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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2025

or

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

For transition period from ______ to ______

Commission File Number 001-39331

System1, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**92-3978051**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4235 Redwood Avenue **Los Angeles, CA**	**90066**
(Address of Principal Executive Offices)	(Zip Code)

(310) 924-6037
(Registrant's telephone number including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A common stock, par value $0.0001 per share	SST	The New York Stock Exchange

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 and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

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

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

As of August 4, 2025 there were 8,045,545 shares of Class A common stock, $0.0001 par value per share, and 1,869,607 shares of Class C common stock, $0.0001 par value per share, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

System1, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)
(In thousands, except par value)

	June 30, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 63,648	$ 63,607
Restricted cash, current	1,243	3,970
Accounts receivable, net	70,218	62,916
Prepaid expenses and other current assets	6,251	3,984
Total current assets	141,360	134,477
Restricted cash, non-current	378	371
Property and equipment, net	1,816	2,104
Internal-use software development costs, net	14,214	14,436
Intangible assets, net	185,340	222,341
Goodwill	82,407	82,407
Operating lease right-of-use assets	3,401	2,644
Other non-current assets	333	349
Total assets	$ 429,249	$ 459,129
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 28,058	$ 10,401
Accrued expenses and other current liabilities	69,117	76,200
Operating lease liabilities, current	1,166	2,089
Current debt, net	21,544	16,405
Total current liabilities	119,885	105,095
Operating lease liabilities, non-current	2,860	1,365
Non-current debt, net	241,795	255,118
Deferred tax liability	5,225	6,199
Other non-current liabilities	6,040	6,356
Total liabilities	375,805	374,133
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Class A common stock $0.0001 par value; 500,000 shares authorized, 8,011 and 7,365 Class A shares issued and outstanding as of June 30, 2025 and December 31, 2024, respectively	1	1
Class C common stock $0.0001 par value; 25,000 shares authorized, 1,869 and 1,870 Class C shares issued and outstanding as of June 30, 2025 and December 31, 2024, respectively	—	—
Additional paid-in capital	874,008	863,041
Accumulated deficit	(815,680)	(782,335)
Accumulated other comprehensive loss	(133)	(443)
Total stockholders' equity attributable to System1, Inc.	58,196	80,264
Non-controlling interest	(4,752)	4,732
Total stockholders' equity	53,444	84,996
Total liabilities and stockholders' equity	$ 429,249	$ 459,129

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

System1, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
(In thousands, except for per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Revenue	$ 78,115	$ 94,581	$ 152,628	$ 179,498
Operating expenses:				
Cost of revenue	50,212	68,507	96,289	134,825
Salaries and benefits	26,297	33,937	51,285	58,420
Selling, general, and administrative	17,511	21,223	34,085	41,135
Total operating expenses	94,020	123,667	181,659	234,380
Operating loss	(15,905)	(29,086)	(29,031)	(54,882)
Other expense (income):				
Interest expense, net	7,116	7,871	14,201	15,841
Gain on extinguishment of debt	—	(433)	—	(20,109)
Change in fair value of warrant liabilities	68	(1,501)	100	(1,752)
Total other expense (income), net	7,184	5,937	14,301	(6,020)
Loss before income tax	(23,089)	(35,023)	(43,332)	(48,862)
Income tax benefit	(1,547)	(178)	(1,934)	(226)
Net loss	(21,542)	(34,845)	(41,398)	(48,636)
Less: Net loss attributable to non-controlling interest	(4,079)	(8,472)	(8,052)	(11,726)
Net loss attributable to System1, Inc.	$ (17,463)	$ (26,373)	$ (33,346)	$ (36,910)
Basic and diluted net loss per share:	$ (2.23)	$ (3.80)	$ (4.37)	$ (5.38)
Weighted average number of shares outstanding - basic and diluted	7,820	6,938	7,631	6,858

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

System1, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Loss (Unaudited)
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net loss	$ (21,542)	$ (34,845)	$ (41,398)	$ (48,636)
Other comprehensive income (loss):				
Foreign currency translation income (loss)	369	(96)	382	(231)
Comprehensive loss	(21,173)	(34,941)	(41,016)	(48,867)
Comprehensive loss attributable to non-controlling interest	(4,009)	(8,544)	(7,980)	(11,843)
Comprehensive loss attributable to System1, Inc.	$ (17,164)	$ (26,397)	$ (33,036)	$ (37,024)

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

System1, Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
(In thousands)

	Class A Common Stock		Class C Common Stock						
	Shares	Amount	Shares	Amount	Additional Paid-In-Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Stockholders' Equity
Balance at December 31, 2024	**7,365**	**$ 1**	**1,870**	**$ —**	**$ 863,041**	**$ (782,335)**	**$ (443)**	**$ 4,732**	**$ 84,996**
Net loss	—	—	—	—	—	(15,883)	—	(3,973)	(19,856)
Issuance of restricted stock, net of forfeitures and shares withheld for taxes	120	—	—	—	33	—	—	(325)	(292)
Other comprehensive income	—	—	—	—	—	—	11	2	13
Stock-based compensation	—	—	—	—	2,766	—	—	44	2,810
Distributions to members, net of contributions	—	—	—	—	—	—	—	(12)	(12)
Balance at March 31, 2025	**7,485**	**1**	**1,870**	**—**	**865,840**	**(798,218)**	**(432)**	**468**	**67,659**
Net loss	—	—	—	—	—	(17,463)	—	(4,079)	(21,542)
Issuance of restricted stock, net of forfeitures and shares withheld for taxes	75	—	—	—	145	—	—	(165)	(20)
Conversion of Class C shares to Class A shares	1	—	(1)	—	—	—	—	—	—
Issuance of common stock in private placement	450	—	—	—	3,275	—	—	(1,025)	2,250
Class A common stock repurchases	—	—	—	—	—	1	—	—	1
Other comprehensive income	—	—	—	—	—	—	299	70	369
Stock-based compensation	—	—	—	—	4,748	—	—	—	4,748
Distributions to members, net of contributions	—	—	—	—	—	—	—	(21)	(21)
Balance at June 30, 2025	**8,011**	**$ 1**	**1,869**	**$ —**	**$ 874,008**	**$ (815,680)**	**$ (133)**	**$ (4,752)**	**$ 53,444**

System1, Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
(In thousands)

	Class A Common Stock		Class C Common Stock						
	Shares	Amount	Shares	Amount	Additional Paid-In-Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Stockholders' Equity
Balance at December 31, 2023	**6,585**	**$ 1**	**2,151**	**$ —**	**$ 843,120**	**$ (707,662)**	**$ (181)**	**$ 34,037**	**$ 169,315**
Net loss	—	—	—	—	—	(10,537)	—	(3,254)	(13,791)
Issuance of common stock in connection with settlement of incentive plan	97	—	—	—	2,464	—	—	(757)	1,707
Conversion of Class C shares to Class A shares	31	—	(31)	—	241	—	—	(241)	—
Tax receivable agreement liability and deferred taxes arising from LLC interest ownership exchanges and the issuance of common stock from equity incentive plans	—	—	—	—	(110)	—	—	—	(110)
Issuance of restricted stock, net of forfeitures and shares withheld for taxes	150	—	—	—	178	—	—	(1,169)	(991)
Other comprehensive loss	—	—	—	—	—	—	(90)	(45)	(135)
Stock-based compensation	—	—	—	—	4,317	—	—	88	4,405
Contributions from members, net of distributions	—	—	—	—	—	—	—	5	5
Balance at March 31, 2024	**6,863**	**1**	**2,120**	**—**	**850,210**	**(718,199)**	**(271)**	**28,664**	**160,405**
Net loss	—	—	—	—	—	(26,373)	—	(8,472)	(34,845)
Issuance of restricted stock, net of forfeitures and shares withheld for taxes	62	—	—	—	284	—	—	(308)	(24)
Other comprehensive loss	—	—	—	—	—	—	(24)	(72)	(96)
Stock-based compensation	—	—	—	—	3,784	—	—	87	3,871
Distributions to members	—	—	—	—	—	—	—	(32)	(32)
Balance at June 30, 2024	**6,925**	**$ 1**	**2,120**	**$ —**	**$ 854,278**	**$ (744,572)**	**$ (295)**	**$ 19,867**	**$ 129,279**

