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# DELTA REPORT

## 10-Q

CODI PR B - COMPASS DIVERSIFIED HOLDI  
10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1267
CHANGES	501
DELETIONS	325
ADDITIONS	441

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

Form 10-Q

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

For the quarterly period ended March 31, 2024 June 30, 2024

Or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMPASS DIVERSIFIED HOLDINGS  
(Exact name of registrant as specified in its charter)

Delaware	001-34927	57-6218917
(State or other jurisdiction of incorporation or organization)	(Commission file number)	(I.R.S. employer identification number)

COMPASS GROUP DIVERSIFIED HOLDINGS LLC  
(Exact name of registrant as specified in its charter)

Delaware	001-34926	20-3812051
(State or other jurisdiction of incorporation or organization)	(Commission file number)	(I.R.S. employer identification number)

301 Riverside Avenue, Second Floor, Westport, CT 06880

(203) 221-1703

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Shares representing beneficial interests in Compass Diversified Holdings	CODI	New York Stock Exchange
Series A Preferred Shares representing beneficial interests in Compass Diversified Holdings	CODI PR A	New York Stock Exchange
Series B Preferred Shares representing beneficial interests in Compass Diversified Holdings	CODI PR B	New York Stock Exchange
Series C Preferred Shares representing beneficial interests in Compass Diversified Holdings	CODI PR C	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 such files). Yes ☒ No ☐

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>		

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

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

As of April 26, 2024 July 26, 2024, there were 75,384,052 75,652,286 Trust common shares of Compass Diversified Holdings outstanding.

**COMPASS DIVERSIFIED HOLDINGS**  
**QUARTERLY REPORT ON FORM 10-Q**  
For the period ended **March 31, 2024** **June 30, 2024**

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**NOTE TO READER**

In reading this Quarterly Report on Form 10-Q, references to:

- the "Trust" and "Holdings" refer to Compass Diversified Holdings;
- the "LLC" refer to Compass Group Diversified Holdings LLC;
- the "Company" refer to Compass Diversified Holdings and Compass Group Diversified Holdings LLC, collectively;
- "businesses", "operating segments", "subsidiaries" and "reporting units" all refer to, collectively, the businesses controlled by the Company;
- the "Manager" refer to Compass Group Management LLC ("CGM");
- the "Trust Agreement" refer to the Third Amended and Restated Trust Agreement of the Trust dated as of August 3, 2021, **as further amended;**
- the "2022 Credit Facility" refer to the third amended and restated credit agreement entered into on July 12, 2022 among the LLC, the lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, Swing Line Lender and letter of credit issuer (the "agent")
- the "2022 Revolving Credit Facility" refers to the \$600 million in revolving loans, swing line loans and letters of credit provided by the 2022 Credit Facility that matures in 2027;
- the "2022 Term Loan" refer to the \$400 million term loan provided by the 2022 Credit Facility;
- the "LLC Agreement" refer to the Sixth Amended and Restated Operating Agreement of the Company dated as of August 3, 2021, as further amended; and
- "we," "us" and "our" refer to the Trust, the Company and the businesses together.

**FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q, contains both historical and forward-looking statements. We may, in some cases, use words such as "project," "predict," "believe," "anticipate," "plan," "expect," "estimate," "intend," "should," "would," "could," "potentially," "may," or other words that convey uncertainty of future events or outcomes to identify these forward-looking statements. All statements other than statements of historical or current fact are "forward-looking statements" for purposes of federal and state securities laws. Forward

looking statements include, among other things, (i) statements as to our future performance or liquidity, such as expectations for our results of operation, net income, adjusted EBITDA, adjusted earnings, and ability to make quarterly distributions and (ii) our plans, strategies and objectives for future operations, including our business outlook and planned capital expenditures. Forward-looking statements in this Quarterly Report on Form 10-Q are subject to a number of risks and uncertainties, such as those disclosed or incorporated by reference in our filings with the SEC, including, but not limited to, those described under the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the United States Securities and Exchange Commission ("SEC") on February 28, 2024, as such factors may be updated from time to time in our filings with the SEC. Many of these risks and uncertainties are beyond our control. Important factors that could cause our actual results, performance and achievements to differ materially from those estimates or projections contained in our forward-looking statements include, among other things:

- changes in general economic, political or business conditions or economic, political or demographic trends in the United States and other countries in which we have a presence, including changes in interest rates and inflation;
- disruption in the global supply chain, labor shortages and high labor costs;
- difficulties and delays in integrating, or business disruptions following, acquisitions or an inability to fully realize cost savings and other benefit related thereto;
- our ability to successfully operate our subsidiary businesses on a combined basis, and to effectively integrate and improve future acquisitions;
- our ability to maintain our credit facilities or incur additional borrowings on terms we deem attractive;
- our ability to remove CGM and CGM's right to resign;
- our organizational structure, which may limit our ability to meet our dividend and distribution policy;
- our ability to service and comply with the terms of our indebtedness;
- our ability to make distributions in the future to our shareholders;
- our ability to pay the management fee and profit allocation if and when due;
- our ability to make and finance future acquisitions;
- our ability to implement our acquisition and management strategies;
- the legal and regulatory environment in which our subsidiaries operate;
- trends in the industries in which our subsidiaries operate;
- future changes in laws or regulations (including the interpretation of these laws and regulations by regulatory authorities);
- risks associated with possible disruption in operations or the economy generally due to terrorism or natural disaster or social, civil or political unrest;
- environmental risks affecting the business or operations of our subsidiaries;
- our and CGM's ability to retain or replace qualified employees of our subsidiaries and CGM;
- the impact of the tax reclassifications of the Trust;
- costs and effects of legal and administrative proceedings, settlements, investigations and claims; and
- extraordinary or force majeure events affecting the business or operations of our subsidiary businesses.

Our actual results, performance, prospects or opportunities could differ materially from those expressed in or implied by the forward-looking statements. Additional risks of which we are not currently aware or which we currently deem immaterial could also cause our actual results to differ.

In light of these risks, uncertainties and assumptions, you should not place undue reliance on any forward-looking statements. The forward-looking events discussed in this Quarterly Report on Form 10-Q may not occur. These forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances, whether as a result of new information, future events or otherwise, except as required by law.

PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

COMPASS DIVERSIFIED HOLDINGS

CONDENSED CONSOLIDATED BALANCE SHEETS

		March 31,	December 31,
		2024	2023
		June 30,	December 31,
		2024	2023

(In thousands)

Assets	
Assets	
Assets	
Current assets:	
Current assets:	
Current assets:	
Cash and cash equivalents	
Cash and cash equivalents	
Cash and cash equivalents	
Accounts receivable, net	

Inventories, net
Prepaid expenses and other current assets
Total current assets
Property, plant and equipment, net
Goodwill
Intangible assets, net
Other non-current assets
Total assets
Liabilities and stockholders' equity
Current liabilities:
Current liabilities:
Current liabilities:
Accounts payable
Accounts payable
Accounts payable
Accrued expenses
Due to related parties (refer to Note P)
Current portion, long-term debt
Other current liabilities
Total current liabilities
Deferred income taxes
Long-term debt
Other non-current liabilities
Total liabilities
Commitments and contingencies (refer to Note O)
Stockholders' equity
Stockholders' equity
Stockholders' equity
Trust preferred shares, 50,000 authorized; 12,634 shares issued and outstanding at March 31, 2024 and 12,600 shares issued and outstanding at December 31, 2023
Trust preferred shares, 50,000 authorized; 12,634 shares issued and outstanding at March 31, 2024 and 12,600 shares issued and outstanding at December 31, 2023
Trust preferred shares, 50,000 authorized; 12,634 shares issued and outstanding at March 31, 2024 and 12,600 shares issued and outstanding at December 31, 2023
Series A preferred shares, no par value; 4,008 shares issued and outstanding at March 31, 2024 and 4,000 shares issued and outstanding at December 31, 2023
Series A preferred shares, no par value; 4,008 shares issued and outstanding at March 31, 2024 and 4,000 shares issued and outstanding at December 31, 2023
Series A preferred shares, no par value; 4,008 shares issued and outstanding at March 31, 2024 and 4,000 shares issued and outstanding at December 31, 2023
Series B preferred shares, no par value; 4,004 shares issued and outstanding at March 31, 2024 and 4,000 shares issued and outstanding at December 31, 2023
Series C preferred shares, no par value; 4,623 shares issued and outstanding at March 31, 2024 and 4,600 shares issued and outstanding at December 31, 2023
Trust common shares, no par value, 500,000 authorized; 75,807 shares issued and 75,324 shares outstanding at March 31, 2024 and 75,753 issued and 75,270 outstanding at December 31, 2023
Trust preferred shares, 50,000 authorized; 13,011 shares issued and outstanding at June 30, 2024 and 12,600 shares issued and outstanding at December 31, 2023
Trust preferred shares, 50,000 authorized; 13,011 shares issued and outstanding at June 30, 2024 and 12,600 shares issued and outstanding at December 31, 2023
Trust preferred shares, 50,000 authorized; 13,011 shares issued and outstanding at June 30, 2024 and 12,600 shares issued and outstanding at December 31, 2023
Series A preferred shares, no par value; 4,045 shares issued and outstanding at June 30, 2024 and 4,000 shares issued and outstanding at December 31, 2023
Series A preferred shares, no par value; 4,045 shares issued and outstanding at June 30, 2024 and 4,000 shares issued and outstanding at December 31, 2023
Series A preferred shares, no par value; 4,045 shares issued and outstanding at June 30, 2024 and 4,000 shares issued and outstanding at December 31, 2023
Series B preferred shares, no par value; 4,128 shares issued and outstanding at June 30, 2024 and 4,000 shares issued and outstanding at December 31, 2023
Series C preferred shares, no par value; 4,838 shares issued and outstanding at June 30, 2024 and 4,600 shares issued and outstanding at December 31, 2023
Trust common shares, no par value, 500,000 authorized; 75,958 shares issued and 75,476 shares outstanding at June 30, 2024 and 75,753 issued and 75,270 outstanding at December 31, 2023
Treasury shares, at cost
Accumulated other comprehensive income (loss)
Accumulated deficit
Total stockholders' equity attributable to Holdings
Noncontrolling interest
Total stockholders' equity
Total liabilities and stockholders' equity

See notes to condensed consolidated financial statements.

COMPASS DIVERSIFIED HOLDINGS

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

		Three months ended March 31,		Three months ended March 31,		Three months ended March 31,	
(in thousands, except per share data)							
(in thousands, except per share data)							
		Three months ended June 30,		Six months ended June 30,			
(in thousands, except per share data)	(in thousands, except per share data)	2024	2023	2024	2023		
Net revenues							
Net revenues							
Net revenues							
Cost of revenues							
Cost of revenues							
Cost of revenues							
<b>Gross profit</b>							
<b>Gross profit</b>							
<b>Gross profit</b>							
Operating expenses:							
Operating expenses:							
Operating expenses:							
Selling, general and administrative expense							
Selling, general and administrative expense							
Selling, general and administrative expense							
Management fees							
Management fees							
Management fees							
Amortization expense							
Amortization expense							
Amortization expense							
Impairment expense							
Impairment expense							
Impairment expense							
<b>Operating income</b>							
<b>Operating income</b>							
<b>Operating income</b>							
Other income (expense):							
Other income (expense):							
Other income (expense):							
Interest expense, net							
Interest expense, net							
Interest expense, net							
Amortization of debt issuance costs							
Amortization of debt issuance costs							
Amortization of debt issuance costs							
Other income (expense), net							
Other income (expense), net							
Loss on sale of Crosman (refer to Note C)							
Other income (expense), net							

Income from continuing operations before income taxes
Income from continuing operations before income taxes
Income from continuing operations before income taxes
Provision for income taxes
Provision for income taxes
Provision for income taxes
Income from continuing operations
Income from continuing operations
Income from continuing operations
Income from discontinued operations, net of income taxes
Income from discontinued operations, net of income taxes
Income (loss) from continuing operations
Income from discontinued operations, net of income taxes
Gain on sale of discontinued operations, net of income taxes
Gain on sale of discontinued operations, net of income taxes
Gain on sale of discontinued operations, net of income taxes
Net income
Net income
Net income
Less: Net income from continuing operations attributable to noncontrolling interest
Less: Net income from continuing operations attributable to noncontrolling interest
Net income (loss)
Less: Net income from continuing operations attributable to noncontrolling interest
Less: Net income from discontinued operations attributable to noncontrolling interest
Less: Net income from discontinued operations attributable to noncontrolling interest
Less: Net income from discontinued operations attributable to noncontrolling interest
Net income (loss) attributable to Holdings
Net income (loss) attributable to Holdings
Net income (loss) attributable to Holdings
Amounts attributable to Holdings
Amounts attributable to Holdings
Amounts attributable to Holdings
Loss from continuing operations
Loss from continuing operations
Loss from continuing operations
Income from discontinued operations, net of income tax
Income from discontinued operations, net of income tax
Income (loss) from continuing operations
Income (loss) from continuing operations
Income (loss) from continuing operations
Income from discontinued operations, net of income tax
Gain on sale of discontinued operations, net of income tax
Gain on sale of discontinued operations, net of income tax
Gain on sale of discontinued operations, net of income tax
Net income (loss) attributable to Holdings
Net income (loss) attributable to Holdings
Net income (loss) attributable to Holdings
Basic income (loss) per common share attributable to Holdings (refer to Note J)
Basic income (loss) per common share attributable to Holdings (refer to Note J)
Basic income (loss) per common share attributable to Holdings (refer to Note J)
Continuing operations





Less: Net income attributable to noncontrolling interests
Total comprehensive income (loss), net of tax
Less: Net income attributable to noncontrolling interests
Less: Other comprehensive income (loss) attributable to noncontrolling interests
Less: Other comprehensive income (loss) attributable to noncontrolling interests
Less: Other comprehensive income (loss) attributable to noncontrolling interests
Total comprehensive income (loss) attributable to Holdings, net of tax
Total comprehensive income (loss) attributable to Holdings, net of tax
Total comprehensive income (loss) attributable to Holdings, net of tax

See notes to condensed consolidated financial statements.

