u>\$ 9,548</u>

Note 8: Revolving Credit Facility**New Credit Facility**

On October 1, 2025, the Company entered into an asset-based revolving credit facility (the “New Revolving Credit Facility”) with Bank of America, which refinanced and replaced its prior asset-based revolving credit facility with White Oak Commercial Finance, LLC. The Revolving Credit Facility provides for borrowings of up to \$120.0 million, subject to a borrowing base, and matures on October 1, 2030.

Borrowings under the Revolving Credit Facility bear interest at the 30-day SOFR rate, subject to a floor of 2.00%, plus an applicable margin of 1.50% through March 31, 2026 and 1.625% thereafter. The 30-day SOFR rate as of June 30, 2026 was 3.61%. The Company also pays a commitment fee of 0.15% per annum on unused availability. Commitment fees incurred during the year ended June 30, 2026 and 2025 were \$0.12 million and \$0.22 million, respectively. Included in interest expense for the year ended June 30, 2026, is \$1.6 million related to the accelerated amortization of unamortized deferred financing costs associated with the prior revolving credit facility that was refinanced and replaced.

Availability under the Revolving Credit Facility is based on eligible accounts receivable and inventory. As of June 30, 2026, availability was approximately \$45.7 million, with outstanding borrowings of approximately \$74.3 million.

The Revolving Credit Facility contains customary affirmative and negative covenants, including limitations on additional indebtedness, liens, dividends, and certain investments, and requires the maintenance of a fixed charge coverage ratio of at least 1.0 to 1.0 on a trailing twelve-month basis, as defined in the credit agreement. The facility is secured by a first-priority security interest in substantially all of the Company’s and its subsidiaries’ assets.

The Company was in compliance with all applicable covenants under the Revolving Credit Facility as of June 30, 2026.

Letters of Credit

The Revolving Credit Facility permits the issuance of letters of credit, which reduces availability under the borrowing base. As of June 30, 2026, the Company had letters of credit outstanding totaling \$0.75 million.

Prior Credit Facility

The Company’s prior asset-based revolving credit facility with White Oak Commercial Finance, LLC (the “Prior Revolving Credit Facility”) provided for borrowings of up to \$120 million, subject to a borrowing base, and was scheduled to mature on December 21, 2026. Borrowings under the Prior Revolving Credit Facility bore interest at the 30-day SOFR rate, subject to a floor of 2.00%, plus a margin ranging from 4.00% to 4.25%.

The Prior Revolving Credit Facility was terminated and fully repaid on October 1, 2025; therefore, as of June 30, 2026, no amounts were outstanding and an effective interest rate was not applicable.

<i>(\$ in thousands)</i>	New Credit Facility June 30, 2026	Prior Credit Facility June 30, 2025
Outstanding Balance	\$ 74,271	\$ 57,257
Less: Deferred Finance Costs	(550)	(1,988)
Revolving Credit Facility, Net	<u>\$ 73,721</u>	<u>\$ 55,269</u>

During the years ended June 30, 2026, and 2025, the Company had interest expenses of \$4.9 million and \$7.2 million, respectively, and amortization of deferred finance costs of \$2.1 million and \$1.4 million, respectively.

Recurring amortization of deferred financing costs was approximately \$0.6 million and \$1.4 million for the years ended June 30, 2026, and 2025, respectively. In addition, interest expense for the year ended June 30, 2026, included approximately \$1.6 million of accelerated amortization of deferred financing costs related to the early refinancing and termination of the prior revolving credit facility on October 1, 2025.

Note 9: Employee Benefits

Company Health Plans

During the year ended June 30, 2025, the Company transitioned its health insurance coverage from a self-funded model to an Individual Coverage Health Reimbursement Arrangement (“ICHRA”), which eliminates the Company’s exposure to self-insured medical and dental claims; therefore, no similar liabilities are expected under the current plan structure. As a result, the self-insured medical plans (including both PPO and HDHP options) under the Alliance Health & Benefits Plan (“AHBP”) were terminated. Under the ICHRA model, the Company reimburses employees and executive officers for individual health insurance premiums, with contribution levels varying based on coverage tiers.

There were no changes to the Company’s dental (PPO and HMO), vision, life insurance, or short-term disability plans. The Company’s dental HMO plan remains self-insured, with exposure limited to a maximum per individual procedure based on a published fee schedule. The dental PPO plan is fully insured. The Company contributes various percentages toward premium costs across benefit offerings, based on coverage levels and Board-approved schedules. The vision, life insurance, and short- and long-term disability plans are fully insured and Company-sponsored, with premiums paid by both the employer and employees in accordance with Board-approved contribution structures.

As of June 30, 2026, and June 30, 2025, the Company had no remaining liability related to the terminated self-insured medical plans, as the previously accrued estimated run-out exposure was fully settled during the first quarter of fiscal 2026.

401(k) Plan

The Company has the Alliance Entertainment 401(k) Plan (the Plan) covering all eligible employees of the Company. All employees over the age of 18 are eligible to participate in the Plan at the beginning of the month following date of hire. The Plan has automatic deferral at the beginning of the month following the date of hire. Employees are automatically enrolled in the Plan with a 3% contribution; however, they have the option to increase/decrease their deferrals or opt out of the Plan at any time. The Company currently offers a match contribution of \$0.50 of every dollar up to 4% of contribution percentage. For the fiscal year ending June 30, 2026, and 2025 the company’s matching expense was approximately \$0.8 million and \$0.6 million respectively. The Company conducts a retirement plan review on an annual basis.

Note 10: Segment Information

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires enhanced disclosures about a public entity’s reportable segments, including significant segment expense categories and expanded interim reporting requirements. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods beginning after December 15, 2024. Early adoption is permitted. The Company adopted ASU 2023-07 for the fiscal year ended June 30, 2025.