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

System1, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2025	**2024**
Cash Flows from Operating Activities		
Net loss	$ (41,398)	$ (48,636)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	41,043	39,762
Stock-based compensation	7,193	7,412
Amortization of debt issuance costs	1,816	2,002
Noncash lease expense	971	931
Change in fair value of warrant liabilities	100	(1,752)
Deferred tax benefits	(984)	(1,262)
Gain on extinguishment of debt	—	(20,109)
Share-based compensation liabilities	1,646	10,253
Other, net	22	(192)
Changes in operating assets and liabilities:		
Accounts receivable	(7,302)	(5,823)
Prepaid expenses and other current assets	(2,234)	26
Accounts payable	18,048	(3,251)
Accrued expenses and other current liabilities	(9,860)	15,763
Other non-current liabilities	(518)	(1,146)
Net cash provided by (used in) operating activities	8,543	(6,022)
Cash Flows from Investing Activities		
Purchases of property and equipment	(46)	—
Purchases of intangible asset	(275)	—
Capitalized software development costs	(2,786)	(3,218)
Net cash used in investing activities	(3,107)	(3,218)
Cash Flows from Financing Activities		
Repayment of term loan	(10,000)	(51,786)
Taxes paid related to net settlement of stock awards	(311)	(2,116)
Distributions to members, net of contributions	(33)	(27)
Proceeds from private placement of Class A common stock	2,250	—
Net cash used in financing activities	(8,094)	(53,929)
Effect of exchange rate changes in cash, cash equivalents and restricted cash	(21)	(6)
Net decrease in cash, cash equivalents and restricted cash	(2,679)	(63,175)
Cash and cash equivalents and restricted cash, beginning of the period	67,948	143,450
Cash and cash equivalents and restricted cash, end of the period	$ 65,269	$ 80,275
Reconciliation of cash, cash equivalents and restricted cash to the condensed consolidated balance sheets:		
Cash and cash equivalents	$ 63,648	$ 75,651
Restricted cash	1,621	4,624
Total cash, cash equivalents and restricted cash	$ 65,269	$ 80,275
Supplemental cash flow information:		
Stock-based compensation included in capitalized software development costs	$ 365	$ 814
Settlement of incentive plan through issuance of common stock	$ —	$ 1,707
Right-of-use assets obtained in exchange for operating lease obligations	$ 1,700	$ —

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

1. Organization and Description of Business

System1, Inc. and subsidiaries (the "Company", "we", "our" or "us") operate an omnichannel customer acquisition platform, delivering high-intent customers to brands, advertisers and publishers.

We provide our omnichannel customer acquisition platform services through our proprietary responsive acquisition marketing platform ("RAMP"). Operating seamlessly across major advertising networks and advertising category verticals to acquire end-users, RAMP allows us to monetize such end-users through our relationships with third party advertisers and advertising networks ("Advertising Partners"). RAMP operates across our network of owned and operated websites and related products, allowing us to monetize user traffic that we source from various acquisition marketing channels, including Google, Meta, Outbrain, and TikTok. RAMP also allows third party advertising platforms and publishers ("Network Partners"), to send user traffic to, and monetize end-user traffic on, our owned and operated websites or through our monetization agreements.

On August 1, 2024, we undertook a corporate reorganization, the result of which was that all of the assets and business operations of the company are now held by System1 Holdings, LLC ("System1 Holdings"), a newly formed intermediate holding company of which we maintain the controlling interest and in which the non-controlling interest is owned by the holders of our Class C common stock. Following the corporate reorganization, (a) System1 Holdings now owns 100% of S1 Holdco, LLC ("S1 Holdco"), the previous intermediate holding company with the non-controlling interests, and 100% of S1 Media, LLC ("S1 Media"), another new subsidiary formed in connection with the corporate reorganization, (b) S1 Media holds the assets and business operations associated with our Products businesses, which include CouponFollow, Startpage and Mapquest, and (c) S1 Holdco holds our remaining assets and business operations associated with our Marketing businesses, including our proprietary RAMP platform. S1 Holdco and its subsidiaries remain obligors and guarantors under our Term Loan and 2022 Revolving Facility, and System1 Holdings and S1 Media are not parties thereto.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited interim condensed consolidated financial statements and related disclosures are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Our condensed consolidated financial statements include the accounts of System1, Inc. and its subsidiaries. All intercompany accounts and transactions have been eliminated in the consolidation. Our fiscal year ends on December 31, 2025. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, as filed with the Securities and Exchange Commission on March 10, 2025.

In our opinion, the condensed consolidated financial statements include all adjustments of a normal recurring nature necessary for the fair statement of our financial position, results of operations, and cash flows. The results of operations for the three and six months ended June 30, 2025 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2025 or future operating periods.

There have been no changes to our significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024 that have had a material impact on our condensed consolidated financial statements and related notes. To conform to the current period's presentation, (i) warrant liability was combined with other non-current liabilities in the comparative condensed consolidated balance sheet and (ii) depreciation and amortization expense was reclassified to cost of revenue and selling, general, and administrative in the prior periods condensed consolidated statement of operations.

On June 10, 2025, we filed a certificate of amendment (the "Reverse Stock Split Amendment") to our Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware to effect a 1-for-10 reverse stock split of the Class A and Class C common stock and warrants (the "Reverse Stock Split"), which became effective at 5:01 p.m. Eastern Time on June 11, 2025. The Reverse Stock Split Amendment does not reduce the number of authorized shares of Class A and Class C common stock which remains at 500,000,000 and 25,000,000, respectively, and does not change the par value of the common stock, which remains at $0.0001 per share. Additionally, our outstanding equity-based awards and other outstanding equity rights were proportionately adjusted. No fractional shares were issued in connection with the Reverse Stock Split. The Reverse Stock Split was effective for purposes of trading on the New York Stock Exchange as of the opening of business on June 12, 2025. Accordingly, all share and per share amounts of common stock for all periods presented in these unaudited condensed consolidated financial statements and related notes have been retroactively adjusted to give effect to the Reverse Stock Split.

As of December 31, 2024, the Company had outstanding warrants classified as a liability. These warrants were measured at fair value using Level 1 inputs based on quoted market prices in active markets. During the quarter ended June 30, 2025, the fair value measurement of the warrants changed from Level 1 to Level 3 due to the delisting of the warrants from an exchange and lack of observable inputs.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Management’s estimates are based on historical information available as of the date of the condensed consolidated financial statements and various other assumptions that we believe are reasonable under the circumstances. Actual results could differ from those estimates.

Significant estimates and assumptions reflected in these condensed consolidated financial statements include, but are not limited to, valuation of goodwill, intangible assets, and long-lived assets, valuation and recognition of stock-based compensation awards and income taxes. On an ongoing basis, management evaluates our estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities.

Risks

We are subject to certain business and operational risks, including competition from alternative technologies, as well as dependence on key Advertising Partners, key employees, key contracts, and growth to achieve our business and operational objectives.

Concentrations

As of June 30, 2025, we had two paid search advertising partnership agreements with Google, and one paid search advertising partnership agreement with Microsoft. The Google agreements are in effect through February 28, 2027 and September 30, 2027. The agreement with Microsoft (our next largest Advertising Partner by revenue) was renewed through December 31, 2026. Under certain circumstances, each of these agreements may be terminated by either us or the respective Advertising Partner immediately, or with minimal notice.

Accounting Pronouncements Not Yet Adopted

In December 2023, the Financial Accounting Standards Board issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09), which improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. This guidance will be effective for the annual periods beginning with the year ending December 31, 2025. Early adoption is permitted. Upon adoption, the guidance can be applied prospectively or retrospectively. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In November 2024, the Financial Accounting Standards Board issued ASU No. 2024-03, Income Statement Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40), which improves the disclosures about a public business entity's expenses and requires detailed information about the types of expenses in commonly presented expense financial statement captions. This guidance will be effective for the annual periods beginning with the year ending December 31, 2027 and interim periods during the year ending December 31, 2028. Early adoption is permitted. Upon adoption, the guidance can be applied prospectively or retrospectively. We are evaluating the effect that this guidance will have on our consolidated financial statements and related disclosures.

3. Goodwill, Internal-Use Software Development Costs, Net, and Intangible Assets, Net

Goodwill

Goodwill was $82.4 million as of June 30, 2025 and December 31, 2024, all of which is attributable to the Partner Network reporting unit. In the second quarter of fiscal year 2025, as a result of organizational restructuring, the Company changed its identified segments and determined there are now two operating and reportable segments, Marketing and Products. There was no change to the Partner Network reporting unit. See Note 9, Segment Reporting, for further discussion of the Company's operating segments. No impairment of goodwill was recognized in any of the periods presented.