COMPASS DIVERSIFIED HOLDINGS  
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(Unaudited)

(in thousands)																		
	(in thousands)	Trust Preferred Shares	Trust	Accumulated	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity Attributable to Holdings	Non-Controlling Interest	Non-Controlling Interest Attributable to Disc. Ops.	Total Stockholders' Equity	(in thousands)	Trust Preferred Shares	Trust	Accumulated	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity Attributable to Holdings	Non-Controlling Interest		
	Series A	Common Shares	Deficit									Common Shares	Deficit					
Balance — January 1, 2023																		
Balance — January 1, 2023																		
Balance — January 1, 2023																		
Balance — April 1, 2023																		
Balance — April 1, 2023																		
Balance — April 1, 2023																		
Net income																		
Total comprehensive income, net																		
Total other comprehensive income, net																		
Issuance of Trust common shares																		
Purchase of Trust common shares for treasury																		
Option activity attributable to noncontrolling shareholders																		
Effect of subsidiary stock option exercise																		

Purchase of  
noncontrolling  
interest

Disposition of  
ACI

Acquisition of  
noncontrolling  
interest

Distributions  
paid -  
Allocation  
Interests (refer  
to Note J)

Distributions  
paid - Trust  
Common  
Shares

Distributions  
paid - Trust  
Preferred  
Shares

Balance —  
March 31,  
2023

Balance —  
June 30, 2023

Balance — January 1,  
2024

Balance — January 1,  
2024

Balance — January 1,  
2024

Balance — April 1, 2024

Balance — April 1, 2024

Balance — April 1, 2024

Net income  
(loss)

Total  
comprehensive  
loss, net

Total other  
comprehensive  
loss, net

Issuance of  
Trust common  
shares

Issuance of  
Trust preferred  
shares

Option activity attributable  
to noncontrolling  
shareholders

Option activity attributable  
to noncontrolling  
shareholders

Option activity attributable  
to noncontrolling  
shareholders

Purchase of  
noncontrolling interest

Purchase of  
noncontrolling interest

Effect of  
subsidiary  
stock option  
exercise

Purchase of  
noncontrolling interest

Reclassification  
of  
noncontrolling  
shareholder  
interest to  
liability

Acquisition of  
THP

Distributions  
paid -  
Allocation  
Interests (refer  
to Note J)

Distributions paid - Trust  
Common Shares

Distributions paid - Trust  
Common Shares

Distributions  
paid - Trust  
Common  
Shares

Distributions  
paid - Trust  
Preferred  
Shares

Balance —  
March 31,  
2024

Balance —  
June 30, 2024

COMPASS DIVERSIFIED HOLDINGS			
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS			
(Unaudited)			
(in thousands)	Three months ended March 31,		
	2024	2023	
Cash flows from operating activities:			
Net income	\$ 5,781	\$ 109,601	
Income from discontinued operations	—	10,000	
Gain on sale of discontinued operations	3,345	97,989	
Income from continuing operations	2,436	1,612	
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			

Depreciation expense	10,892	11,155
Amortization expense - intangibles	26,288	23,973
Amortization expense - inventory step-up	2,826	1,175
Amortization of debt issuance costs	1,005	1,005
Impairment expense	8,182	—
Noncontrolling stockholder stock based compensation	4,330	1,641
Provision for receivable and inventory reserves	(812)	(1,224)
Deferred taxes	(7,921)	(6,351)
Other	427	390
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(4,427)	5,623
Inventories	(30,606)	(46,799)
Other current and non-current assets	2,622	3,024
Accounts payable and accrued expenses	(28,443)	1,260
Cash used in operating activities - continuing operations	(13,201)	(3,516)
Cash provided by operating activities - discontinued operations	—	19,061
Cash provided by (used in) provided by operating activities	(13,201)	15,545
<b>Cash flows from investing activities:</b>		
Acquisitions, net of cash acquired	(379,524)	—
Purchases of property and equipment	(7,747)	(14,897)
Proceeds from sale of businesses	3,345	103,042
Other investing activities	1,448	(303)
Cash provided by (used in) investing activities - continuing operations	(382,478)	87,842
Cash provided by investing activities - discontinued operations	—	66,882
Cash provided by (used in) investing activities	(382,478)	154,724

(in thousands)	Trust Preferred Shares						Accumulated	Stockholders'	Non-			Total
							Other	Equity	Non-	Controlling		
							Comprehensive	Attributable	Controlling	Interest	Attributable to	Stockholders'
	Series A	Series B	Series C	Trust Common Shares	Treasury Shares	Accumulated Deficit	Income (Loss)	to Holdings	Interest	Disc. Ops.		Equity
<b>Balance — January 1, 2023</b>	\$ 96,417	\$ 96,504	\$ 110,997	\$ 1,207,044	\$ —	\$ (372,906)	\$ (1,136)	\$ 1,136,920	\$ 203,464	\$ 21,578	\$	\$ 1,361,962
Net income	—	—	—	—	—	119,003	—	119,003	7,669	52		126,724
Total other comprehensive income, net	—	—	—	—	—	—	1,418	1,418	—	—		1,418
Issuance of Trust common shares	—	—	—	(91)	—	—	—	(91)	—	—		(91)
Purchase of Trust common shares for treasury	—	—	—	—	(5,856)	—	—	(5,856)	—	—		(5,856)
Option activity attributable to noncontrolling shareholders	—	—	—	—	—	—	—	—	4,848	1,836		6,684
Effect of subsidiary stock option exercise	—	—	—	—	—	—	—	—	57	—		57
Purchase of noncontrolling interest	—	—	—	—	—	—	—	—	(1,115)	—		(1,115)
Disposition of ACI	—	—	—	—	—	—	—	—	—	(1,729)		(1,729)
Acquisition of noncontrolling interest	—	—	—	—	—	—	—	—	—	4,155		4,155
Distributions paid - Allocation Interests (refer to Note J)	—	—	—	—	—	(26,475)	—	(26,475)	—	—		(26,475)
Distributions paid - Trust Common Shares	—	—	—	—	—	(36,038)	—	(36,038)	—	—		(36,038)
Distributions paid - Trust Preferred Shares	—	—	—	—	—	(12,091)	—	(12,091)	—	—		(12,091)

<b>Balance — June 30, 2023</b>	<u>\$ 96,417</u>	<u>\$ 96,504</u>	<u>\$ 110,997</u>	<u>\$ 1,206,953</u>	<u>\$ (5,856)</u>	<u>\$ (328,507)</u>	<u>\$ 282</u>	<u>\$ 1,176,790</u>	<u>\$ 214,923</u>	<u>\$ 25,892</u>	<u>\$ 1,417,605</u>
<b>Balance — January 1, 2024</b>	<u>\$ 96,417</u>	<u>\$ 96,504</u>	<u>\$ 110,997</u>	<u>\$ 1,281,303</u>	<u>\$ (9,339)</u>	<u>\$ (249,243)</u>	<u>\$ 111</u>	<u>\$ 1,326,750</u>	<u>\$ 192,631</u>	<u>\$ —</u>	<u>\$ 1,519,381</u>
Net income (loss)	—	—	—	—	—	(21,177)	—	(21,177)	13,235	—	(7,942)
Total other comprehensive loss, net	—	—	—	—	—	—	(4,614)	(4,614)	—	—	(4,614)
Issuance of Trust common shares	—	—	—	4,493	—	—	—	4,493	—	—	4,493
Issuance of Trust preferred shares	1,036	3,054	5,713	—	—	—	—	9,803	—	—	9,803
Option activity attributable to noncontrolling shareholders	—	—	—	—	—	—	—	—	8,257	—	8,257
Effect of subsidiary stock option exercise	—	—	—	—	—	—	—	—	6	—	6
Purchase of noncontrolling interest	—	—	—	—	—	—	—	—	(2,859)	—	(2,859)
Reclassification of noncontrolling shareholder interest to liability	—	—	—	—	—	—	—	—	(696)	—	(696)
Acquisition of THP	—	—	—	—	—	—	—	—	41,674	—	41,674
Distributions paid - Allocation Interests (refer to Note J)	—	—	—	—	—	(48,941)	—	(48,941)	—	—	(48,941)
Distributions paid - Trust Common Shares	—	—	—	—	—	(37,664)	—	(37,664)	—	—	(37,664)
Distributions paid - Trust Preferred Shares	—	—	—	—	—	(12,146)	—	(12,146)	—	—	(12,146)
<b>Balance — June 30, 2024</b>	<u>\$ 97,453</u>	<u>\$ 99,558</u>	<u>\$ 116,710</u>	<u>\$ 1,285,796</u>	<u>\$ (9,339)</u>	<u>\$ (369,171)</u>	<u>\$ (4,503)</u>	<u>\$ 1,216,504</u>	<u>\$ 252,248</u>	<u>\$ —</u>	<u>\$ 1,468,752</u>

**COMPASS DIVERSIFIED HOLDINGS**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>Three months ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
<i>(in thousands)</i>		
<b>Cash flows from financing activities:</b>		
Proceeds and expenses from issuance of Trust common shares, net	1,218	(48)
Proceeds and expenses from issuance of Trust preferred shares, net	827	—
Purchase of treasury shares, net	—	(3,954)
Borrowings under credit facility	100,000	76,000
Repayments under credit facility	(54,000)	(223,000)
Principal payments - term loan	(2,500)	(2,500)
Distributions paid - common shares	(18,818)	(18,051)
Distributions paid - preferred shares	(6,045)	(6,045)
Distributions paid - allocation interests	(48,941)	—
Net proceeds provided by noncontrolling shareholders	—	5
Net proceeds provided by noncontrolling shareholders - acquisitions	41,674	—
Purchase of noncontrolling interest	(2,510)	(848)
Other	—	(5)
Net cash provided by (used in) financing activities	<u>10,905</u>	<u>(178,446)</u>
Foreign currency impact on cash	(989)	562
Net decrease in cash and cash equivalents	(385,763)	(7,615)
Cash and cash equivalents — beginning of period (1)	<u>450,478</u>	<u>61,271</u>
Cash and cash equivalents — end of period (2)	<u>\$ 64,715</u>	<u>\$ 53,656</u>

**COMPASS DIVERSIFIED HOLDINGS**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

(in thousands)	Six months ended June 30,	
	2024	2023
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (7,942)	\$ 126,724
Income from discontinued operations	—	12,840
Gain on sale of discontinued operations	3,345	102,221
Income (loss) from continuing operations	(11,287)	11,663
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	21,397	23,262
Amortization expense - intangibles	53,749	47,951
Amortization expense - inventory step-up	4,006	1,174
Amortization of debt issuance costs	2,009	2,029
Impairment expense	8,182	—
Loss on sale of Crosman	24,606	—
Noncontrolling stockholder stock based compensation	8,257	4,848
Provision for receivable and inventory reserves	(5,268)	(2,002)
Deferred taxes	(407)	(7,899)
Other	497	1,047
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(37,520)	14,385
Inventories	(109,277)	(69,021)
Other current and non-current assets	1,370	(1,251)
Accounts payable and accrued expenses	(8,697)	(36,227)
Cash used in operating activities - continuing operations	(48,383)	(10,041)
Cash provided by operating activities - discontinued operations	—	47,280
Cash provided by (used in) provided by operating activities	(48,383)	37,239
<b>Cash flows from investing activities:</b>		
Acquisitions, net of cash acquired	(379,524)	—
Purchases of property and equipment	(18,919)	(28,604)
Proceeds from sale of businesses	64,828	105,123
Other investing activities	(2,458)	(911)
Cash provided by (used in) investing activities - continuing operations	(336,073)	75,608
Cash provided by investing activities - discontinued operations	—	42,221
Cash provided by (used in) investing activities	(336,073)	117,829

**COMPASS DIVERSIFIED HOLDINGS**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

(in thousands)	Six months ended June 30,	
	2024	2023
<b>Cash flows from financing activities:</b>		
Proceeds and expenses from issuance of Trust common shares, net	4,493	(91)
Proceeds and expenses from issuance of Trust preferred shares, net	9,803	—
Purchase of treasury shares, net	—	(5,856)

Borrowings under credit facility	237,000	217,000
Repayments under credit facility	(183,000)	(280,000)
Principal payments - term loan	(5,000)	(5,000)
Distributions paid - common shares	(37,664)	(36,038)
Distributions paid - preferred shares	(12,146)	(12,091)
Distributions paid - allocation interests	(48,941)	(26,475)
Net proceeds provided by noncontrolling shareholders	6	57
Net proceeds provided by noncontrolling shareholders - acquisitions	41,674	—
Purchase of noncontrolling interest	(2,859)	(1,115)
Other	—	(10)
Net cash provided by (used in) financing activities	3,366	(149,619)
Foreign currency impact on cash	(1,017)	634
Net increase (decrease) in cash and cash equivalents	(382,107)	6,083
Cash and cash equivalents — beginning of period (1)	450,477	61,271
Cash and cash equivalents — end of period (2)	\$ 68,370	\$ 67,354

(1) Includes cash from discontinued operations of \$4.7 million at January 1, 2023.

(2) Includes cash from discontinued operations of \$3.8 \$3.1 million at March 31, 2023 June 30, 2023.

See notes to condensed consolidated financial statements.

**COMPASS DIVERSIFIED HOLDINGS**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**March 31, June 30, 2024**

**Note A - Presentation and Principles of Consolidation**

Compass Diversified Holdings, a Delaware statutory trust (the "Trust") and Compass Group Diversified Holdings LLC, a Delaware limited liability company (the "LLC"), were formed to acquire and manage a group of small and middle-market businesses headquartered in North America. Collectively, Compass Diversified Holdings and Compass Group Diversified Holdings, LLC are referred to as the "Company". In accordance with the Third Amended and Restated Trust Agreement, dated as of August 3, 2021 (as amended and restated, the "Trust Agreement"), the Trust is sole owner of 100% of the Trust Interests (as defined in the Company's Sixth Amended and Restated Operating Agreement, dated as of August 3, 2021 (as amended and restated, the "LLC Agreement")) of the LLC and, pursuant to the LLC Agreement, the LLC has, outstanding, the identical number of Trust Interests as the number of outstanding common shares of the Trust. The LLC is the operating entity with a board of directors and other corporate governance responsibilities, similar to that of a Delaware corporation.

The LLC is a controlling owner of ten businesses, or operating segments, at March 31, 2024 June 30, 2024. The segments are as follows: 5.11 Acquisition Corp. ("5.11"), Boa Holdings Inc. ("BOA"), The Ergo Baby Carrier, Inc. ("Ergobaby"), Lugano Holdings, Inc. ("Lugano Diamonds" or "Lugano"), Relentless Topco, Inc. ("PrimaLoft"), THP Topco, Inc. ("The Honey Pot Co." or "THP"), CBCP Products, LLC ("Velocity Outdoor" or "Velocity"), AMTAC Holdings LLC ("Arnold"), FFI Compass, Inc. ("Altor Solutions" or "Altor"), and StermoCandleLamp Holdings, Inc. ("Stermo"). The segments are referred to interchangeably as "businesses", "operating segments" or "subsidiaries" throughout the financial statements. Refer to [Note E - "Operating Segment Data"](#) for further discussion of the operating segments. Compass Group Management LLC, a Delaware limited liability Company ("CGM" or the "Manager"), manages the day to day operations of the LLC and oversees the management and operations of our businesses pursuant to a management services agreement (the "Management Services Agreement" or "MSA").

**Basis of Presentation**

The condensed consolidated financial statements for the three and six month periods ended March 31, 2024 June 30, 2024 and March 31, 2023 June 30, 2023 are unaudited, and in the opinion of management, contain all adjustments necessary for a fair presentation of the condensed consolidated financial statements. Such adjustments consist solely of normal recurring items. Interim results are not necessarily indicative of results for a full year or any subsequent interim period. The condensed consolidated financial statements and notes are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP" or "GAAP") and presented as permitted by Form 10-Q and do not contain certain information included in the annual consolidated financial statements and accompanying notes of the Company. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

**Consolidation**

The condensed consolidated financial statements include the accounts of the Trust and the Company, as well as the businesses acquired as of their respective acquisition date. All significant intercompany accounts and transactions have been eliminated in consolidation. Discontinued operating entities are reflected as discontinued operations in the Company's results of operations and statements of financial position.

**Discontinued Operations**

The Company completed the sale of Wheelhouse Holdings, Inc. ("Marucci") during the fourth quarter of 2023 and Compass AC Holdings, Inc. ("Advanced Circuits or "ACI") during the first quarter of 2023. The results of operations of Marucci and ACI are reported as discontinued operations in the condensed consolidated statements of operations for the

three six months ended March 31, 2023 June 30, 2023, and the results of operations of Marucci are reported as discontinued operations in the three and six months ended June 30, 2023. Refer to Note C - "Discontinued Operations" "Dispositions" for additional information. Unless otherwise indicated, the disclosures accompanying the condensed consolidated financial statements reflect the Company's continuing operations.

#### Seasonality

Earnings of certain of our operating segments are seasonal in nature due to various recurring events, holidays and seasonal weather patterns, as well as the timing of our acquisitions during a given year. Historically, the third and fourth quarter have produced the highest net sales in our fiscal year, however, due to various acquisitions in the last three years, there is generally less seasonality in our net sales on a consolidated basis than there has been historically.