Management performed an assessment of the Company’s operating segments in accordance with ASC 280-10-50-1 through 50-9. Based on this evaluation, the Company determined that it operates as a single operating segment, which is also its sole reportable segment. Segment revenue is derived from the sale of distribution of pre-recorded music, video movies, video games and related accessories, and merchandising. This conclusion is consistent with prior periods.

The Company's Chief Executive Officer and Chairman are the Chief Operating Decision Makers ("CODM") and review financial performance and make resource allocation decisions at the consolidated entity level. The CODM utilizes net income, prepared in accordance with U.S. GAAP, to evaluate financial performance, monitor variances against budget and forecast, and guide strategic decisions. Segment assets are reported as consolidated assets on the Company's balance sheet.

Significant expense categories regularly reviewed by the CODM include:

- Cost of Revenues (excluding depreciation and Amortization)
- Distribution and Fulfillment Expense
- Sales and Marketing

Other Segment Items:

Other segment items include expenses that are part of segment profit or loss but are not classified as significant segment expenses. These include:

- General and Administrative Expense
- Technology Expense
- Interest Expense
- Income Tax Expense

The following table presents segment revenue, net income, and the significant segment expenses for the Company's single reportable segment for the fiscal years ended June 30, 2026, and 2025 (in thousands):

Reconciliation to Consolidated Net Income:

	Fiscal Year ended June 30	
	2026	2025
Net Revenues	\$ 1,148,986	\$ 1,063,457
Cost of Revenues (excluding depreciation and Amortization)	996,662	930,605
Distribution and Fulfillment Expense	44,960	40,375
Sales and Marketing	35,393	26,919
Other Segment items*	58,913	50,480
Net income	13,058	15,078

* Other segment items include interest expense, income tax expense, general and administrative expenses, and technology expenses, which are reported separately on the consolidated statements of income and comprehensive income.

Note 11: Income Taxes

The Company accounts for income taxes under the asset and liability method in accordance with ASC 740, Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to reverse.

Effective July 1, 2025, the Company adopted Accounting Standards Update (ASU) 2023-09, Improvements to Income Tax Disclosures. This standard requires enhanced disaggregation of the statutory rate reconciliation and cash income taxes paid. The Company has adopted this standard on a prospective basis. Accordingly, the enhanced disclosures required by ASU 2023-09 are presented for fiscal year 2026 only, and prior-period disclosures have not been revised.

Income Before Income Taxes

The components of income before income taxes from continuing operations were as follows (in thousands):

Year Ended June 30,	2026		2025	
United States	\$	18,814	\$	18,708
Foreign		—		—
Total income before income taxes	\$	18,814	\$	18,708

Provision for Income Taxes

The provision for income taxes consisted of the following (in thousands):

(\$ in thousands)	Year Ended June 30	
	2026	2025
Income Tax Expense:		
Current:		
Federal	\$ 849	\$ 592
State	906	715
Total Current Expense	\$ 1,755	\$ 1,307
Deferred:		
Federal	\$ 3,306	\$ 2,404
State	695	(81)
Total Deferred Expense	4,001	2,323
Income Tax Expense	\$ 5,756	\$ 3,630

Effective Tax Rate Reconciliation

The following table reconciles the U.S. federal statutory income tax rate to the Company's effective income tax rate for fiscal 2026. The fiscal 2026 reconciliation reflects the disclosure requirements of ASU 2023-09.

Fiscal 2026 Effective Tax Rate Reconciliation

Reconciling Item (\$ in thousands)	Amount	Rate
U.S. federal statutory income tax at 21%	\$ 3,951	21.00%
State and local income taxes, net of federal benefit	1,602	8.52%
Nontaxable or nondeductible items:	349	1.85%
Other nontaxable or nondeductible items	194	1.03%
Effect of cross-border tax laws	(297)	(1.58)%
Other adjustments	(43)	(0.22)%
Provision for income taxes / effective tax rate	\$ 5,756	30.60%

Nontaxable or nondeductible items were primarily attributable to tax effects associated with acquisition-related items from the Adara merger and other permanent differences.

The effect of cross-border tax laws primarily relates to the Company's deduction for foreign-derived intangible income ("FDII"), which reduced the Company's effective tax rate for fiscal 2026.

For the fiscal year ended June 30, 2026, California, Pennsylvania, and Kentucky represented a majority of the Company's state and local income tax effect included in the effective tax rate reconciliation.

Fiscal 2025 Effective Tax Rate Reconciliation

(\$ in thousands)	Year Ended June 30 2025	
Federal Income Tax Provision at Statutory Rate	\$ 3,922	21%
State Taxes, Net of Federal Benefits	634	3%
Other - Permanent adjustments	26	0%
Fair Value Adjustments on Warrants	179	1%
Foreign Derived Intangible Income	(349)	-2%
Software Costs	(682)	-4%
Immaterial income tax out-of-period adjustment	(100)	-0%
Income Tax Expense (Benefit)	\$ 3,630	19%

Deferred Taxes

The net deferred tax asset primarily relates to interest expense carryforwards under Section 163(j), operating lease liabilities, inventory-related temporary differences, and state net operating loss carryforwards, partially offset by deferred tax liabilities associated with goodwill and intangible assets, operating lease assets, property and equipment, and prepaid expenses.