Internal-use Software Development Costs, Net and Intangible Assets, Net

Internal-use software development costs and intangible assets consisted of the following (in thousands):

	June 30, 2025		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Internal-use software development costs	$ 24,545	$ (10,331)	$ 14,214
Intangible assets:			
Developed technology	$ 196,403	$ (168,017)	$ 28,386
Trademarks and trade names	236,053	(80,450)	155,603
Software	5,100	(4,253)	847
Customer relationships	2,900	(2,396)	504
Total	$ 440,456	$ (255,116)	$ 185,340

	December 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Internal-use software development costs	$ 21,393	$ (6,957)	$ 14,436
Intangible assets:			
Developed technology	$ 196,128	$ (143,386)	$ 52,742
Trademarks and trade names	236,053	(68,650)	167,403
Software	5,100	(3,616)	1,484
Customer relationships	2,900	(2,188)	712
Total	$ 440,181	$ (217,840)	$ 222,341

The internal-use software development costs include work in progress which is not being amortized of $2.7 million and $5.0 million as of June 30, 2025 and December 31, 2024, respectively.

Amortization expense for internal-use software development costs and intangible assets were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Amortization expense for internal-use software development	$ 1,755	$ 1,076	$ 3,374	$ 2,010
Amortization expense for intangible assets	$ 18,625	$ 18,665	$ 37,276	$ 37,330

Amortization expense was presented as follows in the Statements of Operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Cost of revenue	$ 13,091	$ 12,709	$ 26,141	$ 25,329
Selling, general, and administrative	$ 7,289	$ 7,032	$ 14,509	$ 14,011

No impairment of internal-use software development cost or intangible assets was recognized for any of the periods presented.

4. Accrued Expenses and Other Current Liabilities

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

	June 30, 2025	December 31, 2024
Accrued revenue share	$ 32,584	$ 27,656
Accrued payroll and related benefits	10,071	15,893
Accrued marketing expenses	9,077	9,440
Shared-based compensation liability	11,650	17,821
Other current liabilities	5,735	5,390
Accrued expenses and other current liabilities	$ 69,117	$ 76,200

CouponFollow Incentive Plan

During the 2024 Performance Period, the CouponFollow business achieved all applicable performance conditions under the CouponFollow Incentive Plan. As a result, the full performance-based award of $21.3 million vested or was expected to vest. Accordingly, we recognized a current share-based compensation liability of $17.8 million within accrued expenses and other current liabilities as of December 31, 2024, of which $7.8 million was paid in cash in February 2025. The final payment to settle the achievement of all the performance conditions of $13.5 million is payable 60 days following December 31, 2025. The carrying amount of the share-based liabilities approximates its fair value, which is determined using Level 3 inputs under the fair value hierarchy.

For the three and six months ended June 30, 2025, we recognized $0.8 million and $1.6 million in share-based compensation expense within salaries and benefits expenses on the condensed consolidated statements of operations for the performance-based portion of the awards under the CouponFollow Incentive Plan, respectively. As of June 30, 2025, the remaining share-based compensation expense to be recognized in 2025 is $1.8 million.

5. Debt, Net

We entered into a term loan ("Term Loan") and revolving facility ("2022 Revolving Facility") with Bank of America, N.A., on January 27, 2022, providing for a 5.5-year term loan with a principal balance of $400.0 million and with the net proceeds of $376.0 million. The 2022 Revolving Facility provided for borrowing availability of up to $50.0 million. As of June 30, 2025, principal of $270.1 million was outstanding on the Term Loan and there was no balance outstanding on the 2022 Revolving Facility. Through December 31, 2025, $5.0 million of the Term Loan is payable quarterly. From March 31, 2026, $7.5 million of the Term Loan is payable quarterly. The Term Loan matures in 2027.

For every interest period, the interest rate on the Term Loan is the adjusted Secured Overnight Financing Rate ("SOFR") plus 4.75%. The Term Loan is amortized in quarterly installments on each scheduled payment date. The Term Loan comes with a leverage covenant, which goes into effect only if the utilization on the 2022 Revolving Facility exceeds 35% of the $50.0 million 2022 Revolving Facility at each quarter-end starting the second quarter 2022, such that the first lien leverage ratio (as defined in the credit agreement) should not exceed 5.40. The facility has certain financial and nonfinancial covenants, including a leverage ratio. The facility also requires that we deliver our audited consolidated financial statements to our lender within 120 days of our fiscal year end, December 31. Should we fail to distribute the financial statements to our lender within 120 days, we are allowed an additional 30 days to cure. We were in compliance with the financial covenants under the Term Loan as of June 30, 2025.

The interest rate on the 2022 Revolving Facility is the adjusted SOFR plus 2.5% with an adjusted SOFR floor of 0%. As of June 30, 2025 and December 31, 2024, respectively, we had $50.0 million available on the 2022 Revolving Facility.

During 2024, we completed the repurchase of $64.9 million in principal amount of our Term Loan for an aggregate purchase price of $41.6 million (at an average discount of 64.1% of its par value) pursuant to a Dutch auction tender offer and a privately negotiated repurchase transaction. Following the repurchases on January 17, 2024 and April 30, 2024, the outstanding principal amount of the Term Loan was $301.3 million and $295.0 million, respectively. We used available cash on hand to fund the repurchase. Our aggregate gain on the repurchase during 2024 was $20.1 million before fees and expenses incurred to negotiate, document and consummate the repurchase.

The carrying values of our debt, net of discounts, deferred financing and debt issuance costs were as follows (in thousands):

	June 30, 2025	December 31, 2024
Term Loan [1, 2]	$ 263,339	$ 271,523
Total debt, net	$ 263,339	$ 271,523

[1] Includes unamortized discount of $6.4 million and $8.1 million and unamortized loan fees of $0.4 million and $0.4 million, as of June 30, 2025 and December 31, 2024, respectively, recorded as a reduction of the carrying amount of the debt and amortized to interest expense using the effective interest method.

[2] Estimated fair value of the Term Loan was $139.1 million as of June 30, 2025.

6. Income Taxes

During 2023 and through July 31, 2024, we were the sole managing member of S1 Holdco and, as a result, consolidated the financial results of S1 Holdco. S1 Holdco was treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, S1 Holdco was not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by S1 Holdco was passed through to and included in the taxable income or loss of its members, including us, on a pro rata basis. We were subject to U.S. federal income taxes, in addition to state and local income taxes with respect to its allocable share of any taxable income or loss of S1 Holdco, as well as any stand-alone income or loss generated by us.

As of August 1, 2024, we are the sole managing member of System1 Holdings and, as a result, consolidate the financial results of System1 Holdings. System1 Holdings is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, System1 Holdings is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by System1 Holdings is passed through to and included in the taxable income or loss of its members, including us, on a pro rata basis. We are subject to U.S. federal income taxes, in addition to state and local income taxes with respect to its allocable share of any taxable income or loss of System1 Holdings, as well as any stand-alone income or loss generated by us.

We recorded an income tax benefit of $1.5 million and $1.9 million for the three and six months ended June 30, 2025, respectively and a $0.2 million and $0.2 million income tax benefit for the three and six months ended June 30, 2024. The effective tax rate was 6.7% and 4.5% for the three and six months ended June 30, 2025, respectively and 0.5% and 0.4% three and six months ended June 30, 2024, respectively. The provision for income taxes differs from the amount of income tax computed by applying the U.S. statutory federal tax rate of 21% to the loss before income taxes due to the exclusion of non-controlling loss, state taxes, foreign rate differential, non-deductible expenses, increase to the valuation allowance related to unrealizable deferred tax assets, and outside basis adjustments. As of June 30, 2025, we had a full valuation allowance on our U.S. federal and state net deferred tax assets as it was more likely than not that those deferred tax assets would not be realized.

During the three and six months ended June 30, 2025 and 2024, inclusive of interest, no payments were made to the parties to the Tax Receivable Agreement. The total amount of Tax Receivable Agreement Payments due under the Tax Receivable Agreement was $5.3 million as of June 30, 2025 and December 31, 2024.

On July 4, 2025, President Trump signed into law the One Big Beautiful Bill Act ("OBBBA"). The OBBBA makes permanent key elements of the Tax Cuts and Jobs Act, including 100% bonus depreciation, domestic research cost expensing, and the business interest expense limitation. We are currently assessing its impact on our consolidated financial statements.

7. Commitments and Contingencies

In June 2023, we entered into a multi-year agreement with a service provider whereby we are contractually obligated to spend $5.0 million in each annual period between July 2023 and June 2026. As of June 30, 2025, we remain contractually obligated to spend $5.0 million towards this commitment.

As of June 30, 2025, we had various non-cancelable operating lease commitments for office space which have been recorded as Operating lease liabilities.

Litigation

We are subject to various legal proceedings and claims that arise in the ordinary course of business. We believe the ultimate liability, if any, with respect to these actions will not materially affect the consolidated financial position, results of operations, or cash flows reflected in the condensed consolidated financial statements as of June 30, 2025. There can be no assurance, however, that the ultimate resolution of such actions will not materially or adversely affect our consolidated financial position, results of operations, or cash flows. We accrue for losses when the loss is deemed probable and the liability can reasonably be estimated.