#### Recently Issued Accounting Pronouncements

##### *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This guidance will require, among other things, the following: (i) enhanced disclosures about significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included in a segment's reported measure of profit or loss; (ii) disclosure of the amount and description of the composition of other segment items, as defined in ASU 2023-07, by reportable segment; and (iii) reporting the disclosures about each reportable segment's profit or loss and assets on an annual and interim basis. The guidance will be effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 and early adoption is permitted. The Company is currently evaluating the impact that this ASU will have when adopted and anticipates the ASU will likely result in additional disclosures in our condensed consolidated financial statements.

##### *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This guidance will require, among other things, the following for public business entities: (i) enhanced disclosures of specific categories of reconciling items included in the rate reconciliation, as well as additional information for any of these items meeting certain qualitative and quantitative thresholds; (ii) disclosure of the judgment used in categorizing them if not otherwise evident; and (iii) enhanced disclosures for income taxes paid, which includes federal, state, and foreign taxes, as well as for individual jurisdictions over a certain quantitative threshold. The amendments in ASU 2023-09 eliminate the requirement to disclose the nature and estimate of the range of the reasonably possible change in unrecognized tax benefits for the 12 months after the balance sheet date. The guidance will be effective for annual periods beginning after December 15, 2024 and early adoption is permitted. The Company is currently evaluating the impact that this ASU will have when adopted and anticipates the ASU will likely result in additional disclosures in our condensed consolidated financial statements.

#### **Note B — Acquisitions**

The acquisitions of our businesses are accounted for under the acquisition method of accounting. For each platform acquisition, the Company typically structures the transaction so that a newly created holding company acquires 100% of the equity interests in the acquired business. The entirety of the purchase consideration is paid by the newly created holding company to the selling shareholders. The total purchase consideration is the amount paid to the selling shareholders and we will, from time to time, allow the selling shareholder to reinvest a portion of their proceeds alongside the Company at the same price per share, into the holding company that acquires the target business. Once the acquisition is complete, the selling shareholders no longer hold equity interests in the acquired company, but rather hold noncontrolling interest in the holding company that acquired the target business. Because the selling shareholders are investing in the transaction alongside the Company at the same price per share as the Company and are not retaining their existing equity in the acquired business, the Company includes the amount provided by noncontrolling shareholders in the total purchase consideration.

A component of our acquisition financing strategy that we utilize in acquiring the businesses we own and manage is to provide both equity capital and debt capital, raised at the parent level, typically through our existing credit facility. The debt capital is in the form of "intercompany loans" made by the LLC to the newly created holding company and the acquired business and are due from the newly created holding company and the acquired business, and payable to the LLC by the newly created holding company and the acquired business. The selling shareholders of the acquired businesses are not a party to the intercompany loan agreements nor do they have any obligation to repay the intercompany loans. These intercompany loans eliminate in consolidation and are not reflected on the Company's consolidated balance sheets.

##### *Acquisition of The Honey Pot Co.*

On January 31, 2024 (the "Closing Date"), the LLC, through its newly formed acquisition subsidiaries, THP Topco, Inc., a Delaware corporation ("THP Topco") and THP Intermediate, Inc., a Delaware corporation ("THP Buyer"), acquired The Honey Pot Company Holdings, LLC ("THP") and certain of its affiliated entities pursuant to a Merger and Stock Purchase Agreement (the "THP Purchase Agreement") dated January 14, 2024 by and among THP Buyer, THP, VMG Honey Pot Blocker, Inc. ("Blocker I"), NVB1, Inc. ("Blocker II"), VMG Tax-Exempt IV, L.P., New Voices Fund, LP, THP Merger Sub, LLC ("THP Merger Sub"), VMG Honey Pot Holdings, LLC, as the Sellers' Representative, and certain remaining equity holders of THP. Pursuant to the THP Purchase Agreement, subsequent to certain internal reorganizations, THP Buyer acquired all of the issued and outstanding equity of Blocker I and Blocker II and, thereafter, THP Merger Sub merged with and into THP (the "THP Merger"), with THP surviving such that the separate existence of THP Merger Sub ceased, with THP surviving the Merger as a wholly-owned, indirect subsidiary of the THP Topco. THP is the parent company of The Honey Pot Company (DE), LLC ("The Honey Pot Co.").

The Company paid acquired THP for a total purchase price, including proceeds from noncontrolling shareholders, of approximately \$380 million, before working capital and certain other adjustments, at the Closing (the "THP Purchase Price"). The Company funded the THP Purchase Price with cash on hand. Certain minority equity holders of THP executed agreements pursuant to which they contributed a portion invested in the transaction along with the Company, representing 15% of their THP the initial equity (the "Rollover Equity") to THP Topco in exchange for THP Topco common stock. THP Topco contributed the Rollover Equity to THP Buyer. Certain other members of The Honey Pot Co. management team also contributed cash in exchange for equity interest in THP Topco. The Company directly owns approximately 85% of THP Topco, which in turn indirectly owns all of the issued and outstanding equity interests of THP and The Honey Pot Co. Concurrent with the Closing, the Company provided a credit facility to THP Buyer, THP and The Honey Pot Co., as borrowers (the "THP Credit Agreement"), pursuant to which a secured revolving loan commitment and secured term loans were made available to Buyer, THP and The Honey Pot Co. (collectively, the "Borrowers"). The initial amount outstanding under these facilities on the Closing Date was approximately \$110 million.

The Honey Pot Co. is a feminine care brand that offers an extensive range of holistic wellness products across feminine hygiene, menstrual, consumer health, and sexual wellness categories. The Honey Pot Co.'s mission is to educate, support, and provide consumers around the world with the tools and resources that promote menstrual health and vaginal wellness.



The results of operations of The Honey Pot Co. have been included in the consolidated results of operations since the date of acquisition. The Honey Pot Co.'s results of operations are reported as a separate operating segment as a branded consumer business. The table below provides the recording of the fair value of assets acquired and liabilities assumed as of the date of acquisition.

<i>(in thousands)</i>		Preliminary Purchase Price Allocation
<b>Purchase Consideration</b>	<b>\$</b>	<b>380,121</b>
<b>Fair value of identifiable assets acquired:</b>		
Cash	<b>\$</b>	<b>4,076</b>
Accounts receivable (a)		<b>16,361</b>
Inventory		<b>18,986</b>
Property, plant and equipment		<b>1,888</b>
Intangible assets		<b>247,000</b>
Other current and noncurrent assets		<b>3,958</b>
<b>Total identifiable assets</b>		<b>292,269</b>
<b>Fair value of liabilities assumed:</b>		
Current liabilities		<b>10,957</b>
Other liabilities		<b>1,480</b>
Deferred tax liabilities		<b>27,846</b>
<b>Total liabilities</b>		<b>40,283</b>
<b>Net identifiable assets acquired</b>		<b>251,986</b>
<b>Goodwill</b>	<b>\$</b>	<b>128,135</b>

	Preliminary Purchase Price			
(in thousands)	Allocation		Measurement Period Adjustments	Preliminary Purchase Price Allocation
Purchase Consideration	\$ 380,121		\$ (3,320)	\$ 376,801
Fair value of identifiable assets acquired:				
Cash	\$ 4,076		\$ (3,320)	\$ 756
Accounts receivable (a)	16,361		—	16,361
Inventory	18,986		—	18,986
Property, plant and equipment	1,888		—	1,888
Intangible assets	247,000		24,300	271,300
Other current and noncurrent assets	3,958		—	3,958
Total identifiable assets	292,269		20,980	313,249
Fair value of liabilities assumed:				
Current liabilities	10,957		—	10,957
Other liabilities	1,480		—	1,480
Deferred tax liabilities	27,846		2,805	30,651
Total liabilities	40,283		2,805	43,088
Net identifiable assets acquired	251,986		18,175	270,161
Goodwill	\$ 128,135		\$ (21,495)	\$ 106,640

<b>Acquisition consideration</b>	
Purchase price	\$ 380,000
Estimated cash acquired	4,375
Net working capital adjustment	(3,126)
Other adjustments	(1,128)
Total purchase consideration	\$ 380,121

<b>Acquisition consideration</b>					
Purchase price	\$	380,000	\$	—	\$ 380,000
Estimated cash acquired		4,375		(3,320)	1,055
Net working capital adjustment		(3,126)		—	(3,126)
Other adjustments		(1,128)		—	(1,128)
Total purchase consideration	\$	380,121	\$	(3,320)	\$ 376,801

(4) The fair value of accounts receivable approximates book value acquired.

The preliminary allocation presented above is based upon management's estimate of the fair values using valuation techniques including income, cost and market approaches. In estimating the fair value of the identifiable acquired assets and assumed liabilities, the fair value estimates are based on, but not limited to, expected future revenue and cash flows, expected future growth rates and estimated discount rates. Current and noncurrent assets, property, plant and equipment and current and other liabilities are estimated at their historical carrying values, which approximates fair value. Inventory is recognized at fair value, with finished goods stated at selling price less an estimated cost to sell. Property, plant and equipment will be depreciated on a straight-line basis over the remaining useful lives of the assets. Goodwill is calculated as the excess of the consideration transferred over the fair value of the identifiable net assets and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce and non-contractual relationships, as well as expected future synergies. The goodwill of \$128.1 106.6 million reflects the strategic fit of The Honey Pot Co. in the Company's branded consumer business and is not expected to be deductible for income tax purposes.

In the second quarter of 2024, the purchase price allocation for The Honey Pot Co. was adjusted to reflect certain measurement period adjustments due to updated intangible asset valuation and an adjustment to deferred tax liabilities. Customer relationships was increased \$24.3 million, with a corresponding decrease to goodwill. Deferred income tax liability increased \$2.8 million, with a corresponding decrease to goodwill. The purchase price allocation for The Honey Pot Co. as of June 30, 2024 is not yet final as the working capital settlement has not been finalized. The purchase price of The Honey Pot Co. is expected to be finalized in the second third quarter of 2024.

The intangible assets recorded related to The Honey Pot Co. acquisition are as follows (in thousands):

Intangible Assets	Fair Value		Estimated Useful Lives
Tradename	\$	225,000	18 years
Customer relationships		22,000 46,300	13 years
	\$	247,000 271,300	

The tradename was considered the primary intangible asset and was valued at \$225.0 million using a multi-period excess earnings method. The customer relationships were valued at \$22.0 46.3 million using a multi period excess earnings method. The multi period excess earnings method assumes an asset has value to the extent that it enables its owners to earn a return in excess of the other assets utilized in the business.

#### Unaudited pro forma proforma information

The following unaudited pro forma proforma data for the three six months ended March 31, 2024 June 30, 2024 and the three and six March 31, 2023 months ended June 30, 2023 gives effect to the acquisition of The Honey Pot Co., as described above, and the dispositions of ACI and Marucci, as if these transaction transactions had been completed as of January 1, 2023. The pro forma proforma data gives effect to historical operating results with adjustments to interest expense, amortization expense, management fees and related tax effects. The information is provided for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred if the transaction had been consummated on the date indicated, nor is it necessarily indicative of future operating results of the consolidated companies, and should not be construed as representing results for any future period.

	Three months ended	March 31, 2024	Three months ended	March 31, 2023	Three months ended	June 30, 2023	Three months ended	June 30, 2024	Six months ended	June 30, 2023
(in thousands, except per share data)	(in thousands, except per share data)		(in thousands, except per share data)							
Net sales										
Gross profit										
Operating income										
Net income from continuing operations										
Net loss from continuing operations attributable to Holdings										

Net income (loss) from continuing operations

Net income (loss) from continuing operations attributable to Holdings

Basic and fully diluted net loss per share attributable to Holdings

## Note C — Discontinued Operations Dispositions

### Sale of Marucci

On November 1, 2023, the LLC, solely in its capacity as the representative of the holders of stock and options of Marucci, a majority owned subsidiary of the LLC, entered into a definitive Agreement and Plan of Merger with Fox Factory, Inc. ("Marucci Purchaser"), Marucci Merger Sub, Inc. ("Marucci Merger Sub") and Wheelhouse, pursuant to which Marucci Purchaser agreed to acquire all of the issued and outstanding securities of Wheelhouse, the parent company of the operating entity, Marucci Sports, LLC, through a merger of Marucci Merger Sub with and into Wheelhouse, with Wheelhouse surviving the merger and becoming a wholly owned subsidiary of Marucci Purchaser. On November 14, 2023, the parties completed the Merger. The sale price of Wheelhouse was based on an enterprise value of \$572 million, subject to certain adjustments based on matters such as transaction tax benefits, transaction expenses of Wheelhouse, the net working capital and cash and debt balances of Wheelhouse at the time of the closing. After the allocation of the sales price to Wheelhouse non-controlling equity holders and the payment of transaction expenses, CODI received approximately \$484.0 million of total proceeds at closing of which \$87.3 million related to the repayment of intercompany loans with the Company. The Company recorded a pre-tax gain on sale of Marucci of \$241.4 million in the year ended December 31, 2023. In the first quarter of 2024, the LLC received a net working capital settlement of approximately \$3.3 million related to Marucci, which was recognized as an additional gain on sale of discontinued operations, net of taxes, in the accompanying condensed consolidated statement of operations. The proceeds from the Marucci sale were used to pay down outstanding debt under the Company's 2022 Credit Facility, as well as, to fund a subsequent acquisition by Company. **The sale of Marucci has been accounted for as a discontinued operation in the accompanying financial statements.**

Summarized results of operations of Marucci for the three and six months ended **March 31, 2023** **June 30, 2023** are as follows (in thousands):

	Three months ended March 31, 2023	
Net sales	\$	58,295
Gross profit	\$	32,767
Operating income	\$	14,340
Income from continuing operations before income taxes <sup>(1)</sup>	\$	14,307
Provision for income taxes	\$	2,916
Income from discontinued operations <sup>(1)</sup>	\$	11,391

  

	Three months ended June 30, 2023		Six months ended June 30, 2023	
Net sales	\$	37,270	\$	95,565
Gross profit	\$	20,249	\$	53,016
Operating income	\$	2,962	\$	17,302
Income from continuing operations before income taxes <sup>(1)</sup>	\$	2,964	\$	17,271
Provision for income taxes	\$	124	\$	3,040
Income from discontinued operations <sup>(1)</sup>	\$	2,840	\$	14,231

<sup>(1)</sup> The results of operations for the three and six months ended **March 31, 2023** **June 30, 2023** excludes \$2.4 million and \$4.8 million of intercompany interest expense, respectively.

### Sale of Advanced Circuits

On January 10, 2023, the LLC, solely in its capacity as the representative of the holders of stock and options of Compass AC Holdings, Inc., a majority owned subsidiary of the LLC, entered into a definitive Agreement and Plan of Merger with APCT Inc. ("ACI Purchaser"), Circuit Merger Sub, Inc. ("ACI Merger Sub") and Advanced Circuits, pursuant to which ACI Purchaser agreed to acquire all of the issued and outstanding securities of Advanced Circuits, the parent company of the operating entity, Advanced Circuits, Inc., through a merger of ACI Merger Sub with and into Advanced Circuits, with Advanced Circuits surviving the merger and becoming a wholly owned subsidiary of ACI Purchaser (the "ACI Merger"). The ACI Merger was completed on February 14, 2023. The sale price of Advanced Circuits was based on an enterprise value of \$220 million, subject to certain adjustments based on matters such as the working capital and cash and debt balances of Advanced Circuits at the time of the closing. After the allocation of the sales price to Advanced Circuits non-controlling equity holders and the payment of transaction expenses, the Company received approximately \$170.9 million of total proceeds at closing, of which \$66.9 million related to the repayment of intercompany loans with the Company. The Company recorded a pre-tax gain on sale of \$106.9 million on the sale of Advanced Circuits in the year ended December 31, 2023. **The sale of Advanced Circuits has been accounted for as a discontinued operation in the accompanying financial statements.**

Summarized results of operations of ACI for the period of January 1, 2023 through the date of disposition are as follows (in thousands):

	For the period January 1, 2023 through disposition	
Net sales	\$	8,829
Gross profit	\$	3,663
Operating income	\$	1,058
Income (loss) from continuing operations before income taxes <sup>(1)</sup>	\$	(2,464)
Provision (benefit) for income taxes	\$	(1,073)
Income (loss) from discontinued operations <sup>(1)</sup>	\$	(1,391)

<sup>(1)</sup> The results of operations for the period from January 1, 2023 through disposition excludes \$1.4 million of intercompany interest expense.