The significant components of the Company's deferred tax liabilities (assets) at June 30, 2026 are as follows:

(In thousands)	2026	2025
Deferred Tax Assets:		
Section 163(j) Interest Expense	\$ 4,067	\$ 4,488
Net operating loss carryforwards	1,087	4,855
Accruals not currently deductible	1,390	1,088
Lease liability	4,525	5,347
Inventory	2,002	2,364
Section 248 organization costs	1,674	1,674
Other	219	234
Total deferred tax assets	14,964	20,050
Deferred Tax Liabilities:		
Goodwill and intangibles	(7,285)	(7,208)
Operating lease assets	(4,138)	(4,970)
Property and equipment	(2,097)	(2,629)
Prepays	(1,234)	(1,032)
Total deferred tax liabilities	(14,754)	(15,839)
Net deferred tax asset	\$ 210	\$ 4,211

Valuation Allowance

The Company evaluates deferred tax assets for recoverability each reporting period. Based upon the weight of available positive and negative evidence, management concluded that it is more likely than not that the Company's deferred tax assets will be realized. Accordingly, no valuation allowance was recorded as of June 30, 2026 or 2025.

Uncertain Tax Positions

As of June 30, 2026, 2025 and 2024, the Company had no unrecognized tax benefits and, accordingly, no accrued interest or penalties related to uncertain tax positions. Federal income tax returns remain subject to examination for years subsequent to 2022. State income tax returns remain subject to examination based upon the respective statutes of limitation. The Company is currently under examination by the Florida taxing authorities. Management believes its tax positions are more likely than not to be sustained and has not recorded a liability for uncertain tax positions.

Net Operating Loss Carryforwards

As of June 30, 2026, the Company had no federal net operating loss carryforwards and state net operating loss carryforwards of approximately \$6.49 million. Approximately \$5.6 million of these carryforwards will expire, if unused, through 2043. The remaining carryforwards may be carried forward indefinitely. The Company had approximately \$15.6 million of federal business interest expense carryforwards under IRC Section 163(j), which may be carried forward indefinitely.

The utilization of net operating losses and certain tax attributes may be limited under Section 382 of the Internal Revenue Code and similar state provisions following an ownership change.

Income Taxes Paid

Income taxes paid, net of refunds, consisted of the following (in thousands):

Year Ended June 30, 2026	Amount
Federal (United States)	\$ 1,307
State and local	1,145
Foreign	—
Total income taxes paid, net of refunds	\$ 2,452

Individual taxing jurisdictions representing more than 5% of total income taxes paid, net of refunds, during fiscal 2026 were as follows (in thousands):

(In thousands)	2026
U.S. Federal	\$ 1,307
California	204
Pennsylvania	163
Kentucky	134
Other states	644
Total income taxes paid, net of refunds	\$ 2,452

Note 12: Commitments and Contingencies

Commitments

The Company enters into various agreements with suppliers for the products it distributes. The Company had no long-term purchase commitments or arrangements with its suppliers as of June 30, 2026, and June 30, 2025.

Litigation, Claims and Assessments

We are exposed to claims and litigations of varying degrees arising in the ordinary course of business and use various methods to resolve these matters. When a loss is probable, we record an accrual based on the reasonably estimable loss or range of loss. When no point of loss is more likely than another, we record the lowest amount in the estimated range of loss and, if material, disclose the estimated range of loss. We do not record liabilities for reasonably possible loss contingencies but do disclose a range of reasonably possible losses if they are material and we are able to estimate such a range. If we cannot provide a range of reasonably possible losses, we explain the factors that prevent us from determining such a range. Historically, adjustments to our estimates have not been material. We believe the recorded reserves in our consolidated financial statements are adequate in light of the probable and estimable liabilities. We do not believe that any of these identified claims or litigation will be material to our results of operations, cash flows, or financial condition.

On June 6, 2024, Office Create Corporation (“Office Create”) filed a complaint against COKeM International Ltd. (“COKeM”) in the United States District Court for the District of Minnesota alleging contributory trademark infringement, contributory false designation of origin and unjust enrichment relating to COKeM’s alleged distribution of the video game Cooking Mama: Cookstar. Office Create originally sought damages of no less than \$20,913,200, plus interest of 9% accruing from October 3, 2022. On August 29, 2024, COKeM filed a response denying all allegations, and on September 12, 2024 filed a third-party complaint against Planet Entertainment LLC and Steven Grossman asserting claims for indemnification and contribution. Office Create later filed an amended complaint impleading the former owner, chairman, chief financial officer and senior vice president of sales of COKeM and asserting claims for willful trademark infringement and civil conspiracy, increasing the damages sought to an amount in excess of \$35 million. COKeM filed an amended answer as to the new claims pertaining to it directly on March 12, 2025, denies the allegations, and intends to continue to defend the lawsuit vigorously.

The parties then completed fact discovery, including depositions of a co-defendant corporate designee and of current and former COKeM personnel taken between September 2025 and February 2026, and each party designated a damages expert. On January 6, 2026, Office Create stipulated to the dismissal of its claims against the Plaion defendants pursuant to a confidential settlement, and the court dismissed those defendants from the litigation the same day. Fact discovery has concluded.

The parties have engaged in settlement discussions that have not resulted in an agreement, and their respective positions as to value remain materially divergent. During the period from April 17, 2026 through June 30, 2026 the matter remained in the expert-motion phase: COKeM denies liability and continues to defend the matter. The Company maintains liability insurance applicable to this claim. Because the proceedings remain at an expert and pre-trial stage and the parties' valuations of the claim differ materially, the Company is unable to estimate the amount or range of reasonably possible loss, and no liability has been recorded for this matter as of June 30, 2026. An unfavorable outcome could exceed available insurance and could be material to the Company's consolidated financial position, results of operations and cash flows.