Indemnifications

In the ordinary course of business, we may provide indemnifications of varying scope and terms to customers, vendors, lessors, investors, directors, officers, employees, and other parties with respect to certain matters, including, but not limited to, losses arising out of our breach of such agreements, services to be provided by us, or from intellectual property infringement claims made by third parties. These indemnifications may survive termination of the underlying agreement and the maximum potential amount of future payments we could be required to make under these indemnification provisions may not be subject to claims related to these indemnifications. As a result, we believe the estimated fair value of these agreements was immaterial. Accordingly, we have no liabilities recorded for these agreements as of June 30, 2025 or December 31, 2024, respectively.

8. Net Loss Per Share

For the three and six months ended June 30, 2025 and 2024, basic net loss per share was calculated by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding. Basic and diluted net loss per share was calculated as follows (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Basic and diluted net loss per share				
Net loss attributable to System1, Inc.	$ (2.23)	$ (3.80)	$ (4.37)	$ (5.38)
Numerator:				
Net loss attributable to System1, Inc.	$ (17,463)	$ (26,373)	$ (33,346)	$ (36,910)
Denominator:				
Weighted-average common shares outstanding used in computing basic and diluted net loss per share	7,820	6,938	7,631	6,858

Shares of Class C common stock, restricted stock units, Stock Appreciation Rights ("SARs") and warrants outstanding for the three and six months ended June 30, 2025 and 2024, are considered potentially dilutive to the shares of Class A common stock and are included in the computation of diluted loss per share, except when the effect would be anti-dilutive. For the periods presented in the table above, a total of 16.8 million Warrants and 0.5 million vested SARs were excluded from the computation of diluted net loss per share as the impact was anti-dilutive. In addition, for the three and six months ended June 30, 2025, we excluded 1.5 million SARs as they are contingently issuable based on performance conditions which were not achieved. See Note 10, Stock-Based Compensation for additional details.

We do not consider unvested Class A common stock related to the replacement awards as outstanding for accounting purposes as they are subject to continued service requirements or contingencies. These shares are not included in the denominator of the net loss per share calculation until the employee provides the requisite service resulting in the vesting of the award or the contingency is removed, or upon termination of an employee at which point the common stock underlying the award becomes issuable to the previous investors. Shares associated with the vested or forfeited replacement awards are deemed to be issued and outstanding for accounting purposes on the day of vesting or forfeiture.

9. Segment Reporting

We previously managed our business across two operating and reportable segments: the monetization of end-users acquired directly by the Company to its websites and products ("Owned & Operated Advertising"), and the monetization of end-users acquired by our Network Partners ("Partner Network"). In the second quarter of 2025, we had an internal organizational change that resulted in a change in how we manage our businesses. We combined the management of our Partner Network business with the portion of our Owned and Operated Advertising activities related to paid traffic acquisition via advertising costs and direct agency fees ("Marketing") and separately manage our CouponFollow, Startpage and Mapquest businesses which primarily acquire end-users organically ("Products"). This resulted in a change to our operating and reportable segments. We now have two operating and reportable segments: Marketing and Products. All prior year information in the tables below have been revised retrospectively to reflect the change to our reportable segments.

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker ("CODM"), in deciding how to allocate resources and assess performance. Our Chief Executive Officer, who is considered to be our CODM, reviews financial information presented on an operating segment basis for purposes of making operating decisions and assessing financial performance. The CODM measures and evaluates operating and reportable segments based on segment adjusted gross profit. The CODM evaluates both potential future, as well as historical budget to actual variances, segment adjusted gross profit by segment on a quarterly basis to determine the allocation of capital for acquisition marketing, as well as technical and personnel resources. Segment adjusted gross profit is also used to determine variable compensation expense for certain employees.

The tables below include the following operating expenses that are not allocated to the reportable segments presented to our CODM, such as other cost of revenue (total cost of revenue excluding traffic acquisition cost and agency fees), salaries and benefits, selling, general and administrative expenses and, at times, certain other transactions or adjustments. The CODM does not consider these expenses for the purposes of making decisions to allocate resources among segments or to assess segment performance, however these costs are included in reported condensed consolidated net loss before income tax and are included in the reconciliation that follows.

The following table summarizes revenue, segment cost of revenue and segment adjusted gross profit by reportable segment (in thousands):

	Three Months Ended June 30, 2025			Three Months Ended June 30, 2024		
	Marketing	Products	Total	Marketing	Products	Total
Revenue	$ 54,142	$ 23,973	$ 78,115	$ 76,654	$ 17,927	$ 94,581
Less: segment cost of revenue	34,509	1,276	35,785	53,032	681	53,713
Segment adjusted gross profit	19,633	22,697	42,330	23,622	17,246	40,868
Other cost of revenue			14,427			14,794
Salaries and benefits			26,297			33,937
Selling, general, and administrative			17,511			21,223
Interest expense, net			7,116			7,871
Gain on extinguishment of debt			—			(433)
Change in fair value of warrant liabilities			68			(1,501)
Loss before income tax			$ (23,089)			$ (35,023)

	Six Months Ended June 30, 2025			Six Months Ended June 30, 2024		
	Marketing	Products	Total	Marketing	Products	Total
Revenue	$ 106,392	$ 46,236	$ 152,628	$ 146,784	$ 32,714	$ 179,498
Less: segment cost of revenue	64,972	2,584	67,556	103,506	1,743	105,249
Segment adjusted gross profit	41,420	43,652	85,072	43,278	30,971	74,249
Other cost of revenue			28,733			29,576
Salaries and benefits			51,285			58,420
Selling, general, and administrative			34,085			41,135
Interest expense, net			14,201			15,841
Gain on extinguishment of debt			—			(20,109)
Change in fair value of warrant liabilities			100			(1,752)
Loss before income tax			$ (43,332)			$ (48,862)

The following table summarizes revenue by geographic region (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
United States	$ 75,207	$ 91,215	$ 146,894	$ 172,897
Other countries	2,908	3,366	5,734	6,601
Total revenue	$ 78,115	$ 94,581	$ 152,628	$ 179,498

10. Stock-Based Compensation

We are authorized to issue and/or grant stock options, SARs, restricted stock, restricted stock units, dividend equivalents or other stock-based and cash-based awards under our 2022 Incentive Award Plan.

We recorded the following stock-based compensation expense for equity-classified awards included within salaries and benefits in the condensed consolidated statement of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Stock-based compensation expense	$ 4,542	$ 3,442	$ 7,193	$ 7,412

Stock Appreciation Rights

On May 30, 2025 the SARs plan administrator certified that the trailing twelve month ("TTM") adjusted EBITDA exceeded the Tranche I performance threshold and the Tranche I awards vested ("Vested SARs").

On June 10, 2025 our stockholders approved an amendment to the System1, Inc. 2024 Stock Appreciation Rights Plan, (as amended, the "2024 SARs Plan") and the repricing ("Repricing") of certain outstanding SARs previously granted to our employees and consultants under the SARs Plan (collectively, the "SARs Plan Amendment and Repricing"). The strike price of the SARs granted changed from $1.44 to $0.44 and the adjusted EBITDA performance threshold for any TTM period concluding on or after the applicable date of grant was modified from (i) $60 million (“Tranche II”), (ii) $70 million (“Tranche III”) and (iii) $80 million (“Tranche IV”) to (i) $55 million, (ii) $60 million and (iii) $65 million, respectively ("the Modification"). There were no changes to the other terms of the SARs Plan.

At the modification date, we used the Hull-White I binomial lattice option pricing model to estimate the SARs option fair value. The following table sets forth the key assumptions used to determine the modified fair value:

Input	
Risk-free interest rate	3.87% - 4.11%
Term (in years)	3.06 - 6.06
Volatility factor	84.27% - 97.65%
Dividend yield	0.00%

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected term is equal to the remaining contractual term. Volatility is based on a blend of the historical volatility of our common stock and the peer-leveraged volatility.

As of June 30, 2025, we recognized compensation cost for the Vested SARs and determined it is probable we would achieve the performance conditions of Tranche II before the fifth anniversary grant date of the awards. Accordingly, we recognized $3.2 million and $3.5 million of stock-based compensation expense, including $0.3 million of incremental expense as a result of the Modification, within equity for the three and six months ended June 30, 2025, respectively. The 2024 SARs Plan was not adopted as of June 30, 2024. As of June 30, 2025, the total unrecognized compensation cost related to unvested Tranche II SARs was $1.1 million. No SARs were exercised during the three and six months ended June 30, 2025.