#### Disposition of Crosman

On April 30, 2024, Velocity Outdoor entered into a stock purchase agreement to sell Crosman Corporation ("Crosman"), its airgun product division, to Daisy Manufacturing Company, for an enterprise value of approximately \$63 million. The sale was completed on the same day. The Company recorded a loss of \$24.6 million on the sale of Crosman in the quarter ended June 30, 2024. Velocity received net proceeds of approximately \$58.5 million related to the sale of Crosman, which was used to repay amounts outstanding under its intercompany credit agreement. The results of operation of Crosman are included in the accompanying financial statements through the date of sale.

#### Note D — Revenue

The Company recognizes revenue when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods or services, and excludes any sales incentives or taxes collected from customers which are subsequently remitted to government authorities.

**Disaggregated Revenue** - The Company disaggregates revenue by strategic business unit and by geography for each strategic business unit which are categories that depict how the nature, amount and uncertainty of revenue and cash flows are affected by economic factors. The disaggregation in the tables below reflects where revenue is earned based on the shipping address of our customers unless otherwise noted. This disaggregation also represents how the Company evaluates its financial performance, as well as how the Company communicates its

financial performance to the investors and other users of its financial statements. Each strategic business unit represents the Company's reportable segments and offers different products and services.

The following tables provide disaggregation of revenue by reportable segment geography for the three and six months ended March 31, 2024, June 30, 2024 and 2023 (in thousands):

	Three months ended March 31, 2024						Three months ended June 30, 2024						
	United States	United States	Mexico	Europe	Asia Pacific	Other International	Total	United States	Mexico	Europe	Asia Pacific	Other International	Total
5.11													
BOA (1)													
Ergobaby													
Lugano													
PrimaLoft (1)													
The Honey Pot Co.													
Velocity Outdoor													
Altor													
Arnold													
Sterno													
	\$												

	Three months ended March 31, 2023						Three months ended June 30, 2023						
	United States	United States	Mexico	Europe	Asia Pacific	Other International	Total	United States	Mexico	Europe	Asia Pacific	Other International	Total
5.11													
BOA (1)													
Ergobaby													
Lugano													
PrimaLoft (1)													
Velocity Outdoor													
Velocity Outdoor													
Velocity Outdoor													

Altor
Arnold
Sterno
\$

Six months ended June 30, 2024							
	United States	Mexico	Europe	Asia Pacific	Other International	Total	
5.11	\$ 193,652	\$ 15,161	\$ 16,562	\$ 8,243	\$ 14,557	\$	248,175
BOA <sup>(1)</sup>	25,866	22	40,016	30,946	213		97,063
Ergobaby	19,632	15	13,846	11,656	4,626		49,775
Lugano	200,763	158	49	492	935		202,397
PrimaLoft <sup>(1)</sup>	263	—	2,548	44,773	248		47,832
The Honey Pot Co.	44,256	—	—	—	91		44,347
Velocity Outdoor	43,074	461	1,042	310	3,723		48,610
Altor	92,194	13,423	—	—	—		105,617
Arnold	57,912	242	21,265	3,266	1,757		84,442
Sterno	133,711	—	1,063	1	3,852		138,627
	<u>\$ 811,323</u>	<u>\$ 29,482</u>	<u>\$ 96,391</u>	<u>\$ 99,687</u>	<u>\$ 30,002</u>	<u>\$</u>	<u>1,066,885</u>

Six months ended June 30, 2023							
	United States	Mexico	Europe	Asia Pacific	Other International	Total	
5.11	\$ 199,154	\$ 11,475	\$ 15,972	\$ 7,998	\$ 15,883	\$	250,482
BOA <sup>(1)</sup>	21,677	15	29,453	24,563	401		76,109
Ergobaby	18,843	49	12,994	13,184	3,497		48,567
Lugano	124,836	—	—	—	—		124,836
PrimaLoft <sup>(1)</sup>	313	67	1,919	44,032	358		46,689
Velocity Outdoor	64,145	437	2,373	261	4,663		71,879
Altor	106,332	16,066	—	—	—		122,398
Arnold	54,555	246	20,089	2,844	2,494		80,228
Sterno	143,973	—	1,822	—	3,839		149,634
	<u>\$ 733,828</u>	<u>\$ 28,355</u>	<u>\$ 84,622</u>	<u>\$ 92,882</u>	<u>\$ 31,135</u>	<u>\$</u>	<u>970,822</u>

<sup>(1)</sup> For BOA and PrimaLoft, revenue reflects the location of the Brand Partners of each business.

#### Note E — Operating Segment Data

At **March 31, 2024** **June 30, 2024**, the Company had ten reportable operating segments. Each operating segment represents a platform acquisition. The Company's operating segments are strategic business units that offer different products and services. While each is actively managed by the Company, they are managed separately because each business requires different technology and marketing strategies. A description of each of the reportable segments and the types of products from which each segment derives its revenues is as follows:

- **5.11** is a leading provider of purpose-built technical apparel and gear for law enforcement, firefighters, EMS, and military special operations as well as outdoor and adventure enthusiasts. 5.11 is a brand known for innovation and authenticity, and works directly with end users to create purpose-built apparel and gear designed to enhance the safety, accuracy, speed and performance of tactical professionals and enthusiasts worldwide. Headquartered in Costa Mesa, California, 5.11 operates sales offices and distribution centers globally, and 5.11 products are widely distributed in uniform stores, military exchanges, outdoor retail stores, its own retail stores and on 511tactical.com.
- **BOA**, creator of the revolutionary, award-winning, patented BOA Fit System, partners with market-leading brands to make the best gear even better. Delivering fit solutions purpose-built for performance, the BOA Fit System is featured in footwear across snow sports, cycling, outdoor, athletic, workwear as well as performance headwear and bracing. The system consists of three integral parts: a micro-adjustable dial, high-tensile lightweight laces, and low friction lace guides creating a superior alternative to laces, buckles, Velcro, and other traditional closure mechanisms. Each unique BOA configuration is designed with brand partners to

deliver superior fit and performance for athletes, is engineered to perform in the toughest conditions and is backed by The BOA Lifetime Guarantee. BOA is headquartered in Denver, Colorado and has offices in Austria, Greater China, South Korea, and Japan.

- Ergobaby, headquartered in Torrance, California, is a designer, marketer and distributor of wearable baby carriers and accessories, blankets and swaddlers, nursing pillows, strollers, bouncers and related products. Ergobaby primarily sells its Ergobaby and Baby Tula branded products through brick-and-mortar retailers, national chain stores, online retailers, its own websites and distributors and derives more than 50% of its sales from outside of the United States.
- Lugano Diamonds is a leading designer, manufacturer and marketer of high-end, one-of-a-kind jewelry sought after by some of the world's most discerning clientele. Lugano conducts sales via its own retail salons as well as pop-up showrooms at Lugano-hosted or sponsored events in partnership with influential organizations in the equestrian, art and philanthropic community. Lugano is headquartered in Newport Beach, California.
- PrimaLoft is a leading provider of branded, high-performance synthetic insulation and materials used primarily in consumer outerwear, and accessories. The portfolio of PrimaLoft synthetic insulations offers products that can both mimic natural down aesthetics and provide the freedom to design garments ranging from stylish puffers to lightweight performance apparel. PrimaLoft insulations also offer superior economics to the brand partner and enable better sustainability characteristics through the use of recycled, low-carbon inputs. PrimaLoft is headquartered in Latham, New York.
- The Honey Pot Co. is a leading "better-for-you" feminine care brand, powered by plant-derived ingredients and clinically tested formulas. Founded in 2012 by CEO Beatrice Dixon, The Honey Pot Co. is rooted in the belief that all products should be made with healthy and efficacious ingredients that are kind to and safe for skin. The company offers an extensive range of holistic wellness products across the feminine hygiene, menstrual, personal care, and sexual wellness categories. The Honey Pot Co.'s mission is to educate, support, and provide consumers around the world with tools and resources that promote menstrual health and vaginal wellness. Their its products can be found in more than 33,000 stores across the U.S. through mass merchants, drug and grocery retail chains, and online. The Honey Pot Co. is headquartered in Atlanta, Georgia.
- Velocity Outdoor is a leading designer, manufacturer, and marketer of airguns, archery products, laser aiming devices, hunting apparel and related accessories. Velocity Outdoor offers its products under the Crosman, Benjamin, LaserMax, Ravin, CenterPoint and King's Camo brands that are available through national retail chains, mass merchants, dealer and distributor networks. The airgun archery product category consists of air rifles, air pistols and a range of accessories including targets, holsters and cases. Velocity Outdoor's other primary product categories are archery, with products including CenterPoint and Ravin crossbows consumables, which includes steel and plastic BBs, lead pellets CenterPoint archery products, and CO2 cartridges, lasers for firearms, and airsoft products. The the apparel category offers high-performance, feature rich hunting and casual apparel of uncompromised quality under the King's Camo brand, utilizing King's own proprietary camo patterns. Velocity Outdoor offers its products through national retail chains and dealer and distributor networks. Velocity Outdoor is headquartered in Bloomfield, Rochester, New York. On April 30, 2024, Velocity Outdoor sold the Crosman airgun product division. The results of operation for Crosman are included in the accompanying financial statements through the date of sale.
- Altor Solutions is a designer and manufacturer of custom molded protective foam solutions and original equipment manufacturer components made from expanded polystyrene and expanded polypropylene. Altor provides products to a variety of end markets, including appliances and electronics, pharmaceuticals, health and wellness, automotive, building and other products. Altor is headquartered in Scottsdale, Arizona and operates 15 molding and fabricating facilities across North America.
- Arnold is a global solutions provider and manufacturer of engineered solutions for a wide range of specialty applications and end-markets, including aerospace and defense, general industrial, motorsport/transportation, oil and gas, medical, energy, reprographics and advertising specialties. Arnold engineers solutions for and produces high performance permanent magnets (PMAG), stators, rotors and full electric motors ("Ramco"), precision foil products (Precision Thin Metals or "PTM"), and flexible magnets (Flexmag™) that are mission critical in motors, generators, sensors and other systems and components. Based on its long-term relationships, Arnold has built a diverse and blue-chip customer base totaling more than 2,000 customers and

leading systems-integrators worldwide with a focus on North America, Europe, and Asia. Arnold has built a preferred rare earth supply chain and has leading rare earth and other permanent magnet production capabilities. Arnold is headquartered in Rochester, New York.

- Sterno is a leading manufacturer and marketer of portable food warming systems, creative indoor and outdoor lighting, and home fragrance solutions for the consumer markets. Sterno also manufactures creative indoor and outdoor lighting and home fragrance solutions for consumer markets. Sterno offers a broad range of wick and gel chafing systems, butane stoves and accessories, liquid and traditional wax candles, catering equipment and

lamps through Sterno Products, as well as scented wax cubes, warmer products, outdoor lighting and essential oils used for home decor and fragrance systems through Rimports. Sterno is headquartered in Plano, Texas.

The tabular information that follows shows data for each of the operating segments reconciled to amounts reflected in the consolidated financial statements. The operations of each of the operating segments are included in consolidated operating results as of their date respective dates of acquisition. Segment profit is determined based on internal performance measures used by the Manager to assess the performance of each business. Corporate consists of corporate overhead and management fees that are not allocated to any of the Company's reportable segments. There were no significant inter-segment transactions.

Summary of Operating Segments

Net Revenues	Net Revenues	Three months ended June 30,	Six months ended June 30,
Net Revenues			
Net Revenues			
(in thousands)			
(in thousands)			
(in thousands)	(in thousands)	20242023	20242023
5.11			
5.11			
5.11			

BOA
BOA
BOA
Ergobaby
Ergobaby
Ergobaby
Lugano
Lugano
Lugano
PrimaLoft
PrimaLoft
PrimaLoft
The Honey Pot Co.
The Honey Pot Co.
The Honey Pot Co.
Velocity Outdoor
Velocity Outdoor
Velocity Outdoor
Altor Solutions
Altor Solutions
Altor Solutions
Arnold
Arnold
Arnold
Sterno
Sterno
Sterno
Total segment revenue
Total segment revenue
Total segment revenue
Corporate
Corporate
Corporate
Total consolidated revenues
Total consolidated revenues
Total consolidated revenues

	Segment Profit (Loss)	Three months ended June 30,	Six months ended June 30,
Segment Profit (Loss)			
Segment Profit (Loss)			
Segment Profit (Loss)			
(in thousands)			
(in thousands)			
(in thousands)	(in thousands)	2024	2023
5.11			
5.11			
5.11			
BOA			
BOA			
BOA			
Ergobaby			
Ergobaby			



Ergobaby
Lugano
Lugano
Lugano
PrimaLoft
PrimaLoft
PrimaLoft
The Honey Pot Co.
The Honey Pot Co.
The Honey Pot Co.
Velocity Outdoor
Velocity Outdoor
Velocity Outdoor
Altor Solutions
Altor Solutions
Altor Solutions
Arnold
Arnold
Arnold
Sterno
Sterno
Sterno
Total segment operating income
Total segment operating income
Total segment operating income
Corporate (1)
Corporate (1)
Corporate (1)
Total consolidated operating income
Total consolidated operating income
Total consolidated operating income
Reconciliation of segment operating income (loss) to consolidated income from continuing operations before income taxes:
Reconciliation of segment operating income (loss) to consolidated income from continuing operations before income taxes:
Reconciliation of segment operating income (loss) to consolidated income from continuing operations before income taxes:
Interest expense, net
Interest expense, net
Interest expense, net
Amortization of debt issuance costs
Amortization of debt issuance costs
Amortization of debt issuance costs
Other income (expense), net
Other income (expense), net
Loss on sale of Crosman
Other income (expense), net
Total consolidated income from continuing operations before income taxes
Total consolidated income from continuing operations before income taxes
Total consolidated income from continuing operations before income taxes

(1) Corporate operating loss is comprised of management fees paid to CGM and corporate overhead expenses.