Jonathan Hoang To v. DirectToU, LLC, United States District Court for the Northern District of California, Case No. 3:24-cv-06447; Douglas Feller, Jeffrey Haise, and Joseph Mull v. Alliance Entertainment, LLC and DirectToU, LLC, United States District Court for the Southern District of Florida, Case No. 0:24-cv-61444; and Vivek Shah v. DirectToU, LLC, JAMS Arbitration, No. 5220006749. — On or about September 12, 2024, these actions were brought against DirectToU, LLC ("DirectToU") and/or Alliance Entertainment, LLC ("Alliance") alleging violations of the Video Privacy Protection Act ("VPPA") related to the alleged collection of, and alleged disclosure to Meta and other third parties including data brokers of, private information and user data regarding a user's account information and video viewing and purchasing history from websites operated by the Company. DirectToU and Alliance disputed the allegations. The Feller action was dismissed and those plaintiffs were added to the Hoang To matter.

The parties agreed to resolve the claims on a class-wide basis for \$1.58 million. The court granted preliminary approval of the settlement on September 22, 2025 and entered final approval on May 5, 2026. The settlement was funded during the fiscal year ended June 30, 2026, and the matter was fully resolved as of that date. No further obligation or contingency exists in respect of these claims.

The Company recorded a contingent liability of \$1.58 million for the settlement and a related insurance recovery receivable from CNA of \$1.38 million as of June 30, 2025. Both amounts were settled during the fiscal year ended June 30, 2026, and no balances relating to this matter remain recorded on the consolidated balance sheet as of June 30, 2026.

Sparkle Pop, LLC v. Alliance Entertainment Holding Corporation and Alliance Entertainment, LLC (U.S. Bankruptcy Court for MD-In Re Diamond Comic Distributors): On June 9, 2025, Sparkle Pop sued the Alliance entities in the United States Bankruptcy Court for the District of Maryland (In re Diamond Comic Distributors) alleging theft of trade secrets and tortious interference with contracts arising out of Alliance's successful bid for, and subsequent termination of, the asset purchase agreement in the Diamond Comic Distributors bankruptcy. Alliance moved to dismiss the original complaint on July 10, 2025. On July 24, 2025, Sparkle Pop filed an amended complaint asserting the same claims plus an additional claim for breach of a non-disclosure agreement, and on August 7, 2025 Alliance moved to dismiss the amended complaint on the grounds that Sparkle Pop lacks standing, having been neither a party to, an intended third-party beneficiary of, nor an assignee of rights under the non-disclosure agreement, and that it failed to state a claim. Briefing was completed on September 17, 2025, and on November 10, 2025 the court heard oral argument and denied Alliance's motion to dismiss. The adversary proceeding was stayed until February 16, 2026 to permit the appointed Chapter 7 trustee to become familiar with the litigation, after which the parties advance to discovery.

Note 13: Related Party Transactions

GameFly Holdings, LLC

During the years ended June 30, 2026 and 2025, Alliance sold new-release movies, video games and video game consoles to GameFly Holdings LLC totaling approximately \$2.7 million in each year. GameFly, a customer of Alliance, is equally owned by Bruce Ogilvie and Jeff Walker, two Alliance shareholders. Alliance believes the amounts that GameFly paid for New Release, movies, video games, and video game consoles are at fair market value. GameFly does fulfillment services of fast selling new releases by providing 3PL services at market rates. Either party may terminate the agreement at any time. GameFly is free to purchase from any competitor of Alliance.

As of June 30, 2026 and 2025, the Company had receivables from GameFly LLC of \$0.2 million at each year-end, which were included in Other receivables, net on the consolidated balance sheets.

For the year ended June 30, 2026 and 2025, the Company recognized revenue for consulting services provided to Gamefly of \$0.3 million in each period. For the year ended June 30, 2026 and 2025, the Company incurred consulting expense of \$0.09 million and \$0.2 million, respectively, for services received from GameFly.

Ogilvie Loans

On July 3, 2023, the Company entered into a \$17.0 million line of credit with Bruce Ogilvie, a principal stockholder (the "Ogilvie Loan"), which bore interest at a rate equal to 30-day SOFR plus 5.0% and would have matured on December 22, 2026. In connection with the Company's entry into an asset-based revolving credit facility with Bank of America on October 1, 2025, the Company repaid the outstanding balance of \$10.0 million under the Ogilvie Loan in full, and there were no amounts outstanding as of June 30, 2026. Interest expense related to the Ogilvie Loan was \$0.2 million and \$0.8 million for the fiscal years ended June 30, 2026, and 2025, respectively.

B&D Capital Partners, LLC

B&D Capital Partners, LLC ("BDCP") is a financial advisory firm whose parent company is majority owned by W. Tom Donaldson III, a member of the Company's board of directors. During the fiscal year ended June 30, 2024, the Company paid BDCP approximately \$1.8 million in advisory fees in connection with the Company's former credit facility with White Oak Commercial Finance, LLC, which were capitalized as deferred financing costs.

The White Oak credit facility was repaid in full and terminated on October 1, 2025. During the year ended June 30, 2026, the Company did not incur any related-party fees with BDCP; however, upon termination of the facility, the Company expensed \$0.6 million of the remaining unamortized deferred financing costs associated with that facility. There were no amounts payable to BDCP as of June 30, 2026 and June 30, 2025.

Note 14: Leases

The Company leases offices, warehouses, computer equipment, and vehicles. Certain leases include options to renew, which may extend the lease term from 1 to 13 years. The decision to exercise renewal options is at the Company's sole discretion and is included in the lease term when it is reasonably certain that the option will be exercised.

Leasehold improvements and assets are depreciated over the shorter of their useful life or the lease term unless the lease includes a purchase option or title transfer that is reasonably certain to occur.