Restricted Stock Units

In July 2025, we granted 2.0 million restricted stock unit awards in accordance with the 2022 Incentive Award Plan.

11. Related Party Transaction

On April 28, 2025, we entered into a Securities Purchase Agreement with one of our Founder's family foundation, pursuant to which we agreed to sell 450,000 shares of our Class A common stock at a price of $5.00 per share. The aggregate proceeds, which were received on May 2, 2025, was $2.3 million.

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

Unless otherwise indicated or the context otherwise requires, references in this section to "the Company," "System1," "we," "us," "our" and other similar terms refer to System1, Inc and its subsidiaries.

The following discussion and analysis of the financial condition and results of operations should be read together with our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ending December 31, 2024. In addition to historical information, the following discussion and analysis contains forward-looking statements. Our actual results may differ significantly from those projected in such forward-looking statements. Factors that might cause future results to differ materially from those projected in such forward-looking statements include, but are not limited to, those discussed in the sections entitled "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements." included in our Annual Report on Form 10-K.

Company Overview

We operate an omnichannel customer acquisition platform, delivering high-intent customers to brands, advertisers and publishers.

We provide our omnichannel customer acquisition platform services through our proprietary responsive acquisition marketing platform ("RAMP"). Operating seamlessly across major advertising networks and advertising category verticals to acquire end-users, RAMP allows us to monetize these acquired end users through our relationships with third party advertisers and advertising networks ("Advertising Partners"). RAMP operates across our network of owned and operated websites, allowing us to monetize user traffic that we source from various acquisition marketing channels, including Google, Meta, Outbrain, and TikTok. RAMP also allows third party advertising platforms and publishers ("Network Partners") to send user traffic to, and monetize end-user traffic on, our owned and operated websites or through our monetization agreements.

Through RAMP, we process daily advertising campaign optimizations across approximately 40 advertising vertical categories as of June 30, 2025. We are able to efficiently monetize user intent by linking data on consumer engagement, such as first party search data like traffic sources, device type and search queries, with data on monetization rates and advertising spend. This context-enriched data, combined with our proprietary and data science driven algorithms, creates a closed-loop system that is not reliant on personally identifiable information or information obtained through third-party cookies, but which allows RAMP to efficiently match consumer demand with the appropriate advertiser or advertising experience across advertising category verticals.

We monetize user traffic acquired by our Network Partners. Since launching, this business has expanded to support additional advertising formats across multiple advertising platforms, and has acquired several leading websites, enabling it to control the entire flow of the user acquisition experience, while monetizing user traffic through our network of owned and operated websites. As of June 30, 2025, we own and operate approximately 40 websites, including leading search engines like *info.com* and *Startpage.com*, and digital media publishing websites and internet utilities, such as *HowStuffWorks*, *MapQuest*, *CouponFollow* and *ActiveBeat*.

Our primary operations are in the United States, and we also have operations in Canada and the Netherlands. Operations outside the United States are subject to risks inherent in operating under different legal systems as well as various political and economic environments. Among the risks are changes in existing tax laws, changes in the regulatory framework in foreign jurisdictions, data privacy laws, possible limitations on foreign investment and income repatriation, government foreign exchange controls, exposure to currency exchange fluctuations and employment laws impacting foreign employees. We do not engage in hedging activities to mitigate our exposure to fluctuations in foreign currency exchange rates.

On August 1, 2024, we undertook a corporate reorganization, the result of which was that all of the assets and business operations of the company are now held by System1 Holdings, LLC ("System1 Holdings"), a newly formed intermediate holding company of which we maintain the controlling interest and in which the non-controlling interest is owned by the holders of our Class C common stock. Following the corporate reorganization, (a) System1 Holdings now owns 100% of S1 Holdco, the previous intermediate holding company with the non-controlling interests, and 100% of S1 Media, LLC ("S1 Media"), another new subsidiary formed in connection with the corporate reorganization, (b) S1 Media holds the assets and business operations associated with our Products businesses, which include NextGen Shopping, Inc., Startpage and Mapquest, and (c) S1 Holdco held our remaining assets and business operations associated with our Marketing businesses, including our proprietary RAMP platform. S1 Holdco and its subsidiaries remain obligors and guarantors under our Term Loan and 2022 Revolving Facility, and System1 Holdings and S1 Media are not parties thereto.

On June 12, 2025, we effected a 1-for-10 reverse stock split of our issued and outstanding common stock. The reverse stock split did not change the authorized number of shares or the par value of our common stock, but did effect a proportional adjustment to the number of shares of common stock outstanding and the number of shares of common stock issuable upon the vesting of restricted stock awards and stock appreciation rights, the conversion rate of our outstanding warrants into common stock and the number of shares of common stock eligible for issuance under our 2022 Incentive Award Plan. See Item 1, "Financial Statements —Note 2, Significant Accounting Policies" for additional information. regarding the reverse stock split.

Components of Our Results of Operations

Revenue

We earn revenue by directly acquiring traffic to our owned and operated websites and utilizing our RAMP platform and additional services to monetize end-users for our Advertising Partners. For this revenue stream, we are the principal in the transaction and report revenue on a gross basis for the amounts received from Advertising Partners. We have determined that we are the principal since we direct the use of our owned and operating websites, and as such have risk of loss on the user-traffic that we are acquiring for monetization with our Advertising Partners. Additionally, we maintain the website, provide the content and bear the cost and risk of loss associated with the digital online inventory available on our website.

Revenue is also earned from revenue-sharing arrangements with our Network Partners related to the use of our RAMP platform and additional services provided to them in order to direct advertising by our Advertising Partners to their digital online inventory. We have determined that we are the agent in these transactions and therefore report revenue on a net basis, because our network partner runs the campaign to acquire user-traffic including managing traffic acquisition cost. We report the revenue generated under our revenue-sharing arrangements on a net basis, based on the difference between amounts received by us from our Advertising Partners, less amounts remitted to the Network Partners based on the underlying revenue-sharing agreements.

We recognize revenue as we deliver user-traffic to our Advertising Partners based on a cost-per-click, cost-per-action or cost-per-thousand impression basis. The payment terms with our Advertising Partners are typically 30 days.

Revenue may fluctuate from period to period due to a number of factors including seasonality and the shift in mix of user acquisition sources from Advertising Partners.

We have two reportable segments:

- Marketing; and
- Products

Operating Expenses

To conform to the current period's presentation, depreciation and amortization expense was reclassified to cost of revenue and selling, general, and administrative in the prior period condensed consolidated statements of operations. We classify our operating expenses into the following categories:

Cost of revenue. Cost of revenue primarily consists of traffic acquisition costs, which are the costs to place advertisements to acquire customers to our websites and services, domain name registration costs, licensing costs to provide mapping services to *Mapquest.com* and amortization related to our RAMP platform. We do not pre-pay any traffic acquisition costs, and therefore, such costs are expensed as incurred. Amortization related to our RAMP platform is recognized over the estimated useful life of the intangible asset.

Salaries and benefits. Salaries and benefits expenses include salaries, bonuses, stock-based compensation, and employee benefits costs.

Selling, general, and administrative. Selling, general, and administrative expenses consist of depreciation and non-internally developed software platform amortization, fees for software services, professional services, occupancy costs and travel and entertainment. Depreciation and non-internally developed software platform amortization expense are primarily attributable to our capital investment(s) and consist of property and equipment depreciation and amortization of intangible assets with finite lives.

Other Expenses or Incomes:

Other expenses or incomes consist of the following:

Interest expense, net. Interest expense consists of interest on our debt and the amortization of deferred financing costs and debt discount.

Gain on extinguishment of debt. The recognition of the gain from the repurchase of a portion of our Term Loan at a discount. See Item 1, "Financial Statements —Note 5, Debt, Net" for additional information.

Change in fair value of warrant liabilities. The mark to market of our liability-classified Warrants.

Income tax benefit

During 2023 and through July 31, 2024, we were the sole managing member of S1 Holdco and, as a result, consolidated the financial results of S1 Holdco. S1 Holdco was treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, S1 Holdco was not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by S1 Holdco was passed through to and included in the taxable income or loss of its members, including us, on a pro rata basis. We were subject to U.S. federal income taxes, in addition to state and local income taxes with respect to its allocable share of any taxable income or loss of S1 Holdco, as well as any stand-alone income or loss generated by us.

As of August 1, 2024, we are the sole managing member of System1 Holdings and, as a result, consolidate the financial results of System1 Holdings. System1 Holdings is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, System1 Holdings is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by System1 Holdings is passed through to and included in the taxable income or loss of its members, including us, on a pro rata basis. We are subject to U.S. federal income taxes, in addition to state and local income taxes with respect to its allocable share of any taxable income or loss of System1 Holdings, as well as any stand-alone income or loss generated by us.