Depreciation and Amortization Expense	Depreciation and Amortization Expense		Three months ended June 30,		Six months ended June 30,	
Depreciation and Amortization Expense						
Depreciation and Amortization Expense						
(in thousands)						
(in thousands)						
(in thousands)	(in thousands)	2024	2023		2024	2023
5.11						
5.11						
5.11						
BOA						
BOA						
BOA						
Ergobaby						
Ergobaby						
Ergobaby						
Lugano						
Lugano						
Lugano						
PrimaLoft						
PrimaLoft						
PrimaLoft						
The Honey Pot Co.						
The Honey Pot Co.						
The Honey Pot Co.						
Velocity Outdoor						
Velocity Outdoor						
Velocity Outdoor						
Altor Solutions						
Altor Solutions						
Altor Solutions						
Arnold						
Arnold						
Arnold						
Sterno						
Sterno						
Sterno						
Total						
Total						
Total						
Reconciliation of segment to consolidated total:						
Reconciliation of segment to consolidated total:						
Reconciliation of segment to consolidated total:						
Amortization of debt issuance costs						
Amortization of debt issuance costs						
Amortization of debt issuance costs						
Consolidated total						
Consolidated total						
Consolidated total						
	Accounts Receivable	Accounts Receivable		Identifiable Assets	Accounts Receivable	Identifiable Assets
	March 31,	December 31,	March 31,	December 31,		



	June 30,		December 31,		June 30,		December 31,				
(in thousands)	(in thousands)	2024	2023	2024 <sup>(1)</sup>	2023 <sup>(1)</sup>	(in thousands)	2024	2023	2023	2024 <sup>(1)</sup>	2023 <sup>(1)</sup>
5.11											
BOA											
Ergobaby											
Lugano											
PrimaLoft											
The Honey Pot Co.											
Velocity Outdoor											
Altor Solutions											
Arnold											
Sterno											
Sales allowance accounts											
Total											
<b>Reconciliation of segment to consolidated totals:</b>											
Corporate and other identifiable assets											
Corporate and other identifiable assets											
Corporate and other identifiable assets											
Total											
Total											
Total											

<sup>(1)</sup> Does not include accounts receivable balances per schedule above or goodwill balances - refer to [Note G - "Goodwill and Other Intangible Assets"](#).

## Note F — Property, Plant and Equipment and Inventory

### Property, plant and equipment

Property, plant and equipment is comprised of the following at **March 31, 2024** **June 30, 2024** and December 31, 2023 (in thousands):

	March 31, 2024		December 31, 2023	
	June 30, 2024		December 31, 2023	
Machinery and equipment				
Furniture, fixtures and other				
Leasehold improvements				
Buildings and land				
Construction in process				
		437,202		
		422,052		
Less: accumulated depreciation				
Total				

Depreciation expense was **\$10.9 million** **\$10.5 million** and **\$21.4 million** for the three and six months ended **March 31, 2024** **June 30, 2024**, respectively and **\$11.2 million** **\$12.1 million** and **\$23.3 million** for the three and six months ended **March 31, 2023** **June 30, 2023**, respectively.

### Inventory

Inventory is comprised of the following at **March 31, 2024** **June 30, 2024** and December 31, 2023 (in thousands):

	March 31, 2024		December 31, 2023	
	June 30, 2024		December 31, 2023	
Raw materials				
Work-in-process				
Finished goods				
Less: obsolescence reserve				
Total				

Note G — Goodwill and Other Intangible Assets

As a result of acquisitions of various businesses, the Company has significant intangible assets on its balance sheet that include goodwill and indefinite-lived intangibles. The Company's goodwill and indefinite-lived intangibles are tested and reviewed for impairment annually as of March 31st or more frequently if facts and circumstances warrant by comparing the fair value of each reporting unit to its carrying value. Each of the Company's businesses represent a reporting unit.

Goodwill

Annual Impairment Testing

The Company uses a qualitative approach to test goodwill and indefinite lived intangible assets for impairment by first assessing qualitative factors to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform quantitative goodwill impairment testing.

2024 Annual Impairment Testing

For our annual impairment testing at March 31, 2024, we performed a qualitative assessment of our reporting units. The results of the qualitative analysis indicated that it was more-likely-than-not that the fair value of each of our reporting units except Velocity exceeded their carrying value. Based on our analysis, we determined that the Velocity operating segment required quantitative testing because we could not conclude that the fair value of this reporting unit significantly exceeded the carrying value based on qualitative factors alone. We performed a quantitative test of Velocity and the results of the testing indicated that the fair value of Velocity did not exceed the carrying value, resulting in goodwill impairment expense of \$8.2 million as of March 31, 2024.

2023 Annual Impairment Testing

The Company determined that the Velocity reporting unit required additional quantitative testing because we could not conclude that the fair value of the reporting unit exceeded its carrying value based on qualitative factors alone. For the reporting units that were tested only on a qualitative basis for the 2023 annual impairment testing, the results of the qualitative analysis indicated that it is more likely than not that the fair value exceeded the carrying value of these reporting units.

The quantitative test of Velocity was performed using an income approach to determine the fair value of the reporting unit. The discount rate used in the income approach was 15% and the results of the quantitative impairment testing indicated that the fair value of the Velocity reporting unit exceeded the carrying value by 21%.

Interim Impairment Testing

2023 Interim Impairment Testing

PrimaLoft - The Company performed an interim impairment test of goodwill at PrimaLoft as of December 31, 2023. As a result of operating results that were below forecast amounts that were used as the basis for the purchase price allocation performed when PrimaLoft was acquired as well as the failure of certain financial covenants in the intercompany credit agreement as of December 31, 2023, the Company determined that a triggering event had occurred. The Company performed the quantitative impairment test using both an income approach and a market approach. The prospective information used in the income approach considers macroeconomic data, industry and reporting unit specific facts and circumstances and is our best estimate of operational results and cash flows for the

PrimaLoft reporting unit as of the date of our impairment testing. The discount rate used in the income approach was 11.3%. The results of the quantitative impairment testing indicated that the fair value of the PrimaLoft reporting unit did not exceed its carrying value, resulting in goodwill impairment expense of \$57.8 million in the year ended December 31, 2023.

Velocity Outdoor - The Company performed interim quantitative impairment testing of goodwill at Velocity at August 31, 2023. As a result of operating results that were below the forecast that we used in the quantitative impairment test of Velocity Outdoor at March 31, 2023, the Company determined that a triggering event had occurred at Velocity in the third quarter of 2023 and performed an interim impairment test as of August 31, 2023. The Company used an income approach for the impairment test, whereby we estimate the fair value of the reporting unit based on the present value of future cash flows. Cash flow projections are based on management's estimate of revenue growth rates and operating margins, and take into consideration industry and market conditions as well as company specific economic factors. The Company used a weighted average cost of capital of 17% in the income approach. The discount rate used was based on the weighted average cost of capital adjusted for the relevant risk associated with business specific characteristics and Velocity's ability to execute on projected cash flows. Based on the results of the impairment test, the fair value of Velocity did not exceed its carrying value. The Company recorded goodwill impairment of \$31.6 million during the year ended December 31, 2023.

The following is a summary of the net carrying amount of goodwill at **March 31, 2024** **June 30, 2024** and December 31, 2023, is as follows *(in thousands)*:

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Goodwill - gross carrying amount		
Goodwill - gross carrying amount		
Goodwill - gross carrying amount		
Accumulated impairment losses <sup>(a)</sup>		
Goodwill - net carrying amount		

<sup>(a)</sup> Includes accumulated goodwill impairment expense of \$20.6 million recorded at Ergobaby, \$72.7 million at Velocity, \$24.9 million at Arnold and \$57.8 million at PrimaLoft. During the three months ended March 31, 2024, the Company recorded \$8.2 million of goodwill impairment expense at Velocity. In the year ended December 31, 2023, the Company recorded \$31.6 million of goodwill impairment expense at Velocity and \$57.8 million of goodwill impairment expense at PrimaLoft.

The following is a reconciliation of the change in the carrying value of goodwill for the **three** **six** months ended **March 31, 2024** **June 30, 2024** by operating segment *(in thousands)*:

	Balance at January 1, 2024						
	Balance at January 1, 2024						
	Balance at January 1, 2024						
	Balance at January 1, 2024	Acquisitions/Measurement Period Adjustments	Goodwill Impairment	Balance at March 31, 2024	Acquisitions/Measurement Period Adjustments	Goodwill Impairment	Balance at June 30, 2024
5.11							
5.11							
5.11							
BOA							
Ergobaby							
Lugano							
PrimaLoft							
The Honey Pot Co.							
Velocity Outdoor							
Altor							
Arnold							
Sterno							
Total							

Long lived assets

Annual indefinite lived impairment testing

The Company used a qualitative approach to test indefinite lived intangible assets for impairment by first assessing qualitative factors to determine whether it is more-likely-than-not that the fair value of an indefinite lived intangible asset is impaired as a basis for determining whether it is necessary to perform quantitative impairment testing. The Company evaluated the qualitative factors of each indefinite lived intangible asset in connection with the annual impairment testing for 2024 and 2023. Results of the qualitative analysis indicate that it is more likely than not that the fair value of the reporting units that maintain indefinite lived intangible assets exceeded the carrying value.

Other intangible assets are comprised of the following at **March 31, 2024** **June 30, 2024** and December 31, 2023 *(in thousands)*:

	March 31, 2024			December 31, 2023									
	June 30, 2024			December 31, 2023									
	Gross Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships													
Technology and patents													
Trade names, subject to amortization													
Non-compete agreements													
Other contractual intangible assets													
Total													
Trade names, not subject to amortization													
In-process research and development (a)													
Total intangibles, net													

<sup>(a)</sup> In-process research and development is considered indefinite lived until the underlying technology becomes viable, at which point the intangible asset will be amortized over the expected useful life.

Amortization expense related to intangible assets was \$26.3 million \$27.5 million and \$53.7 million for the three and six months ended March 31, 2024 June 30, 2024, respectively and \$24.0 million and \$48.0 million for the three and six months ended March 31, 2023 June 30, 2023, respectively.

Estimated charges to amortization expense of intangible assets for the remainder of 2024 and the next four years, is as follows (in thousands):

	2024
	2024
	2024
\$	
\$	
\$	

Note H — Warranties

The Company's Ergobaby, BOA and Velocity Outdoor operating segments estimate their exposure to warranty claims based on both current and historical product sales data and warranty costs incurred. The Company assesses the adequacy of its recorded warranty liability quarterly and adjusts the amount as necessary. Warranty liability is included in accrued expenses in the accompanying consolidated balance sheets. A reconciliation of the change in the carrying value of the Company's warranty liability for the three six months ended March 31, 2024 June 30, 2024 and the year ended December 31, 2023 is as follows (in thousands):

	Warranty liability	Three months ended March 31, 2024	Year ended December 31, 2023	Warranty liability	Six months ended June 30, 2024	Year ended December 31, 2023
Warranty liability						
Beginning balance						
Beginning balance						
Beginning balance						
Provision for warranties issued during the period						
Fulfillment of warranty obligations						
Other (a)						
Ending balance						

(a) Represents warranty liability of disposed businesses.

Note I — Debt

2022 Credit Facility

On July 12, 2022, the LLC entered into the Third Amended and Restated Credit Agreement (the "2022 Credit Facility") to amend and restate the 2021 Second Amended and Restated Credit Facility Agreement (the "2021 Credit Facility"). The 2022 Credit Facility provides for revolving loans, swing line loans and letters of credit ("the 2022 Revolving Line of Credit") up to a maximum aggregate amount of \$600 million ("the 2022 Revolving Loan Commitment") and a \$400 million term loan (the "2022 Term Loan"). The 2022 Term Loan requires quarterly payments ranging from \$2.5 million to \$7.5 million, commencing September 30, 2022, with a final payment of all remaining principal and interest due on July 12, 2027, which is the 2022 Term Loan's maturity date. All amounts outstanding under the 2022 Revolving Line of Credit will become due on July 12, 2027, which is the termination date of the 2022 Revolving Loan Commitment. The 2022 Credit Facility also permits the LLC, prior to the applicable maturity date, to increase the Revolving Loan Commitment and/or obtain additional term loans in an aggregate amount of up to \$250 million, subject to certain restrictions and conditions. On the closing date for the 2022 Credit Facility, the 2022 Term Loan was advanced in full and the initial borrowings outstanding under the 2022 Revolving Line of Credit were \$115 million. We used the initial proceeds from the 2022 Credit Facility to pay all amounts outstanding under the 2021 Credit Facility, pay fees and expenses incurred in connection with the 2022 Credit Facility and fund the acquisition of PrimaLoft.

The LLC may borrow, prepay and reborrow principal under the 2022 Revolving Credit Facility from time to time during its term. Advances under the 2022 Revolving Line of Credit can be either term Secured Overnight Financing Rate ("SOFR") loans or base rate loans. Term SOFR revolving loans bear interest on the outstanding principal amount thereof for each interest period at a rate per annum based on the applicable SOFR as administered by the Federal Reserve Bank of New York (or a successor administrator), as adjusted, plus a margin ranging from 1.50% to 2.50%, based on the ratio of consolidated net indebtedness to adjusted consolidated earnings before interest expense, tax expense, and depreciation and amortization expenses for such period (the "Consolidated Total Leverage Ratio"). Base rate revolving loans bear interest on the outstanding principal amount thereof at a rate per annum equal to the highest of (i) Federal Funds rate plus 0.50%, (ii) the "prime rate", and (iii) the applicable SOFR plus 1.0% (the "Base Rate"), plus a margin ranging from 0.50% to 1.50%, based on the Company's Consolidated Total Leverage Ratio.

Advances under the 2022 Term Loan can be either term SOFR loans or base rate loans. The 2022 Term Loan was advanced in full on the closing date for the 2022 Credit Facility as a Term SOFR loan with an interest period of one month. On the last day of an interest period, Term SOFR loans may be converted to Term SOFR loans of a different interest period or to Base Rate loans. Term SOFR term loans bear interest on the outstanding principal amount thereof for each interest period at a rate per annum based on the Term SOFR for such interest period plus a margin ranging from 1.50% to 2.50%, based on the Consolidated Total Leverage Ratio. Base rate term loans bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus a margin ranging from 0.50% to 1.50%, based on the Consolidated Total Leverage Ratio.

Under the 2022 Revolving Credit Facility, an aggregate amount of up to \$100 million in letters of credit may be issued, as well as swing line loans of up to \$25 million outstanding at one time. The issuance of such letters of credit and the making of any swing line loan would reduce the amount available under the 2022 Revolving Credit Facility.

Net availability under the 2022 Revolving Credit Facility was approximately \$551.6\$543.6 million at March 31, 2024June 30, 2024. Letters of credit outstanding at March 31, 2024June 30, 2024 totaled approximately \$2.5 million. At March 31, 2024June 30, 2024, the Company was in compliance with all covenants as defined in the 2022 Credit Facility.

The 2022 Revolving Credit Facility is secured by all of the assets of the Company, including all of its equity interests in, and loans to, its subsidiaries.

Senior Notes

2032 Senior Notes

On November 17, 2021, we consummated the issuance and sale of \$300 million aggregate principal amount of our 5.000% Senior Notes due 2032 (the "2032 Notes" or "2032 Senior Notes") offered pursuant to a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933 (the "Securities Act"), and to non-U.S. persons under Regulation S under the Securities Act. The 2032 Notes were issued pursuant to an indenture, dated as of November 17, 2021 (the "2032 Notes Indenture"), between the Company and U.S. Bank National Association, as trustee (the "Trustee"). The 2032 Notes bear interest at the rate of 5.000% per annum and will mature on January 15, 2032. Interest on the 2032 Notes is payable in cash on January 15 and July 15 of each year, beginning on July 15, 2022.

The proceeds from the sale of the 2032 Notes was used to repay a portion of our debt outstanding under the 2021 Revolving Credit Facility.

2029 Senior Notes

On March 23, 2021, we consummated the issuance and sale of \$1,000 million aggregate principal amount of our 5.250% Senior Notes due 2029 (the "2029 Notes" or "2029 Senior Notes") offered pursuant to a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act, and to non-U.S. persons under Regulation S under the Securities Act. The 2029 Notes were issued pursuant to an indenture, dated as of March 23, 2021 (the "2029 Notes Indenture"), between the Company and U.S. Bank National Association, as trustee (the "Trustee"). The 2029 Notes bear interest at the rate of 5.250% per annum and will mature on April 15, 2029. Interest on the 2029 Notes is payable in cash on April 15th and October 15th of each year. The first interest payment date on the 2029 Senior Notes was October 15, 2021. The 2029 Notes are general unsecured obligations of the Company and are not guaranteed by our subsidiaries.