Our lease agreements do not include material residual value guarantees or restrictive covenants. Lease payments generally include fixed payments, with some leases requiring variable payments. These variable payments typically cover the Company's proportionate share of property taxes, insurance, and common area maintenance and are recognized as incurred rather than being included in the lease liability.

On the consolidated balance sheet, operating leases are reflected in “Operating Lease Right-of-Use Assets, Net,” “Current Portion of Operating Lease Obligations,” and “Operating Lease Obligations, Non-Current.” Finance leases are included under “Property & Equipment, Net,” “Current Portion of Finance Lease Obligations,” and “Finance Lease Obligations, Non-Current.”

The extended lease term will result in continued amortization of the ROU asset over the remaining lease period, with the associated lease liabilities being remeasured in accordance with ASC 842, *Leases*. The Company will continue to amortize the ROU asset in line with the revised lease terms and conditions, reflecting the financial impact of the extension in future periods.

Components of lease expense were as follows for the years ended June 30, 2026, and 2025:

	Year Ended June 30, 2026	Year Ended June 30, 2025
Lease Cost (\$ in thousands)		
Finance Lease Cost:		
Amortization of Right of Use Assets	\$ 1,488	\$ 1,581
Interest on lease liabilities	271	492
Capitalized Operating Lease Cost	4,265	4,292
Short - Term Lease Cost	78	79
Variable Lease Cost	1,113	1,117
Total Lease Cost	<u>\$ 7,215</u>	<u>\$ 7,561</u>
Other Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ -	\$ -
Operating cash flows from Capitalized operating leases	\$ 4,226	\$ 3,112
Financing cash flows from finance leases	\$ 3,069	\$ 2,870
Right of use assets obtained in exchange for new finance lease liabilities	-	-
Right of use assets obtained in exchange for new operating lease liabilities	\$ -	\$ -
Net Right of use asset remeasurement	-	-
Weighted average remaining lease term - finance leases (in Years)	0.67	1.58
Weighted average remaining lease term - operating leases (in Years)	4.56	5.52
Weighted average discount rate - finance leases	6.56%	7.08%
Weighted average discount rate - operating leases	5.71%	5.69%

Maturities of operating and finance lease liabilities as of June 30, 2026 are as follows:

(\$ in thousands)	Operating Leases	Finance Leases
2027	4,160	1,987
2028	4,249	-
2029	4,362	-
2030	4,493	-
2031	2,681	-
Total Lease Payments	19,945	1,987
Less Imputed Interest	2,399	50
Present Value Obligation	17,546	1,937
Short-term Liability	3,329	1,937
Total	\$ 14,217	\$ -

Finance ROU leases are recorded in Property and Equipment, net on the consolidated balance sheets.

	June 30, 2026	June 30, 2025
Cost	13,841	13,831
Additions	-	10
Accumulated Depreciation	(4,891)	(3,403)
Net Book Value	8,950	10,438

Note 15: Merger

As disclosed in Note 1, on February 10, 2023, the Company completed the Merger with Alliance and a Merger Sub, resulting in the Company becoming a publicly traded company. While Adara was the legal acquirer in the Merger, for financial accounting and reporting purposes under U.S. GAAP, Legacy Alliance was the accounting acquirer, and the Merger was accounted for as a “reverse recapitalization.” A reverse recapitalization (i.e., a capital transaction involving the exchange of stock by Alliance for Legacy Alliance’s stock) does not result in a new basis of accounting, and the consolidated financial statements of the combined entity represent the continuation of the consolidated financial statements of Legacy Alliance. Accordingly, the consolidated assets, liabilities, and results of operations of Legacy Alliance became the historical consolidated financial statements of the combined company, and Alliance’s assets, liabilities and results of operations were consolidated with Legacy Alliance beginning on the acquisition date. Operations prior to the Merger are presented as those of Legacy Alliance in future reports. The net assets of Alliance were recognized at historical cost (which was consistent with carrying value), with no goodwill or other intangible assets recorded.

At the closing of the Merger, each of the then issued and outstanding shares of Alliance common stock were cancelled and automatically converted into the right to receive the number of shares of Alliance common stock equal to the exchange ratio (determined in accordance with the Business Combination Agreement). The Company’s 900 shares of previously outstanding common stock were exchanged for 47,500,000 shares of Class A Common Stock. In addition, the treasury stock was cancelled. This change in equity structure has been retroactively reflected in the financial statements for all periods presented.

The following table summarizes the shares of Class A outstanding following consummation of the Merger:

Alliance Public Shares	167,170
Alliance Sponsor Shares	1,500,000
Legacy Alliance Shares	47,500,000
Total Shares of Common Stock Outstanding after Merger	49,167,170

Up to 60 million additional contingent Class E shares may be issued to the Legacy Alliance shareholders at no cost based on future performance of the company’s stock price, and 9.9 million warrants (Class A) that can be exercised for common shares at \$11.50 per share (See Note 20). The 60 million contingent Class E shares are set aside in an escrow account as additional consideration contingent on triggering events occurring within 10 years after the Merger. Upon reaching the following triggering events, the contingent Class E shares will be released from the escrow account to the three major shareholders, and converted to Class A shares on a 1:1 basis:

- If the stock price increases to \$20 per share within 5 years, 20 million contingent Class E shares will be released.
- If the stock price increases to \$30 per share within 7 years, 20 million contingent Class E shares will be released.
- If the stock price increases to \$50 per share within 10 years, 20 million contingent Class E shares will be released.

Each share of Class A and contingent Class E common stock has one vote, and the common shares collectively will possess all voting power and will have the exclusive right to vote for the election of directors and on all other matters properly submitted to a vote of the stockholders. Since the contingent Class E shares are subject to vesting conditions and meet the contingent exercise and settlement provisions to be considered indexed to the Company's stock, they are accounted for as equity instruments, and are reflected as a reduction of retained earnings, at their fair value on the date of the Merger.