Results of Operations

The following table sets forth our consolidated results of operations and our consolidated results of operations as a percentage of revenue for the periods presented (in thousands).

	Three Months Ended June 30,				Change	
	2025	% of Revenue	2024	% of Revenue	($)	(%)*
Revenue	$ 78,115	100 %	$ 94,581	100 %	$ (16,466)	(17)%
Operating expenses:						
Cost of revenue	50,212	64 %	68,507	72 %	(18,295)	(27)%
Salaries and benefits	26,297	34 %	33,937	36 %	(7,640)	(23)%
Selling, general, and administrative	17,511	22 %	21,223	22 %	(3,712)	(17)%
Total operating expenses	94,020	120 %	123,667	131 %	(29,647)	(24)%
Operating loss	(15,905)	(20)%	(29,086)	(31)%	13,181	(45)%
Other expense (income):						
Interest expense, net	7,116	9 %	7,871	8 %	(755)	(10)%
Gain on extinguishment of debt	—	— %	(433)	— %	433	(100)%
Change in fair value of warrant liabilities	68	— %	(1,501)	(2)%	1,569	(105)%
Total other expense (income), net	7,184	9 %	5,937	6 %	1,247	21 %
Loss before income tax	(23,089)	(30)%	(35,023)	(37)%	11,934	(34)%
Income tax benefit	(1,547)	(2)%	(178)	— %	(1,369)	769 %
Net loss	(21,542)	(28)%	(34,845)	(37)%	13,303	(38)%
Less: Net loss attributable to non-controlling interest	(4,079)	(5)%	(8,472)	(9)%	4,393	(52)%
Net loss attributable to System1, Inc.	$ (17,463)	(22)%	$ (26,373)	(28)%	$ 8,910	(34)%

* Percentages may not sum due to rounding

	Six Months Ended June 30,				Change	
	2025	% of Revenue	2024	% of Revenue	($)	(%)*
Revenue	$ 152,628	100 %	$ 179,498	100 %	$ (26,870)	(15)%
Operating expenses:						
Cost of revenue	96,289	63 %	134,825	75 %	(38,536)	(29)%
Salaries and benefits	51,285	34 %	58,420	33 %	(7,135)	(12)%
Selling, general, and administrative	34,085	22 %	41,135	23 %	(7,050)	(17)%
Total operating expenses	181,659	119 %	234,380	131 %	(52,721)	(22)%
Operating loss	(29,031)	(19)%	(54,882)	(31)%	25,851	(47)%
Other expense (income):						
Interest expense, net	14,201	9 %	15,841	9 %	(1,640)	(10)%
Gain on extinguishment of debt	—	— %	(20,109)	(11)%	20,109	(100)%
Change in fair value of warrant liabilities	100	— %	(1,752)	(1)%	1,852	(106)%
Total other expense (income), net	14,301	9 %	(6,020)	(3)%	20,321	(338)%
Loss before income tax	(43,332)	(28)%	(48,862)	(27)%	5,530	(11)%
Income tax benefit	(1,934)	(1)%	(226)	— %	(1,708)	756 %
Net loss	(41,398)	(27)%	(48,636)	(27)%	7,238	(15)%
Less: Net loss attributable to non-controlling interest	(8,052)	(5)%	(11,726)	(7)%	3,674	(31)%
Net loss attributable to System1, Inc.	$ (33,346)	(22)%	$ (36,910)	(21)%	$ 3,564	(10)%

* Percentages may not sum due to rounding

Revenue Metrics

The key non-financial performance metrics we use to evaluate our business, track the effectiveness of our operations and measure our performance are return on traffic acquisition cost ("RTAC"), the number of Products sessions and Products revenue-per-session ("Products RPS").

Marketing

We define RTAC as platform revenue divided by traffic acquisition cost ("TAC"). Platform revenue is GAAP revenue plus Network Partner revenue share. TAC is defined as the sum of total advertising spend, agency fees and Network Partner revenue share. Advertising spend is the amount of advertising that is spent to acquire traffic. Agency fees are the amount of costs for agencies acquiring traffic to Owned and Operated websites. We believe RTAC is a relevant measure to evaluate our effectiveness and efficiency in deploying capital to acquire monetizable traffic to our Marketing segment.

Products

We define Products sessions as the total number of monetizable user visits to our Products websites. Monetizable visits exclude those visits identified as spam, bot, or other invalid traffic. We define Products RPS as Products revenue divided by Products sessions. We believe Product sessions and RPS are relevant measures to evaluate our effectiveness and efficiency in converting monetizable traffic into revenue, which are key drivers of our Products reportable segment.

Revenue

The following tables presents our revenue by reportable segment (in thousands):

	Three Months Ended June 30,		Change	
	2025	2024	($)	(%)
Marketing	$ 54,142	$ 76,654	$ (22,512)	(29)%
Products	23,973	17,927	6,046	34%
Total revenue	$ 78,115	$ 94,581	$ (16,466)	(17)%

	Six Months Ended June 30,		Change	
	2025	2024	($)	(%)
Marketing	$ 106,392	$ 146,784	$ (40,392)	(28)%
Products	46,236	32,714	13,522	41%
Total revenue	$ 152,628	$ 179,498	$ (26,870)	(15)%

Marketing

Marketing revenue decreased for the three and six months ended June 30, 2025 as compared to the prior comparative periods. For the three months ended June 30, 2025, compared to the prior year comparative period, traffic acquisition cost decreased by approximately $5.3 million to $114.9 million from $120.2 million and RTAC decreased by approximately 3% to 117% from 120%. For the six months ended June 30, 2025, compared to the prior year comparative period, TAC decreased by approximately $26.5 million to $200.9 million from $227.3 million and RTAC increased by approximately 2% to 121% from 119%.

Products

Products revenue increased for the three and six months ended June 30, 2025 as compared to the prior comparative periods. For the three months ended June 30, 2025, compared to the prior year comparative period, Products sessions increased by approximately 57.6 million to 522.5 million from 464.9 million and Products RPS increased by approximately $0.01 to $0.05 from $0.04. For the six months ended June 30, 2025, compared to the prior year comparative period, Products sessions increased by approximately 97.4 million to 998.2 million from 900.8 million and Products RPS increased by approximately $0.01 to $0.05 from $0.04.

Cost of revenue

Cost of revenue decreased for the three and six months ended June 30, 2025 as compared to the prior comparative periods. The decrease in advertising spend and agency fees is correlated with the decrease in revenue.

Amortization expense for our RAMP platform increased $0.4 million and $0.8 million for the three and six months ended June 30, 2025, respectively compared to the prior comparative periods primarily due to increased amortization for our continued investment in developed technology and internally developed software.

Our chief operating decision maker measures and evaluates reportable segments based on segment operating revenue and segment adjusted gross profit. We define and calculate segment adjusted gross profit as revenue less traffic acquisition costs incurred to acquire users. The remaining cost of revenue consists of non-advertising expenses such as set-up costs, royalties, fees and amortization related to our RAMP platform. We exclude the following items from segment adjusted gross profit: other cost of revenue (total cost of revenue excluding traffic acquisition cost), salaries and benefits, selling, general and administrative expenses and, at times, certain other transactions or adjustments.

The following tables presents our segment adjusted gross profit by reportable segment (in thousands):

	Three Months Ended June 30,		Change	
	2025	2024	($)	(%)
Marketing	$ 19,633	$ 23,622	$ (3,989)	(17)%
Products	$ 22,697	$ 17,246	$ 5,451	32 %

	Six Months Ended June 30,		Change	
	2025	2024	($)	(%)
Marketing	$ 41,420	$ 43,278	$ (1,858)	(4)%
Products	$ 43,652	$ 30,971	$ 12,681	41 %

See the Revenue and Cost of revenue discussions above for changes to adjusted gross profit.

Salaries and benefits

Salaries and benefits expense decreased for the three and six months ended June 30, 2025 as compared to the prior comparative periods. The decrease was primarily related to $11.1 million and $11.2 million reduction in CouponFollow share-based liability accruals and an approximate ten percent reduction in headcount, for the three and six months ended June 30, 2025, respectively. For the three months ended June 30, 2025 this was offset by $2.2 million recognized for employee benefits and a net increase in stock based compensation of $1.1 million of which $3.5 million related to expense recognized for the vesting of certain stock appreciation right awards offset by $2.3 million reduction in restricted stock unit awards that had vested. For the six months ended June 30, 2025, this was offset by $3.5 million related to vesting of certain stock appreciation right awards.