The following table provides the Company's outstanding long-term debt and effective interest rates at March 31, 2024June 30, 2024 and December 31, 2023 (in thousands):

	March 31, 2024			December 31, 2023		
	June 30, 2024			December 31, 2023		
	Effective Interest Rate	Effective Interest Rate	Amount	Effective Interest Rate	Amount	Effective Interest Rate
2029 Senior Notes						
2032 Senior Notes						
2022 Term Loan						
2022 Revolving Credit Facility						
Less: Unamortized debt issuance costs						
Total debt						
Less: Current Portion, term loan facilities						
Long-term debt						

Annual maturities of the Company's debt obligations are as follows (in thousands):

	2024
	Remainder of 2024
	2025
	2026
	2027
	2028
	2029 and thereafter
	\$

The Senior Notes consisted of the following carrying value and estimated fair value (in thousands):

							March 31, 2024				June 30, 2024	
	Maturity Date	Fair Value Hierarchy Level	Maturity Date	Rate	Carrying Value	Fair Value Hierarchy Level	Fair Value	Maturity Date	Rate	Carrying Value	Fair Value Hierarchy Level	Fair Value
2032 Senior Notes												
2029 Senior Notes												

Debt Issuance Costs

Deferred debt issuance costs represent the costs associated with the issuance of the Company's financing arrangements. Since the Company can borrow, repay and reborrow principal under the 2022 Revolving Credit Facility, the debt issuance costs associated with the 2022 Revolving Credit Facility have been classified as other non-current assets in the

accompanying condensed consolidated balance sheet. The debt issuance costs associated with the 2022 Term Loan and Senior Notes are classified as a reduction of long-term debt in the accompanying condensed consolidated balance sheets.

The following table summarizes debt issuance costs at **March 31, 2024** **June 30, 2024** and December 31, 2023, and the balance sheet classification in each of the periods presented (in thousands):

	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Deferred debt issuance costs		
Accumulated amortization		
Deferred debt issuance costs, net		
Balance sheet classification:		
Balance sheet classification:		
Balance sheet classification:		
Other noncurrent assets		
Other noncurrent assets		
Other noncurrent assets		
Long-term debt		
	\$	

**Note J — Stockholders' Equity**

**Trust Common Shares**

The Trust is authorized to issue 500,000,000 Trust common shares and the LLC is authorized to issue a corresponding number of LLC interests. The Company will at all times have the identical number of LLC interests outstanding as Trust shares. Each Trust share represents an undivided beneficial interest in the Trust, and each Trust share is entitled to one vote per share on any matter with respect to which members of the LLC are entitled to vote.

*Private Placement*

On December 15, 2023, the Company completed the sale of 3,550,000 common shares in a private placement to Allspring Special Small Cap Value Fund for consideration per share equal to \$21.18 per share, or an aggregate sale price of approximately \$75.2 million. In connection with the issuance of the shares, we paid a commission equal to 1% of the aggregate sales price, or approximately \$0.8 million. The sale of the common shares was made pursuant to a subscription agreement pursuant to which the buyer agreed not to dispose of the common shares for a period of six months following the date of the private placement.

*At-the-market equity offering program - common shares*

On September 7, 2021, the Company filed a prospectus supplement pursuant to which the Company may, but has no obligation to, issue and sell up to \$500 million common shares of the Trust in amounts and at times to be determined by the Company. Actual sales will depend on a variety of factors to be determined by us from time to time, including, market conditions, the trading price of Trust common shares and determinations by us regarding appropriate sources of funding.

In connection with this offering, the Company entered into an At Market Issuance Sales Agreement (the "Common Sales Agreement") with B. Riley Securities, Inc. and Goldman Sachs & Co. LLC (each a "Sales Agent" and, collectively, the "Sales Agents"). The Common Sales Agreement provides that the Company may offer and sell Trust common shares from time to time through the Sales Agents up to \$500 million, in amounts and at times to be determined by the Company. Pursuant to the Common Sales Agreement, the shares may be offered and sold through each Sales Agent, acting separately, in ordinary brokers' transactions, to or through a market maker, on or through the New York Stock Exchange or any other market venue where the securities may be traded, in the over-the-counter market, in privately negotiated transactions, in transactions that are deemed to be "at the market offerings" as defined in Rule 415 under the Securities Act or through a combination of any such methods of sale.

During the three **and six** months ended **March 31, 2024** **June 30, 2024**, the Company sold **53,932** **151,648** and **205,580** Trust common shares under the Common Sales **Agreement**. **For Agreement**, respectively. During the same **period**, periods, the Company received total net proceeds of approximately **\$1.3** **\$3.4** million and **\$4.7** million, respectively, from these **sales**, and **sales**. The Company incurred approximately **\$0.2** **\$0.1** million in commissions paid to the Sales **Agents**. **Agents** during both the three and six months ended **June 30, 2024**.

During the three **and six** months ended **March 31, 2023** **June 30, 2023**, there were no sales of Trust common shares under the Common Sales Agreement as the at-the-market program is not active when the share repurchase program is active.

The Company incurred **approximately \$0.4** **approximately \$0.1** million and **\$0.1** **\$0.2** million in **total** **total** costs related to the ATM programs during the three **and six** months ended **March 31, 2024** **June 30, 2024**, respectively. The Company incurred approximately **\$0.1** million in total costs related to the ATM program during both the three **and 2023**, respectively. **six months ended June 30, 2023**.

*Share repurchase program*

In January 2023, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase, through December 31, 2023, up to \$50 million of its outstanding common shares.

The Company repurchased **210,000** **96,800** shares for approximately **\$4.0** **\$1.9** million and **306,800** shares for approximately **\$5.9** million during the three **and six** months ended **March 31, 2023**. **June 30, 2023**, respectively. The share repurchase program expired on December 31, 2023.

**Trust Preferred Shares**

The Trust is authorized to issue up to 50,000,000 Trust preferred shares and the Company is authorized to issue a corresponding number of Trust interests.

*At-the-market equity offering program - preferred shares*

On March 20, 2024, the Company filed a prospectus supplement pursuant to which the Company may, but has no obligation to, issue and sell up to \$100 million of the Trust's 7.250% Series A Preferred Shares (the "Series A Preferred Shares"), 7.875% Series B Preferred Shares (the "Series B Preferred Shares"), and 7.875% Series C Preferred Shares (the "Series C Preferred Shares" and together with the Series A Preferred Shares, the Series B Preferred Shares, and the Series C Preferred Shares, the "Preferred Shares"), each representing beneficial interests in the Trust.

In connection with this offering, the Company entered into an At Market Issuance Sales Agreement (the "Preferred Sales Agreement") with B. Riley Securities, Inc. ("B. Riley"), pursuant to which CODI may sell from time to time, through B. Riley acting as sales agent and/or principal (the "Sales Agent"). The Preferred Sales Agreement provides that the Company may offer and sell Trust preferred shares from time to time through the Sales Agent up to \$100 million, in amounts and at times to be determined by the Company.

The following table reflects the activity in the preferred share ATM program during the three and six months ended **March 31, 2024** **June 30, 2024** (in thousands, except share data):

	Three Months Ended June 30, 2024				Six Months ended June 30, 2024					
	Number of Shares Sold	Number of Shares Sold	Net Proceeds	Commissions Paid	Number of Shares Sold	Net Proceeds	Commissions Paid	Number of Shares Sold	Net Proceeds	Commissions Paid
Series A Preferred Shares										
Series B Preferred Shares										
Series C Preferred Shares										
Total										

The Company incurred approximately \$0.2 million in total costs related to the preferred share ATM program during the three and six months ended June 30, 2024, respectively.

*Series C Preferred Shares*

On November 20, 2019, the Trust issued 4,000,000 7.875% Series C Preferred Shares (the "Series C Preferred Shares") with a liquidation preference of \$25.00 per share, and on December 2, 2019, the Trust issued 600,000 of the Series C Preferred Shares which were sold pursuant to an option to purchase additional shares by the underwriters. Total proceeds from the issuance of the Series C Preferred Shares were \$115.0 million, or \$111.0 million net of underwriters' discount and issuance costs. Distributions on the Series C Preferred Shares will be payable quarterly in arrears, when and as declared by the Company's board of directors on January 30, April 30, July 30, and October 30 of each year, beginning on January 30, 2020, at a rate per annum of 7.875%. Distributions on the Series C Preferred Shares are cumulative and at **March 31, 2024** **June 30, 2024**, \$1.5 million of Series C distributions are accumulated and unpaid. Unless full cumulative distributions on the Series C Preferred Shares have been or contemporaneously are declared and set apart for payment of the Series C Preferred Shares for all past distribution periods, no distribution may be declared or paid for payment on the Trust common shares. The Series C Preferred Shares are not convertible into Trust common shares and have no voting rights, except in limited circumstances as provided for in the share designation for the Series C Preferred Shares. The Series C Preferred Shares may be

redeemed at the Company's option, in whole or in part, at any time after January 30, 2025, at a price of \$25.00 per share, plus any accumulated and unpaid distributions (thereon whether authorized or declared) to, but excluding, the redemption date. Holders of Series C Preferred Shares will have no right to require the redemption of the Series C Preferred Shares and there is no maturity date.

*Series B Preferred Shares*

On March 13, 2018, the Trust issued 4,000,000 7.875% Series B Preferred Shares (the "Series B Preferred Shares") with a liquidation preference of \$25.00 per share, for gross proceeds of \$100.0 million, or \$96.5 million net of underwriters' discount and issuance costs. Distributions on the Series B Preferred Shares are payable quarterly in arrears, when and as declared by the Company's board of directors on January 30, April 30, July 30, and October 30 of each year, beginning on July 30, 2018, at a rate per annum of 7.875%. Holders of the Series B Preferred Shares are entitled to receive cumulative cash distributions (i) from and including the date of issuance to, but excluding, April 30, 2028 a rate equal to 7.875% per annum and (ii) from and including April 30, 2028, at a floating rate equal to the applicable successor to three-month LIBOR (as determined by a calculation agent) plus a spread of 4.985% per annum. Subsequent to April 30, 2028, the distribution rate will be reset quarterly. At **March 31, 2024** **June 30, 2024**, \$1.3 million of Series B distributions are accumulated and unpaid. Unless full cumulative distributions on the Series B Preferred Shares have been or contemporaneously are declared and set apart for payment of the Series B Preferred Shares for all past distribution periods, no distribution may be declared or paid for payment on the Trust common shares. The Series B Preferred Shares are not convertible into Trust common shares and have no voting rights, except in limited circumstances as provided for in the share designation for the Series B Preferred Shares. The Series B Preferred Shares may be redeemed at the Company's option, in whole or in part, at any time after April 30, 2028, at a price of \$25.00 per share, plus any accumulated and unpaid distributions (thereon whether authorized or declared) to, but excluding, the redemption date. Holders of Series B Preferred Shares will have no right to require the redemption of the Series B Preferred Shares and there is no maturity date.

*Series A Preferred Shares*

On June 28, 2017, the Trust issued 4,000,000 7.250% Series A Preferred Shares (the "Series A Preferred Shares") with a liquidation preference of \$25.00 per share, for gross proceeds of \$100.0 million, or \$96.4 million net of underwriters' discount and issuance costs. When, and if declared by the Company's board of directors, distribution on the Series A Preferred Shares will be payable quarterly on January 30, April 30, July 30, and October 30 of each year, beginning on October 30, 2017, at a rate per annum of 7.250%. Distributions on the Series A Preferred Shares are discretionary and non-cumulative. The Company has no obligation to pay distributions for a quarterly distribution period if the board of directors does not declare the distribution before the scheduled record of date for the period, whether or not distributions are paid for any subsequent distribution periods with respect to the Series A Preferred Shares, or the Trust common shares. If the Company's board of directors does not declare a distribution for the Series A Preferred Shares for a quarterly distribution period, during the remainder of that quarterly distribution period the Company cannot declare or pay distributions on the Trust common shares. The Series A



Preferred Shares are not convertible into Trust common shares and have no voting rights, except in limited circumstances as provided for in the share designation for the Series A Preferred Shares.

#### Allocation Interests

The Allocation Interests represent the original equity interest in the Company. The holders of the Allocation Interests ("Holders"), through Sostratus LLC, are entitled to receive distributions pursuant to a profit allocation formula upon the occurrence of certain events. The distributions of the profit allocation is paid upon the occurrence of the sale of a material amount of capital stock or assets of one of the Company's businesses ("Sale Event") or, at the option of the Holders, at each five-year anniversary date of the acquisition of one of the Company's businesses ("Holding Event"). The Company records distributions of the profit allocation to the Holders upon occurrence of a Sale Event or Holding Event as dividends declared on Allocation Interests to stockholders' equity when they are approved by the Company's board of directors.

#### Sale Event

The sale of Marucci in November 2023 represented a Sale Event and the Company's board of director's approved a distribution of \$48.9 million in the first quarter of 2024. This distribution was paid to the Holders of the Allocation

Interests in February 2024.

The sale of Advanced Circuits in February 2023 represented a Sale Event and the Company's board of director's approved a distribution of \$24.4 million in the second quarter of 2023. In addition, the Company's board of directors approved a distribution of \$2.1 million related to various sale proceeds received related to previous Sale Events. These distributions were paid to the Holders of the Allocation Interests in April 2023.

#### Reconciliation of net income (loss) available to common shares of Holdings

The following table reconciles net income (loss) attributable to Holdings to net income (loss) attributable to the common shares of Holdings (*in thousands*):

	Three months ended March 31,				
	Three months ended March 31,				
	Three months ended March 31,				
		Three months ended June 30,	Six months ended June 30,		
	2024	2024	2023	2024	2023
	2024				
	2024				
Net loss from continuing operations attributable to Holdings					
Net loss from continuing operations attributable to Holdings					
Net loss from continuing operations attributable to Holdings					
Less: Distributions paid - Allocation Interests					
Less: Distributions paid - Allocation Interests					
Net income (loss) from continuing operations attributable to Holdings					
Less: Distributions paid - Allocation Interests					
Less: Distributions paid - Preferred Shares					
Less: Distributions paid - Preferred Shares					
Less: Distributions paid - Preferred Shares					
Less: Accrued distributions - Preferred Shares					
Less: Accrued distributions - Preferred Shares					
Less: Accrued distributions - Preferred Shares					
Net loss from continuing operations attributable to common shares of Holdings					
Net loss from continuing operations attributable to common shares of Holdings					
Net loss from continuing operations attributable to common shares of Holdings					

#### Earnings per share

The Company calculates basic and diluted earnings per share using the two-class method which requires the Company to allocate to participating securities that have rights to earnings that otherwise would have been available only to Trust shareholders as a separate class of securities in calculating earnings per share. The Allocation Interests are considered participating securities that contain participating rights to receive profit allocations upon the occurrence of a Holding Event or Sale Event. The calculation of basic and diluted earnings per share for the three and six months ended March 31, 2024 June 30, 2024 and 2023 reflects the incremental increase during the period in the profit allocation distribution to Holders related to Holding Events.