During the fiscal year ended June 30, 2023, the Company incurred total transaction costs of approximately \$5.0 million, including legal, financial advisory and other professional fees related to the Merger, which was recorded as an expense as the transaction costs exceeded the proceeds received in the Merger.

In connection with the Merger, the Company's 2023 Omnibus Equity Incentive Plan (the "2023 Plan") became effective. The 2023 Plan is a comprehensive incentive compensation plan under which the Company can grant equity-based and other incentives awards to based officers, employees, and directors of, and consultants and advisers to, Alliance and its subsidiaries. The Company has reserved a total of 600,000 shares of Class A common stock for issuance as or under awards to be made under the 2023 Plan. To the extent that an award lapses, expires, is cancelled, is terminated unexercised or ceases to be exercisable for any reason, or the rights of its holder terminate, any common stock subject to such award shall again be available for the grant of a new award. The 2023 Plan shall continue in effect, unless sooner terminated, until the tenth anniversary of the date on which it is adopted by the Board of Directors (except as to awards outstanding on that date), and the Board of Directors in its discretion may terminate it at any time with respect to any shares for which awards have not theretofore been granted, provided certain conditions are met, in accordance with the 2023 Plan. The price at which a share may be purchased upon exercise of a share option shall be determined by the Plan Committee; provided, however, that such option price (i) shall not be less than the fair market value of a share on the date such share option is granted, and (ii) shall be subject to adjustment as provided in the 2023 Plan. On November 7, 2024, the Company's stockholders approved an amendment to the 2023 Plan to increase the number of shares of Class A common stock for issuance as or under awards to be made under the 2023 Plan to 1,000,000 shares. As of June 30, 2026 and 2025, 294,400 and 101,300 shares, respectively, were outstanding under the 2023 Plan. Since inception of the 2023 Plan through June 30, 2026, 764,500 shares had been awarded, of which 13,200 were subsequently forfeited and returned to the Plan, leaving 248,700 shares available for future issuance.

Note 16: Asset Purchase

On December 17, 2024, the Company completed an asset purchase from Bensussen Deutsch & Associates, LLC, "an unrelated third party" for a total cash consideration to the seller of \$7,551,000. The asset purchase included inventory, tooling equipment, and a trademark.

The allocation of the purchase price was as follows:
(\$ in thousands)

Inventory	\$	753
Property and Equipment, tooling		124
Prepaid Assets		2
Accrued Liability		(25)
Total Identifiable net assets		854
Intangible assets (Trademark) (including capitalized costs)		6,800
Total Purchase Price (allocated)	\$	7,654
Total Cash Consideration Paid to Seller	\$	7,551
Capitalized Acquisition Costs (Legal and Shipping fees)		103

The acquired intangible asset represents a trademark associated with the Company's recently acquired product line, Handmade by Robots. The trademark is determined to have an indefinite useful life and will not be amortized. Instead, it will be tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset may be impaired, in accordance with ASC 350 (Intangibles – Goodwill and Other).

Inventory was recorded at its estimated fair value on the acquisition date and is expected to be sold within 18 months. Acquisition-related costs of \$0.10 million, consisting of capitalized legal and shipping fees, included in the value of the intangible asset in accordance with ASC 805 -50-30-1. As a result, the total allocated purchase price, including capitalized costs, is \$7.7 million.

Note 17: Reclassification of Private Warrants to Public Warrants

Reclassification from Liability to Equity

During the fiscal year ended June 30, 2025, certain shareholders of the Company sold private warrants to third parties who were not deemed “permitted transferees” under the terms of the Warrant Agreement. In accordance with the Warrant Agreement, upon such a sale, the private warrants became subject to the same redemption provisions as the Company’s public warrants.

As a result of this change in terms, the affected warrants, previously accounted for as a liability, were reclassified to equity. Accordingly, the Company reclassified approximately 769,000 warrants with a carrying value of \$0.5 million from warrant liabilities to Paid-in Capital during fiscal 2025. This reclassification had no impact on the Company’s consolidated statements of income and comprehensive income or cash flows. Prior period balances were not restated (See Note 20).

Note 18: Stock-Based Compensation:

As part of the merger on February 10, 2023, 600,000 shares were authorized for a one-time employee stock plan. The compensation committee approved 463,800 shares of restricted stock awards to employees on June 15, 2023. The shares fully vest on October 4, 2023. The company does not have an annual stock-based compensation plan.

In September 2024, the Company’s Board approved, subject to stockholder approval, an amendment to the 2023 Plan to increase the number of shares authorized for issuance thereunder by 400,000 shares of Class A common stock, bringing the total reserved under the 2023 Plan of 1,000,000 shares of Class A common stock. On November 7, 2024, the Company’s stockholders approved the amendment to the 2023 Plan. Restricted stock awards granted under the 2023 Plan vest in full on the third anniversary of the grant date.

	Number of RSAs
Outstanding as of June 30, 2024	-
Granted	101,300
Vested	-
Forfeited	-
Outstanding as of June 30, 2025	101,300
Granted	206,900
Vested	(9,800)
Forfeited	(4,000)
Outstanding as of June 30, 2026	294,400

In connection with awards granted, the Company recognized \$0.3 million and \$0.05 million in stock-based compensation during the years ended June 30, 2026, and 2025, respectively.

The total fair value of restricted stock that vested during the year ended June 30, 2026, was \$0.03 million.