Selling, general, and administrative

Selling, general, and administrative expense decreased for the three and six months ended June 30, 2025 as compared to the prior comparative periods. The decrease was primarily related to the $4.3 million and $7.3 million reduction in professional services and consulting fees for the three and six months ended June 30, 2025, respectively.

Other expense (income):

Interest expense, net

Interest expense, net decreased for the three and six months ended June 30, 2025 as compared to the prior comparative periods primarily due to a lower outstanding debt balance.

Gain on extinguishment of debt

Gain on extinguishment of debt decreased for the three and six months ended June 30, 2025 as compared to the prior comparative periods due to the repurchase of our principal debt balances via a Dutch auction in the first quarter and repurchase of debt in the second quarter of 2024. There was no repurchase of debt in the first or second quarter of 2025.

Change in fair value of warrant liabilities

Change in fair value of warrant liabilities decreased for the three and six months ended June 30, 2025 as compared to the prior comparative periods due to the fair value remeasurement of Warrants which have been delisted from the New York Stock Exchange.

Income tax benefit

The difference between the effective tax rates for the periods presented above and the federal statutory tax rate of 21% was primarily due to the exclusion of non-controlling income (loss), nondeductible expenses, valuation allowance and outside basis adjustments.

On July 4, 2025, President Trump signed into law the One Big Beautiful Bill Act ("OBBBA"). The OBBBA makes permanent key elements of the Tax Cuts and Jobs Act, including 100% bonus depreciation, domestic research cost expensing, and the business interest expense limitation. We are currently assessing its impact on our consolidated financial statements.

Liquidity and Capital Resources

We expect existing cash and cash equivalents and cash flows from operating and financing activities to continue to be sufficient to fund our operating and cash commitments for investing and financing activities for at least the next twelve months. Our principal sources of liquidity have historically been from cash received from the sale of Total Security Limited (formerly known as Protected. net Group Limited), indebtedness available under our credit facilities, other indebtedness and cash flows from operations. Our principal sources of liquidity are expected to be from cash on hand and cash flows from operating and financing activities. Our ability to fund future operating expenses and capital expenditures, and our ability to meet our future debt service obligations, will depend on our ability to execute on our operational strategy and may be affected by our profitability, as well as general economic, financial and other factors which are beyond our control.

We continue to develop and implement plans to improve our liquidity. Our main focus is executing on our operational strategy, which includes continued focus on expanding the number of advertising partners that are utilizing or integrated with RAMP by continuing to attract and monetize users with commercial intent on our owned and operated web properties and on behalf of our Network Partners as well as optimizing bids and driving higher returns on advertising spend. Additionally, we are focused on our current cost structure by reducing our cash operating expenses and debt service obligations. Adverse macroeconomic conditions have affected, and may in the future affect, the demand for advertising, resulting in fluctuations in the amounts our advertisers spend on advertising, which could have a negative impact on our financial condition and operating results.

As of June 30, 2025, we had unrestricted cash and cash equivalents of $63.6 million and $50.0 million available to borrow on our 2022 Revolving Facility. For the six months ended June 30, 2025, we had cash outflows of $2.7 million. The principal drivers of our cash outflows were $8.5 million net inflows for changes in operations, which included $13.2 million in outflows related to the payment of an earnout obligation for the CouponFollow acquisition and $19.9 million in inflows related to timing of payments to revenue share partners, $10.0 million principal repayment of our Term Loan and $2.8 million of capitalized software development costs.

Our revenue is dependent on two key Advertising Partners, Google and Microsoft. See our concentration with customers discussion at Item 1 "Financial Statements — Note 2, Summary of Significant Accounting Policies" for additional information.

Credit Facilities

See Item 1, "Financial Statements - Note 5, Debt, Net" of this Quarterly Report on Form 10-Q.

Cash Flows

The following table summarizes our cash flows for the periods presented (in thousands):

	Six Months Ended June 30,	
	2025	**2024**
Net cash provided by (used in) operating activities	$ 8,543	$ (6,022)
Net cash used in investing activities	$ (3,107)	$ (3,218)
Net cash used in financing activities	$ (8,094)	$ (53,929)

Operating Activities

Our cash flows from operating activities are primarily impacted by growth in our operations, timing of collections from our partners and related payments to our suppliers for advertising inventory and data. We typically pay suppliers in advance of collections from our clients and our collection and payment cycles can vary from period to period. In addition, seasonality may impact cash flows from operating activities on a sequential quarterly basis during the year.

In the six months ended June 30, 2025, cash provided by operating activities was $8.5 million. The principal drivers of our cash inflow from operations were related to timing of revenue share payments to our partners.

In the six months ended June 30, 2024, cash used in operating activities was $6.0 million resulted primarily from favorable changes in net income, excluding the impact of non-cash items offset by favorable changes in working capital balances. The favorable changes in working capital balances included an increase in accrued expenses and other current liabilities offset by an increase in account receivable balances.

Investing Activities

Our primary investing activities consisted of costs capitalized for internally developed software.

In the six months ended June 30, 2025 and 2024, cash used in investing activities was $3.1 million and $3.2 million resulted primarily from costs capitalized for internally developed software, respectively.

Financing Activities

Our financing activities consisted primarily of borrowings and repayments of our indebtedness under our credit facilities.

In the six months ended June 30, 2025, cash used in financing activities was $8.1 million of which $10.0 million was related to the repayment of the 2022 Term Loan, offset by $2.3 million of cash received from the private placement with our founders family foundation.

In the six months ended June 30, 2024, cash used in financing activities was $53.9 million was primarily related to the repurchase of the 2022 Term Note via a Dutch auction in the amount of $51.8 million.

Off-Balance Sheet Arrangements

We do not have any relationships with entities often referred to as structured finance or special purpose entities that have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We did not have any other off-balance sheet arrangements during the periods presented other than the indemnification agreements.

Contractual Obligations and Known Future Cash Requirements

Service Agreements

In June 2023, we entered into a multi-year agreement with a service provider whereby we are contractually obligated to spend $5.0 million annually between July 2023 and June 2026. As of June 30, 2025, we remain contractually obligated to spend a remaining $5.0 million towards this commitment.

Contingencies

From time to time, we are subject to contingencies that arise in the ordinary course of business. We record an accrual for a contingency when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. We do not currently believe the resolution of any such contingencies will have a material adverse effect upon our condensed consolidated financial statements.

Critical Accounting Policies and Estimates

We prepare our financial statements in accordance with GAAP. Preparing these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

The critical accounting estimates, assumptions, and judgments that we believe to have the most significant impact on our condensed consolidated financial statements are valuation of goodwill, stock-based compensation and income taxes.

There have been no material changes to our critical accounting policies and estimates as described in our Annual Report on Form 10-K filed with the SEC on March 10, 2025.

Recently Issued Accounting Pronouncements

For information regarding recent accounting pronouncements, see Item 1, "Financial Statements - Note 2, Summary of Significant Accounting Policies."

Item 3. Quantitative and Qualitative Disclosure about Market Risk

As a "smaller reporting company", as defined by Rule 10(f)(1) of Regulation S-K, we are not required to provide this information.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Pursuant to Rules 13a-15(b) and 15d-15(b) under the Securities Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), 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 the end of the period covered by this report. Based on that evaluation, our CEO and CFO concluded that, as of June 30, 2025, due to the material weaknesses in our internal control over financial reporting described below, our disclosure controls and procedures were not effective to ensure that the information required to be disclosed in the reports required to be filed or submitted under the Securities Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and (ii) accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Material Weaknesses in Internal Control Over Financial Reporting

We have identified material weaknesses in our internal control over financial reporting as of June 30, 2025. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses identified were as follows:

- We did not design and maintain an effective control environment commensurate with our financial reporting requirements. Specifically, we lacked a sufficient number of professionals with an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely and accurately. Additionally, the limited personnel resulted in an inability to consistently establish appropriate authorities and responsibilities in pursuit of financial reporting objectives, as demonstrated by, among other things, insufficient segregation of duties in our finance and accounting functions;
- We did not design and maintain effective controls in response to the risks of material misstatement. Specifically, changes to existing controls or the implementation of new controls have not been sufficient to respond to changes to the risks of material misstatement to financial reporting.