Basic and diluted earnings per share for the three and six months ended March 31, 2024 June 30, 2024 and 2023 attributable to the common shares of Holdings is calculated as follows (in thousands, except per share data):

	Three months ended March 31,		Three months ended March 31,		Three months ended March 31,	
	2024					
	2024					
			Three months ended June 30,		Six months ended June 30,	
	2024		2024		2023	2024 2023
Net loss from continuing operations attributable to common shares of Holdings						
Net loss from continuing operations attributable to common shares of Holdings						
Net loss from continuing operations attributable to common shares of Holdings						
Less: Effect of contribution based profit - Holding Event						
Less: Effect of contribution based profit - Holding Event						
Less: Effect of contribution based profit - Holding Event						
Net loss from continuing operations attributable to common shares of Holdings						
Net loss from continuing operations attributable to common shares of Holdings						
Net loss from continuing operations attributable to common shares of Holdings						
Income from discontinued operations attributable to Holdings						
Income from discontinued operations attributable to Holdings						
Income from discontinued operations attributable to Holdings						
Less: Effect of contribution based profit - Holding Event						
Less: Effect of contribution based profit - Holding Event						
Less: Effect of contribution based profit - Holding Event						
Income from discontinued operations attributable to common shares of Holdings						
Income from discontinued operations attributable to common shares of Holdings						
Income from discontinued operations attributable to common shares of Holdings						
Basic and diluted weighted average common shares outstanding						
Basic and diluted weighted average common shares outstanding						
Basic and diluted weighted average common shares outstanding						
Basic and fully diluted income (loss) per common share attributable to Holdings						
Basic and fully diluted income (loss) per common share attributable to Holdings						
Basic and fully diluted income (loss) per common share attributable to Holdings						
Continuing operations						
Continuing operations						
Continuing operations						
Discontinued operations						
Discontinued operations						
Discontinued operations						
		\$				
		\$				
		\$				

Distributions

The following table summarizes information related to our quarterly cash distributions on our Trust common and preferred shares (in thousands, except per share data):

Period	Cash Distribution per Share	Total Cash Distributions	Record Date	Payment Date

<b>Trust Common Shares:</b>												
January 1, 2024 - March 31, 2024 <sup>(1)</sup>			\$		0.25	\$		18,846		April 18, 2024		April 25, 2024

Period		Cash Distribution		Total Cash		Record	Payment									
		per Share		Distributions		Date	Date									
Trust Common Shares:																
Trust Common Shares:																
Trust Common Shares:																
April 1, 2024 - June 30, 2024 <sup>(1)</sup>																
April 1, 2024 - June 30, 2024 <sup>(1)</sup>																
April 1, 2024 - June 30, 2024 <sup>(1)</sup>		\$	0.25	\$	18,913	July 18, 2024	July 25, 2024									
January 1, 2024 - March 31, 2024		\$	0.25	\$	18,846	April 18, 2024	April 25, 2024									
October 1, 2023 - December 31, 2023	October 1, 2023 - December 31, 2023	\$	0.25	\$	18,818	January 18, 2024	January 18, 2024	January 25, 2024	October 1, 2023 - December 31, 2023	\$	0.25	\$	\$18,818	January 18, 2024	January 18, 2024	January 25, 2024
July 1, 2023 - September 30, 2023	July 1, 2023 - September 30, 2023	\$	0.25	\$	17,955	October 19, 2023	October 19, 2023	October 26, 2023	July 1, 2023 - September 30, 2023	\$	0.25	\$	\$17,955	October 19, 2023	October 19, 2023	October 26, 2023
April 1, 2023 - June 30, 2023	April 1, 2023 - June 30, 2023	\$	0.25	\$	17,974	July 20, 2023	July 20, 2023	July 27, 2023	April 1, 2023 - June 30, 2023	\$	0.25	\$	\$17,974	July 20, 2023	July 20, 2023	July 27, 2023
January 1, 2023 - March 31, 2023	January 1, 2023 - March 31, 2023	\$	0.25	\$	17,987	April 20, 2023	April 20, 2023	April 27, 2023	January 1, 2023 - March 31, 2023	\$	0.25	\$	\$17,987	April 20, 2023	April 20, 2023	April 27, 2023
Series A Preferred Shares:																
Series A Preferred Shares:																
Series A Preferred Shares:																
January 30, 2024 - April 29, 2024 <sup>(1)</sup>																
January 30, 2024 - April 29, 2024 <sup>(1)</sup>																
January 30, 2024 - April 29, 2024 <sup>(1)</sup>		\$	0.453125	\$	1,822	April 15, 2024	April 30, 2024									
April 30, 2024 - July 29, 2024 <sup>(1)</sup>																
April 30, 2024 - July 29, 2024 <sup>(1)</sup>																
April 30, 2024 - July 29, 2024 <sup>(1)</sup>		\$	0.453125	\$	1,852	July 15, 2024	July 30, 2024									
January 30, 2024 - April 29, 2024		\$	0.453125	\$	1,822	April 15, 2024	April 30, 2024									
October 30, 2023 - January 29, 2024	October 30, 2023 - January 29, 2024	\$	0.453125	\$	1,813	January 15, 2024	January 15, 2024	January 30, 2024	October 30, 2023 - January 29, 2024	\$	0.453125	\$	\$ 1,813	January 15, 2024	January 15, 2024	January 30, 2024
July 30, 2023 - October 29, 2023	July 30, 2023 - October 29, 2023	\$	0.453125	\$	1,813	October 15, 2023	October 15, 2023	October 30, 2023	July 30, 2023 - October 29, 2023	\$	0.453125	\$	\$ 1,813	October 15, 2023	October 15, 2023	October 30, 2023
April 30, 2023 - July 29, 2023	April 30, 2023 - July 29, 2023	\$	0.453125	\$	1,813	July 15, 2023	July 15, 2023	July 30, 2023	April 30, 2023 - July 29, 2023	\$	0.453125	\$	\$ 1,813	July 15, 2023	July 15, 2023	July 30, 2023
January 30, 2023 - April 29, 2023	January 30, 2023 - April 29, 2023	\$	0.453125	\$	1,813	April 15, 2023	April 15, 2023	April 30, 2023	January 30, 2023 - April 29, 2023	\$	0.453125	\$	\$ 1,813	April 15, 2023	April 15, 2023	April 30, 2023
October 30, 2022 - January 29, 2023	October 30, 2022 - January 29, 2023	\$	0.453125	\$	1,813	January 15, 2023	January 15, 2023	January 30, 2023	October 30, 2022 - January 29, 2023	\$	0.453125	\$	\$ 1,813	January 15, 2023	January 15, 2023	January 30, 2023
Series B Preferred Shares:																
Series B Preferred Shares:																
Series B Preferred Shares:																

January 30, 2024 - April 29, 2024 <sup>(1)</sup>															
January 30, 2024 - April 29, 2024 <sup>(1)</sup>															
January 30, 2024 - April 29, 2024 <sup>(1)</sup>		\$	0.4921875	\$	1,983	April 15, 2024	April 30, 2024								
April 30, 2024 - July 29, 2024 <sup>(1)</sup>															
April 30, 2024 - July 29, 2024 <sup>(1)</sup>															
April 30, 2024 - July 29, 2024 <sup>(1)</sup>		\$	0.4921875	\$	2,064	July 15, 2024	July 30, 2024								
January 30, 2024 - April 29, 2024		\$	0.4921875	\$	1,983	April 15, 2024	April 30, 2024								
October 30, 2023 - January 29, 2024	October 30, 2023 - January 29, 2024	\$	0.4921875	\$	1,969	January 15, 2024	January 15, 2024	January 30, 2024	October 30, 2023 - January 29, 2024	\$0.4921875	\$	1,969	January 15, 2024	January 15, 2024	January 30, 2024
July 30, 2023 - October 29, 2023	July 30, 2023 - October 29, 2023	\$	0.4921875	\$	1,969	October 15, 2023	October 15, 2023	October 30, 2023	July 30, 2023 - October 29, 2023	\$0.4921875	\$	1,969	October 15, 2023	October 15, 2023	October 30, 2023
April 30, 2023 - July 29, 2023	April 30, 2023 - July 29, 2023	\$	0.4921875	\$	1,969	July 15, 2023	July 15, 2023	July 30, 2023	April 30, 2023 - July 29, 2023	\$0.4921875	\$	1,969	July 15, 2023	July 15, 2023	July 30, 2023
January 30, 2023 - April 29, 2023	January 30, 2023 - April 29, 2023	\$	0.4921875	\$	1,969	April 15, 2023	April 15, 2023	April 30, 2023	January 30, 2023 - April 29, 2023	\$0.4921875	\$	1,969	April 15, 2023	April 15, 2023	April 30, 2023
October 30, 2022 - January 29, 2023	October 30, 2022 - January 29, 2023	\$	0.4921875	\$	1,969	January 15, 2023	January 15, 2023	January 30, 2023	October 30, 2022 - January 29, 2023	\$0.4921875	\$	1,969	January 15, 2023	January 15, 2023	January 30, 2023
Series C Preferred Shares:															
Series C Preferred Shares:															
Series C Preferred Shares:															
January 30, 2024 - April 29, 2024 <sup>(1)</sup>															
January 30, 2024 - April 29, 2024 <sup>(1)</sup>															
January 30, 2024 - April 29, 2024 <sup>(1)</sup>		\$	0.4921875	\$	2,295	April 15, 2024	April 30, 2024								
April 30, 2024 - July 29, 2024 <sup>(1)</sup>															
April 30, 2024 - July 29, 2024 <sup>(1)</sup>															
April 30, 2024 - July 29, 2024 <sup>(1)</sup>		\$	0.4921875	\$	2,430	July 15, 2024	July 30, 2024								
January 30, 2024 - April 29, 2024		\$	0.4921875	\$	2,295	April 15, 2024	April 30, 2024								
October 30, 2023 - January 29, 2024	October 30, 2023 - January 29, 2024	\$	0.4921875	\$	2,264	January 15, 2024	January 15, 2024	January 30, 2024	October 30, 2023 - January 29, 2024	\$0.4921875	\$	2,264	January 15, 2024	January 15, 2024	January 30, 2024
July 30, 2023 - October 29, 2023	July 30, 2023 - October 29, 2023	\$	0.4921875	\$	2,264	October 15, 2023	October 15, 2023	October 30, 2023	July 30, 2023 - October 29, 2023	\$0.4921875	\$	2,264	October 15, 2023	October 15, 2023	October 30, 2023
April 30, 2023 - July 29, 2023	April 30, 2023 - July 29, 2023	\$	0.4921875	\$	2,264	July 15, 2023	July 15, 2023	July 30, 2023	April 30, 2023 - July 29, 2023	\$0.4921875	\$	2,264	July 15, 2023	July 15, 2023	July 30, 2023
January 30, 2023 - April 29, 2023	January 30, 2023 - April 29, 2023	\$	0.4921875	\$	2,264	April 15, 2023	April 15, 2023	April 30, 2023	January 30, 2023 - April 29, 2023	\$0.4921875	\$	2,264	April 15, 2023	April 15, 2023	April 30, 2023
October 30, 2022 - January 29, 2023	October 30, 2022 - January 29, 2023	\$	0.4921875	\$	2,264	January 15, 2023	January 15, 2023	January 30, 2023	October 30, 2022 - January 29, 2023	\$0.4921875	\$	2,264	January 15, 2023	January 15, 2023	January 30, 2023

<sup>(1)</sup> This distribution was declared on April 4, 2024 July 2, 2024.

#### Note K — Noncontrolling Interest

Noncontrolling interest represents the portion of the Company's majority owned subsidiaries' net income (loss) and equity that is owned by noncontrolling shareholders. The following tables reflect the LLC's ownership percentage of its majority owned operating segments and related noncontrolling interest balances as of March 31, 2024 June 30, 2024

and December 31, 2023:

	% Ownership <sup>(1)</sup> March 31, 2024			% Ownership <sup>(1)</sup> December 31, 2023					
	% Ownership <sup>(1)</sup> June 30, 2024			% Ownership <sup>(1)</sup> December 31, 2023					
	Primary	Primary	Fully Diluted	Primary	Fully Diluted	Primary	Fully Diluted	Primary	Fully Diluted
5.11									
BOA									
Ergobaby									
Lugano									
PrimaLoft									
The Honey Pot Co.									
Velocity Outdoor									
Altor									
Arnold									
Sterno									

<sup>(1)</sup> The principal difference between primary and diluted percentages of our operating segments is due to stock option issuances of operating segment stock to management of the respective businesses.

		Noncontrolling Interest Balances				
(in thousands)	(in thousands)	March 31, 2024	December 31, 2023	(in thousands)	June 30, 2024	December 31, 2023
5.11						
BOA						
Ergobaby						
Lugano						
PrimaLoft						
The Honey Pot Co.						
Velocity Outdoor						
Altor						
Arnold						
Sterno						
Allocation Interests						
	\$					

## Note L — Fair Value Measurement

There were no assets or liabilities measured on a recurring basis as of **March 31, 2024** **June 30, 2024** or December 31, 2023.

Reconciliations of the change in the carrying value of the Level 3 fair value measurements from January 1, 2023 through **March 31, 2024** **June 30, 2024** are as follows (in thousands):

	Level 3
Balance at January 1, 2023	\$ (1,442)
Termination of put option of noncontrolling shareholder - 5.11 <sup>(1)</sup>	142
Adjustment to contingent consideration - King's Camo <sup>(2)</sup>	25
Payment of contingent consideration - King's Camo <sup>(2)</sup>	1,275
Balance at December 31, 2023	\$ —
Balance at <b>March 31, 2024</b> <b>June 30, 2024</b>	\$ —

<sup>(1)</sup> Represented a put option issued to a noncontrolling shareholder in connection with the 5.11 acquisition. The put option was terminated during the period ended March 31, 2023.

<sup>(2)</sup> Velocity entered into a contingent consideration in connection with **their** **its** purchase of King's Camo in July 2022. The purchase price of King's Camo included a potential earn-out if King's Camo achieved certain financial metrics. The payment of the earn-out occurred in April 2023.

### Valuation Techniques

The Company has not changed its valuation techniques in measuring the fair value of any of its other financial assets and liabilities during the period. For details of the Company's fair value measurement policies under the fair value hierarchy, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

### Nonrecurring Fair Value Measurements

The following table provides the assets and liabilities carried at fair value measured on a non-recurring basis as of **March 31, 2024** **June 30, 2024** and December 31, 2023. Refer to ["Note G - Goodwill and Intangible Assets"](#), for a description of the valuation techniques used to determine fair value of the assets measured on a non-recurring basis in the table below.

(in thousands)	Fair Value Measurements at <b>March 31, 2023</b> <b>June 30, 2024</b>				Expense	
					Thee Six months ended	
	Carrying Value	Level 1	Level 2	Level 3	March 31, June 30, 2024	
Goodwill - Velocity	\$ —	—	—	\$ —	\$ 8,182	

  

(in thousands)	Fair Value Measurements at December 31, 2023				Expense	
					Year ended	
	Carrying Value	Level 1	Level 2	Level 3	December 31, 2023	
Goodwill - Velocity	\$ 8,182	—	—	\$ 8,182	\$ 31,590	
Goodwill - PrimaLoft	\$ 232,536	—	—	\$ 232,536	\$ 57,810	

### Note M — Income taxes

The Company estimates its annual effective tax rate each fiscal quarter and applies that estimated rate to its interim pre-tax earnings. In this regard, the Company reflects the full year's estimated tax impact of certain unusual or infrequently occurring items and the effects of changes in tax laws or rates in the interim period in which they occur. The Company's parent, the Trust, is subject to entity-level U.S. federal, state and local corporate income taxes on the Company's earnings that flow through to the Trust.