Note 19: Impact of Warrant Liabilities on Earnings Per Share (EPS)

Certain outstanding warrants issued by the Company are classified as liabilities in accordance with ASC 815-40, Derivatives and Hedging – Contracts in Entity’s Own Equity, due to specific terms that require them to be remeasured at fair value at each reporting date. Changes in fair value are recognized as a non-cash gain or loss in the consolidated statements of income and comprehensive income, which resulted in fluctuations in the Company’s reported net income and earnings per share (EPS).

During the fiscal years ended June 30, 2026, and 2025, the Company recorded a loss of \$0.9 million in both years related to the fair value measurement of warrant liabilities, primarily due to changes in the market price of our common stock and the volatility assumptions used in the valuation model.

The fair value of the warrant liabilities at June 30, 2026, and 2025, was \$1.5 million and \$0.6 million, respectively, and is recorded under warrant liabilities on the consolidated balance sheets.

Investors should note that the remeasurement of warrant liabilities is a non-operational, non-cash item. Future changes in fair value will continue to be recorded in earnings until the warrants are either exercised, transferred to public warrants or expire. Additional details on the fair value assumptions and measurement techniques are provided in Note 21 – Fair Value.

Note 20: Warrants

As a result of the Merger, at June 30, 2026 and 2025, there were 6,519,083 Public Warrants, 3,357,667 Private Placement Warrants and 43,340 Representative Warrants issued and outstanding, each exercisable for one share of Class A Common Stock with an exercise price of \$11.50 (the “Warrants”). (See Note 17: Reclassification of Private Warrants to Public Warrants)

The Company will not be obligated to deliver any shares of Class A common stock pursuant to the exercise of a warrant. It will have no obligation to settle such warrant exercise unless a registration statement under the Securities Act covering the issuance of the shares of Class A common stock underlying the Warrants is then effective. A prospectus relating thereto is current, subject to the Company satisfying its obligations with respect to registration. Additionally, no warrant will be exercisable, and the Company will not be obligated to issue shares of Class A common stock upon exercise of a warrant unless Class A common stock issuable upon such warrant exercise has been registered, qualified, or deemed to be exempt under the securities laws of the state of residence of the registered holder of the Warrants.

The Company filed with the SEC on April 11, 2023, its registration statement covering the shares of Class A common stock issuable upon exercise of the Warrants, to cause such registration statement to become effective and to maintain a current prospectus relating to those shares of Class A common stock until the warrants expire or are redeemed, as specified in the warrant agreement. The registration, as amended, became effective June 29, 2023.

Public Warrants:

The Public Warrants qualify for the derivative scope exception under ASC 815 and are therefore classified as equity on the consolidated balance sheets. They may only be exercised for a whole number of shares. The Public Warrants are currently exercisable at \$11.5 per share and will expire five years after the completion of the Merger or earlier upon redemption or liquidation. The Company may redeem for cash the outstanding Public Warrants:

- in whole and not in part.
- at a price of \$0.01 per Public Warrant.
- upon not less than 30 days’ prior written notice of redemption after the warrants become exercisable to each warrant holder; and
- if, and only if, the reported last sale price of the Class A common stock equals or exceeds \$18 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations, and the like) for any 20 trading days within a 30-trading day period commencing once the Public Warrants become exercisable and ending three business days before the Company sends the notice of redemption to the warrant holders. If and when the Public Warrants become redeemable by the Company, the Company may exercise its redemption right.

Even if it is unable to register or qualify the underlying securities for sale under all applicable state securities laws.

If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a “cashless basis,” as described in the warrant agreement. The exercise price and number of shares of Class A common stock issuable upon exercise of the Public Warrants may be adjusted in certain circumstances including in the event of a stock dividend, or recapitalization, reorganization, merger, or consolidation. However, the Public Warrants will not be adjusted for issuances of Class A common stock at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the Public Warrants.

Private Placement Warrants:

The Private Placement Warrants are identical to the Public Warrants underlying the Units sold in the Initial Public Offering but are classified as liabilities on the consolidated balance sheet as they are not considered indexed to the company's own stock. Additionally, the Private Placement Warrants are exercisable on a cashless basis and are non-redeemable, so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants as described above.

Representative Warrants

The Company issued Representative Warrants, for minimal consideration to ThinkEquity, a division of Fordham Financial Management, Inc. (and/or its designees), in a private placement simultaneously with the closing of Alliance's initial public offering, which are also classified as liabilities on the consolidated balance sheet. The Representative Warrants are identical to the Private Warrants except that so long as the Representative Warrants are held by ThinkEquity (and/or its designees) or its permitted transferees, the Representative Warrants (i) will not be redeemable by the Company, (ii) may be exercised by the holders on a cashless basis, (iii) are entitled to registration rights and (iv) are not exercisable more than five years from the effective date of the Merger.

Note 21: Fair Value

The Company complies with the provisions of ASC 820, Fair Value Measurements, for its financial and non-financial assets and liabilities. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis.

The Company accounts for certain assets and liabilities at fair value. The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market. The company categorizes each of its fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety.

As of June 30, 2026 and 2025, the Company has classified the Private Placement Warrants and the Representative Warrants as Level 3 fair value measurements. Management evaluates a variety of inputs and then estimates fair value based on those inputs. As discussed below, the Company utilized the Black Scholes Model in valuing the Private Placement Warrants and Representative Warrants.

The estimated fair value of cash, trade receivables, accounts payable, accrued expenses and other current liabilities are based on Level 1 inputs as the fair values approximate carrying amounts as of June 30, 2026, and 2025, based on the short-term nature and maturity of these instruments.

The estimated fair value of the credit facility is based on Level 2 inputs, which consist of interest rates that are currently available to the Company for issuance of debt with similar terms and remaining maturities. As of June 30, 2026, and 2025 the estimated fair value of the Company's short and long-term debt approximates its carrying value due to market interest rates charged on such debt or their short-term maturities.