These material weaknesses contributed to the following additional material weaknesses:

- We did not design and maintain effective controls to timely analyze and record the financial statement effects from complex, non-routine transactions, including acquisitions, dispositions, equity commitments and post-combination compensation arrangements. Specifically, we did not design and maintain effective controls over the application of US GAAP to such transactions, and, as it relates to acquisitions, did not design and maintain effective controls over (i) the review of the inputs and assumptions used in the measurement of assets acquired and liabilities assumed, including discounted cash flow analysis to value acquired intangible assets at an appropriate level of precision, (ii) the tax impacts of acquisitions to the financial statements, and (iii) conforming of US GAAP and accounting policies of acquired entities to that of the Company. In addition, we did not design and maintain effective controls relating to the oversight and ongoing recording of the financial statement results of the acquired businesses;

- We did not design and maintain formal accounting policies, procedures and controls to achieve complete, accurate and timely financial accounting, reporting and disclosures, including controls over (i) the preparation and review of business performance reviews, account reconciliations, journal entries, and identification of asset groups and (ii) maintaining appropriate segregation of duties. Additionally, we did not design and maintain controls over the classification and presentation of accounts and disclosures in the consolidated financial statements, including the statement of cash flows.

Remediation plan for the material weaknesses

We are in the process of, and we are focused on, designing and implementing effective measures to improve our internal control over financial reporting and remediate the material weaknesses. Our remediation efforts to address the identified material weaknesses are ongoing. Our efforts include a number of actions:

- Assessed the need of additional senior level accounting personnel with applicable technical accounting knowledge, training, and experience in accounting matters, and hired the appropriately skilled resources;
- Designing and implementing controls to formalize roles and review responsibilities to align with our team's skills and experience and designing and implementing controls ensuring segregation of duties;
- Engaged an accounting advisory firm to assist with the documentation, evaluation, remediation and testing of our internal control over financial reporting based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission;
- Designing and implementing controls to address the financial reporting risks over the accounting for dispositions, acquisitions and other complex, non-routine transactions, including controls over the preparation and review of accounting memoranda addressing these matters, valuations and key assumptions utilized in the valuations, allocation of goodwill reporting units, tax impacts, and ongoing recording of the financial statement results of the acquired businesses;
- Designing and implementing formal accounting policies with periodic reviews, procedures and controls supporting our period-end financial reporting process, including controls over the preparation and review of account reconciliations and journal entries, business performance reviews, foreign exchange gains/losses for intercompany transactions, appropriate determination of asset groups for impairment consideration and classification and presentation of accounts and disclosures, including the statement of cash flows.

We believe the measures described above will facilitate the remediation of the material weaknesses we have identified and will strengthen our internal control over financial reporting. We are committed to continuing to improve our internal control over financial reporting and will continue to review, optimize and enhance our processes, procedures and controls. As we continue to evaluate and work to improve our internal control over financial reporting, we may take additional measures to address control deficiencies, or we may modify, or in appropriate circumstances not complete, certain of the remediation measures described above. These material weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Therefore, these material weaknesses have not been remediated as of June 30, 2025.

Changes in Internal Control over Financial Reporting

There have been no changes to our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the three months ended June 30, 2025 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II—OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to various legal proceedings and claims that arise the ordinary course of business. We believe the ultimate liability, if any, with respect to these actions will not materially affect the unaudited condensed consolidated financial position, results of operations, or cash flows reflected in the unaudited condensed consolidated financial statements. There can be no assurance, however, that the ultimate resolution of such actions will not materially or adversely affect our unaudited condensed consolidated financial position, results of operations, or cash flows. We accrue for losses when the litigation and claim, including legal costs, is deemed probable and the liability can reasonably be estimated.

For information in response to this item, see Part I, Item I, "Financial Statements - Note 7, Commitments and Contingencies", within the notes to our unaudited condensed consolidated financial statements and for a summary of material legal proceedings see Part I, Item 3, "Legal Proceedings" of our Annual Report on Form 10-K filed with the SEC on March 10, 2025.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K Part I, Item "1A. Risk Factors" for the year ended December 31, 2024 filed with the SEC on March 10, 2025.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Equity Securities

During the second quarter of 2025, we sold $2.25 million of unregistered securities. The proceeds will be used for general corporate expenses.

Issuer Purchases of Equity Securities

The following table provides certain information with respect to our purchases of common stock during the second quarter of 2025:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
June 1 - 30	144	$ 4.35	144	$ 23.9
Total Repurchases	144	$ 4.35	144	$ 23.9

In August 2022, the Board authorized up to $25.0 million for the repurchase of our Class A common stock and Warrants. As of June 30, 2025, we had $23.9 million available under this authorization remaining.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
2.1(a)	Business Combination Agreement, dated as of June 28, 2021, by and among Trebia Acquisition Corp., S1 Holdco, LLC, System1 SS Protect Holdings, Inc., and the other parties that are signatory thereto.	8-K	001-39331	2.1	6/29/2021	
2.1(b)	Amendment No. 1 to the Business Combination Agreement, dated as of November 30, 2021, by and among Trebia Acquisition Corp., S1 Holdco, LLC, System1 SS Protect Holdings, Inc., and the other parties that are signatory thereto.	S-4	333-260714	2.2	12/1/2021	
2.1(c)	Amendment No. 2 to the Business Combination Agreement, dated January 10, 2022, by and among S1 Holdco, LLC, a Delaware limited liability company, System1 SS Protect Holdings, Inc., a Delaware corporation and the other parties signatory thereto.	8-K	001-39331	10.1	1/20/2022	
2.1(d)	Amendment No. 3 to the Business Combination Agreement, dated January 25, 2022, by and among S1 Holdco, LLC, a Delaware limited liability company, System1 SS Protect Holdings, Inc., a Delaware corporation and the other parties signatory thereto.	8-K	001-39331	10.1	1/26/2022	
2.2	Share Purchase Agreement, dated November 30, 2023, by and among System1, Inc., Orchid Merger Sub II, LLC, Sonic Newco, LLC, JDI Antarctica Limited and JDI Antarctica Sub II Limited	8-K	001-39331	2.1	12/4/2023	
3.1	Certificate of Incorporation of System1, Inc.	8-K	001-39331	3.1	2/2/2022	
3.2	Second Amended and Restated Bylaws of System1, Inc.	8-K	001-39331	3.1	3/1/2023	
3.3	Amendment to the System1, Inc. Certificate of Incorporation	8-K	001-39331	3.1	6/14/2024	
3.4	Amendment to the System1, Inc. Certificate of Incorporation	8-K	001-39331	3.1	6/11/2025	
4.1	Warrant Agreement, dated June 19, 2020, by and between Trebia Acquisition Corp. and Continental Stock Transfer & Trust Company, as warrant agent.	8-K	001-39331	4.1	6/2/2020	
4.2	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	10-K	001-39331	4.2	6/6/2023	
10.1^	System1, Inc. 2022 Incentive Award Plan.	8-K	001-39331	10.2	2/2/2022	
10.2#	Credit and Guaranty Agreement, dated as of January 27, 2022, among Orchid Finco LLC, System1 Midco, LLC, Orchid Merger Sub II, LLC and the subsidiaries from time to time party thereto, S1 Holdco, LLC, Bank of America, N.A. and the lenders from time to time party thereto.	10-K	001-39331	10.7	6/6/2023	
10.3	Registration Rights Agreement, dated January 27, 2022, by and among System1, Inc. and the other parties that are signatory thereto.	S-1	333-262608	10.3	2/9/2022	
10.4	Registration Rights Agreement, dated June 19, 2020, among the Company, the Sponsors and certain other security holders named therein.	8-K	001-39331	10.2	6/22/2020	
31.1*	Certification of principal executive officer pursuant to Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2*	Certification of principal financial and accounting officer pursuant to Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
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					X
32.2**	Certification of principal financial and accounting officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS*	XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					
101.SCH*	XBRL Taxonomy Extension Schema Document.					
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.					
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.					
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document.					
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.					

104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

^ Indicates management contract or compensatory plan.

Schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Registrant will furnish copies of any such schedules and exhibits to the SEC upon request.

SIGNATURES

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

	System1 Inc.	
Date: August 7, 2025	By:	/s/ Michael Blend
		Michael Blend
		Chief Executive Officer
Date: August 7, 2025	By:	/s/ Tridivesh Kidambi
		Tridivesh Kidambi
		Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Michael Blend, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of System1, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael Blend
Michael Blend
Chief Executive Officer
(Principal Executive Officer)
Date: August 7, 2025

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Tridivesh Kidambi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of System1, Inc.;

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

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

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Tridivesh Kidambi
Tridivesh Kidambi
Chief Financial Officer
(Principal Financial Officer)
Date: August 7, 2025

Exhibit 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

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2025 of System1, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Blend, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael Blend
Michael Blend
Chief Executive Officer
(Principal Executive Officer)

Date: August 7, 2025

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission (the "SEC") or its staff upon request.

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 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

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2025 of System1, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tridivesh Kidambi, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Tridivesh Kidambi
Tridivesh Kidambi
Chief Financial Officer
(Principal Financial Officer)

Date: August 7, 2025

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission (the "SEC") or its staff upon request.

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.