The Company recomputes the fair value of the Private and the Representative Warrants at the issuance date and the end of each quarterly reporting period. Such value computation includes subjective input assumptions that are consistently applied each period. If the Company were to alter its assumptions or the numbers input based on such assumptions, the resulting fair value could be materially different.

The Company utilized the following assumptions to estimate fair value of the Private Warrants and Representative Warrants as of:

	June 30, 2026	June 30, 2025
Stock Price	\$ 5.84	\$ 3.77
Exercise price per share	\$ 11.50	\$ 11.50
Risk-free interest rate	4.00%	3.63%
Expected term (years)	1.62	2.62
Expected volatility	50.3%	47.1%
Expected dividend yield	-	-

The significant assumptions using the Lattice model approach for valuation of the Private Placement Warrants and Representative Warrants were determined in the following manner:

- (i) Risk-free interest rate: the risk-free interest rate is based on the U.S. Treasury rate with a term matching the time to expiration.
- (ii) Expected term: the expected term is estimated to be equivalent to the remaining contractual term.
- (iii) Expected volatility: expected stock volatility is based on daily observations of the Company's historical stock value and implied by market price of the Public Warrants, adjusted by guideline public company volatility.
- (iv) Expected dividend yield: expected dividend yield is based on the Company's anticipated dividend payments. As the Company has never issued dividends, the expected dividend yield is 0, and this assumption will be continued in future calculations unless the Company changes its dividend policy.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as follows (in thousands)

	As of June 30, 2026			
	Total	Level 1	Level 2	Level 3
Private Placement and Representative Warrants	\$ 1,496	\$ -	\$ -	\$ 1,496

	As of June 30, 2025			
	Total	Level 1	Level 2	Level 3
Private Placement and Representative Warrants	\$ 646	\$ —	\$ —	\$ 646

The table below presents the change in the number and fair value of the Private and Representative Warrants since the Merger on June 30, 2026 (in thousands, except the number of shares)

	Private Warrants		Representative Warrants		Total	
	Shares	Value	Shares	Value	Shares	Value
June 30, 2024	4,120,000	\$ 244	50,090	\$ 3	4,170,090	\$ 247
Exercised	-	-	-	-	-	-
Classification change from Private to Public	(763,233)	-	(6,750)	-	(769,983)	(454)
Change in value	-	394	-	5	-	853
June 30, 2025	3,356,767	\$ 638	43,340	\$ 8	3,401,007	\$ 646
Exercised	-	-	-	-	-	-
Classification change from Private to Public	-	-	-	-	-	-
Change in value	-	839	-	11	-	850
June 30, 2026	3,356,767	\$ 1,477	43,340	\$ 19	3,401,007	\$ 1,496

Note 22: Business Combinations – Endstate Authentic LLC

On December 31, 2025, Alliance Entertainment Holding Corporation (the “Company”), through a wholly owned subsidiary, completed the acquisition of substantially all of the assets of Endstate (the “Acquisition”). The Acquisition was accounted for as a business combination under ASC 805, *Business Combinations*.

The Acquisition was completed to enhance the Company’s technology capabilities and expand its digital and direct-to-consumer product offerings. The results of operations of the acquired business were included in the Company’s consolidated financial statements at June 30, 2026, since the acquisition date was not material.

Purchase Consideration

The total consideration transferred in connection with the Acquisition was \$7.9 million, which consisted of the following (in thousands):

	Amount
Cash paid at closing	\$ 1,150
Deferred payment payable one year after closing	1,300
Fair value of contingent consideration	5,500
Total consideration transferred	\$ 7,950

Certain payments to the founders, including guaranteed payments and sign-on bonuses that were not contingent on continued employment, were determined to represent consideration transferred in exchange for the acquired business and were included in purchase consideration. Payments contingent on continued employment were excluded from purchase consideration and will be recognized as compensation expense over the requisite service period.

Preliminary Purchase Price Allocation

The allocation of the purchase consideration is preliminary and subject to adjustment during the measurement period which ends on December 31, 2026. The Company is finalizing its valuation of acquired assets and assumed liabilities. The preliminary allocation of the consideration transferred is as follows (in thousands):

Asset / (Liability)	Amount
Identifiable intangible assets:	
Technology	\$ 1,550
Trademarks	800
Customer relationships	900
Total identifiable intangible assets	3,250
Goodwill	4,965
Net liabilities assumed	(265)
Total consideration transferred	\$ 7,950

Identifiable intangible assets are being amortized on a straight-line basis over an estimated useful life of ten years.

Goodwill represents the excess of the consideration transferred over the estimated fair value of the identifiable net assets acquired and reflects expected synergies, future technology enhancements, and the assembled workforce. Goodwill is deductible through amortization over 15 years for income tax purposes.

Contingent Consideration

The Acquisition includes contingent consideration arrangements consisting of earnout payments based on future financial performance during the 2026 through 2028 periods.

The contingent consideration was recorded at an estimated fair value of \$5.5 million as of the acquisition date and is included in accrued liabilities on the accompanying consolidated balance sheets. The fair value was determined using a probability-weighted discounted cash flow model and includes significant unobservable inputs. Accordingly, the contingent consideration liability is classified as Level 3 within the fair value hierarchy.

Contingent consideration is remeasured at each reporting date, with changes in fair value recognized in earnings.

Acquisition-Related Costs

Transaction costs incurred in connection with the Acquisition were expensed as incurred and included in transaction costs.

Note 23: Subsequent Events

The Company has evaluated subsequent events through September 10, 2026, the date the consolidated financial statements were issued, and determined that there are no subsequent events that require adjustment to or disclosure in the consolidated financial statements.