The computation of the annual estimated effective tax rate for each interim period requires certain assumptions, estimates, and significant judgment, including with respect to the projected operating income for the year, projections of income earned and taxes incurred in various jurisdictions, permanent and temporary differences and the likelihood of recovering deferred tax assets. The accounting estimates used to compute the provision for income taxes may change as new events occur, as additional information is obtained, as our tax structure changes or as the tax laws change. Certain foreign operations are subject to foreign income taxation under existing provisions of the laws of those jurisdictions.

The reconciliation between the Federal Statutory Rate and the effective income tax rate for the **three six months ended** **March 31, 2024** **June 30, 2024** and 2023 is as follows:

	Three months ended March 31,			Six months ended June 30,		
	2024	2024	2023	2024	2023	
United States Federal Statutory Rate	United States Federal Statutory Rate	21.0 %	21.0 %	United States Federal Statutory Rate	21.0 %	21.0 %
State income taxes (net of Federal benefits)						
Foreign income taxes						
Impact of subsidiary employee stock options						
Non-deductible acquisition costs						
Utilization of tax credits						
Non-recognition of various carryforwards at subsidiaries						
United States tax on foreign income						
Impairment expense						
Tax effect - loss on sale of Crosman						
Other						
Effective income tax rate	Effective income tax rate	78.1 %	81.1 %	Effective income tax rate	159.7 %	49.1 %

### Note N — Defined Benefit Plan

In connection with the acquisition of Arnold, the company has a defined benefit plan covering substantially all of Arnold's employees at its Lupfig, Switzerland location. The benefits are based on years of service and the employees' highest average compensation during the specific period.

The unfunded liability of **\$3.3 million** **\$4.8 million** is recognized in the consolidated balance sheet as a component of other non-current liabilities at **March 31, 2024** **June 30, 2024**. Net periodic benefit cost consists of the following for the three **and six months ended** **March 31, 2024** **June 30, 2024** and 2023 (in thousands):

	Three months ended March 31,					
	Three months ended March 31,					
	Three months ended March 31,					
	2024					
	2024					
Three months ended June 30,						
Six months ended June 30,						
	2024		2024		2023	
Service cost						
Service cost						
Service cost						
Interest cost						
Interest cost						
Interest cost						
Expected return on plan assets						
Expected return on plan assets						
Expected return on plan assets						
Amortization of unrecognized loss						
Amortization of unrecognized loss						
Amortization of unrecognized loss						
Effect of curtailment						
Effect of curtailment						
Effect of curtailment						
Net periodic benefit cost						
Net periodic benefit cost						
Net periodic benefit cost						

During the **three** **six** months ended **March 31, 2024** **June 30, 2024**, per the terms of the pension agreement, Arnold contributed **\$0.1 million** **\$0.3 million** to the plan. For the remainder of 2024, the expected contribution to the plan will be approximately **\$0.4 million** **\$0.3 million**.

The plan assets are pooled with assets of other participating employers and are not separable; therefore, the fair values of the pension plan assets at **March 31, 2024** **June 30, 2024** were considered Level 3.

#### Note O - Commitments and Contingencies

In the normal course of business, the Company and its subsidiaries are involved in various claims and legal proceedings. While the ultimate resolution of these matters has yet to be determined, the Company does not believe that any unfavorable outcomes will have a material adverse effect on the Company's consolidated financial position or results of operations.

#### Leases

The Company and its subsidiaries lease office and manufacturing facilities, computer equipment and software under various arrangements. Certain of the leases are subject to escalation clauses and renewal periods. The Company

and its subsidiaries recognize lease expense, including predetermined fixed escalations, on a straight-line basis over the initial term of the lease including reasonably assured renewal periods from the time that the Company and its subsidiaries control the leased property. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. Certain of our subsidiaries have leases that contain both fixed rent costs and variable rent costs based on achievement of certain operating metrics. The variable lease expense was not a material component of our total lease expense for the **three** **and six** months ended **March 31, 2024** **June 30, 2024** and 2023. The Company recognized **\$11.4 million** **\$15.2 million** and **\$11.9 million** **\$26.6 million** in the **three** **and six** months ended **March 31, 2024** **June 30, 2024**, and **March 31, 2023** **\$13.2 million** and **\$25.1 million** in the **three** **and six** months ended **June 30, 2023**, respectively, in expense related to operating leases in the condensed consolidated statements of operations.

The maturities of lease liabilities at **March 31, 2024** **June 30, 2024** are as follows (*in thousands*):

2024 (excluding three months ended March 31, 2024)
2024 (excluding six months ended June 30, 2024)
2025
2026
2027

2028
Thereafter
Total undiscounted lease payments
Less: Interest
Present value of lease liabilities

The calculated amount of the right-of-use assets and lease liabilities are impacted by the length of the lease term and discount rate used to present value the minimum lease payments. The Company's lease agreements often include one or more options to renew at the company's Company's discretion. In general, it is not reasonably certain that lease renewals will be exercised at lease commencement and therefore lease renewals are not included in the lease term. As the discount rate is rarely determinable, the Company utilizes the incremental borrowing rate of the subsidiary entering into the lease arrangement, on a collateralized basis, over a similar term as adjusted for any country specific risk.

The weighted average remaining lease terms and discount rates for all of our operating leases were as follows:

Lease Term and Discount Rate	Lease Term and Discount Rate	March 31, 2024	March 31, 2023	Lease Term and Discount Rate	June 30, 2024	June 30, 2023
Weighted-average remaining lease term (years)	Weighted-average remaining lease term (years)	6.54	6.42	Weighted-average remaining lease term (years)	6.36	6.38
Weighted-average discount rate	Weighted-average discount rate	8.61 %	7.85 %	Weighted-average discount rate	8.68 %	7.93 %

Supplemental balance sheet information related to leases was as follows (in thousands):

Line Item in the Company's Consolidated Balance Sheet	Line Item in the Company's Consolidated Balance Sheet	March 31, 2024	December 31, 2023	Line Item in the Company's Consolidated Balance Sheet	June 30, 2024	December 31, 2023
Operating lease right-of-use assets						
Operating lease right-of-use assets						
Operating lease right-of-use assets						
Current portion, operating lease liabilities						
Operating lease liabilities						

Supplemental cash flow information related to leases was as follows (in thousands):

	Three months ended March 31, 2024	Three months ended March 31, 2023
	Six months ended June 30, 2024	Six months ended June 30, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases		
Operating cash flows from operating leases		
Operating cash flows from operating leases		
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases		
Operating leases		
Operating leases		

## Note P — Related Party Transactions

### Management Services Agreement

The LLC entered into the Management Services Agreement ("MSA") with CGM effective May 16, 2006, as amended. Our Chief Executive Officer is a partner of CGM. The MSA provides for, among other things, CGM to perform services for the LLC in exchange for a management fee paid quarterly and equal to 0.5% of the LLC's adjusted net assets, as defined in the MSA.

During 2022, CGM entered into a waiver of the MSA for the period through June 30, 2023 to receive a 1% annual management fee related to PrimaLoft, rather than the 2% called for under the MSA, which resulted in a lower management fee at March 31, and during the period of the waiver through June 30, 2023 than would normally have been due. At March 31, 2022, CGM entered into a waiver to exclude cash balances held at the LLC from the calculation of the management fee.

### Integration Services Agreements

Integration service fees are included in selling, general and administrative expense on the subsidiaries' statement of operations in the period in which they are incurred. Under the Integration Services Agreement ("ISA"), CGM provides services for new platform acquisitions to, amongst other things, assist the management at the acquired entities in



establishing a corporate governance program, implement compliance and reporting requirements of the Sarbanes-Oxley Act of 2002, as amended, and align the acquired entity's policies and procedures with our other subsidiaries.

The Honey Pot Co., which was acquired in January 2024, entered into an ISA with CGM whereby The Honey Pot Co. will pay CGM a total integration services fee of \$3.5 million, payable quarterly over a twelve-month period beginning June 30, 2024. **THP paid CGM \$0.9 million in integration service fees in the quarter ended June 30, 2024.**

PrimaLoft, which was acquired in July 2022, entered into an ISA with CGM whereby PrimaLoft paid CGM an integration services fee of \$4.8 million quarterly over the twelve-month period ended June 30, 2023.

**The Company and its businesses have the following significant related party transactions**

**5.11**

**Related Party Vendor Purchases** - 5.11 purchases inventory from a vendor who is a related party to 5.11 through one of the executive officers of 5.11 via the executive's 40% ownership interest in the vendor. 5.11 purchased approximately **\$0.4 million** **\$0.2 million** and \$0.6 million during the three **and six** months ended **March 31, June 30, 2024, respectively** and **March 31, 2023** **\$0.4 million and \$1.0 million** during the three and six months ended **June 30, 2023, respectively** in inventory from the vendor.

**BOA**

**Recapitalization** - In December 2023, the Company completed a recapitalization of BOA whereby the LLC entered into an amendment to the intercompany credit agreement with BOA (the "BOA Credit Agreement"). The BOA Credit Agreement was amended to provide for additional term loan borrowings of \$165.9 million to fund a distribution to shareholders. The LLC received a distribution of \$131.0 million related to **their its** ownership of the outstanding shares of BOA on the date of the distribution. Noncontrolling shareholders received a distribution of \$11.7 million, and the remaining amount of the recapitalization was used to repurchase shares owned by employees after the exercise of fully vested employee stock options, and to pay a bonus to employees who held phantom stock options and were not eligible to participate in the distribution to noncontrolling shareholders. BOA recorded compensation expense of \$3.1 million related to the bonus paid to employees as part of the recapitalization.

**Related Party Vendor Purchases** - A contract manufacturer used by BOA as the primary supplier of molded injection parts is a noncontrolling shareholder of BOA. BOA purchased approximately **\$10.6** **\$13.6** million and **\$9.7** **\$24.2** million from this supplier during the three **and six** months ended **March 31, 2024 June 30, 2024, respectively** and **March 31, 2023** **\$10.7 million and \$20.4 million** during the three and six months ended **June 30, 2023, respectively**.

**Note Q — Subsequent Event**

On April 30, 2024, Velocity Outdoor entered into a stock purchase agreement to sell Crosman Corporation ("Crosman"), their airgun product division, to Daisy Manufacturing Company, for an enterprise value of approximately \$63 million. The Company expects to record a loss on the sale of Crosman in the quarter ending June 30, 2024. Velocity received net proceeds of approximately \$58.5 million related to the sale of Crosman, which was used to **repay** amounts outstanding under their intercompany credit agreement.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**This Item 2 contains forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q are subject to a number of risks and uncertainties, some of which are beyond our control. Our actual results, performance, prospects or opportunities could differ materially from those expressed in or implied by the forward-looking statements. Additional risks of which we are not currently aware or which we currently deem immaterial could also cause our actual results to differ, including those discussed in the section entitled "Forward-Looking Statements" included elsewhere in this Quarterly Report on Form 10-Q as well as those risk factors discussed in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 and in the section entitled "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q.**

**Overview**

Compass Diversified Holdings ("Holdings", or the "Trust") was incorporated in Delaware on November 18, 2005. Compass Group Diversified Holdings LLC (the "LLC") was also formed on November 18, 2005. Holdings and the LLC (collectively, the "Company") were formed to acquire and manage a group of small and middle-market businesses headquartered in North America. The LLC is a controlling owner of ten businesses, or operating segments, at **March 31, 2024 June 30, 2024**. The segments are as follows: 5.11 Acquisition Corp. ("5.11"), Boa Holdings Inc. ("BOA"), The Ergo Baby Carrier, Inc. ("Ergobaby"), Lugano Holdings, Inc. ("Lugano Diamonds" or "Lugano"), Relentless Topco, Inc. ("PrimaLoft"), THP Topco, Inc. ("The Honey Pot Co." or "THP"), CBCP Products, LLC ("Velocity Outdoor" or "Velocity"), AMTAC Holdings LLC ("Arnold"), FFI Compass, Inc. ("Altor Solutions" or "Altor"), and SternoCandleLamp Holdings, Inc. ("Sterno").

We acquired our existing businesses (segments) that we own at **March 31, 2024 June 30, 2024** as follows:

		Ownership Interest - March 31, 2024					Ownership Interest - June 30, 2024	
Business	Business	Acquisition Date	Primary	Diluted	Business	Acquisition Date	Primary	Diluted
Ergobaby	Ergobaby	September 16, 2010	81.6%	72.8%	Ergobaby	September 16, 2010	81.6%	72.8%
Arnold	Arnold	March 5, 2012	98.0%	85.8%	Arnold	March 5, 2012	98.0%	85.8%
Sterno	Sterno	October 10, 2014	99.4%	87.5%	Sterno	October 10, 2014	98.1%	90.8%
5.11	5.11	August 31, 2016	97.6%	87.0%	5.11	August 31, 2016	97.7%	87.0%
Velocity Outdoor	Velocity Outdoor	June 2, 2017	99.4%	87.7%	Velocity Outdoor	June 2, 2017	99.4%	87.7%
Altor Solutions	Altor Solutions	February 15, 2018	99.3%	89.8%	Altor Solutions	February 15, 2018	99.3%	89.6%
BOA	BOA	October 16, 2020	91.8%	82.9%	BOA	October 16, 2020	91.8%	83.0%
Lugano	Lugano	September 3, 2021	59.9%	54.7%	Lugano	September 3, 2021	59.9%	55.0%
PrimaLoft	PrimaLoft	July 12, 2022	90.7%	83.1%	PrimaLoft	July 12, 2022	90.7%	84.1%
The Honey Pot Co.	The Honey Pot Co.	January 31, 2024	84.8%	77.4%	The Honey Pot Co.	January 31, 2024	84.8%	76.6%

We categorize our subsidiary businesses into two separate groups of businesses: (i) branded consumer businesses, and (ii) industrial businesses. Branded consumer businesses are characterized as those businesses that we believe capitalize on a valuable brand name in their respective market **sector, sectors**. We believe that our branded consumer businesses are leaders in their **respective** particular product **category, categories**. Industrial businesses are characterized as those businesses that focus on manufacturing and selling particular products and industrial services within a **respective** specific market **sector, sectors**. We believe that our industrial businesses are leaders in their specific market sector. We recently announced the launch of our healthcare effort as our third grouping of companies. We believe healthcare has multiple attractive, high-growth segments with strong industry tailwinds, is an acyclical vertical that we expect will bring diversification and stability to the current group of companies, and has strong alignment with the Company's existing subsidiary priorities.

The following is an overview of each of our subsidiary businesses:

#### **Branded Consumer**

**5.11** - 5.11 is a leading provider of purpose-built technical apparel and gear for law enforcement, firefighters, EMS, and military special operations as well as outdoor and adventure enthusiasts. 5.11 is a brand known for innovation and authenticity, and works directly with end users to create purpose-built apparel and gear designed to enhance the safety, accuracy, speed and performance of tactical professionals and enthusiasts worldwide. Headquartered in Costa Mesa, California, 5.11 operates sales offices and distribution centers globally, and 5.11 products are widely distributed in uniform stores, military exchanges, outdoor retail stores, its own retail stores and on 511tactical.com.

**BOA** - creator of the revolutionary, award-winning, patented BOA Fit System, partners with market-leading brands to make the best gear even better. Delivering fit solutions purpose-built for performance, the BOA Fit System is featured in footwear across snow sports, cycling, outdoor, athletic, workwear as well as performance headwear and bracing. The system consists of three integral parts: a micro-adjustable dial, high-tensile lightweight laces, and low friction lace guides creating a superior alternative to laces, buckles, Velcro, and other traditional closure mechanisms. Each unique BOA configuration is designed with brand partners to deliver superior fit and performance for athletes, is engineered to perform in the toughest conditions and is backed by The BOA Lifetime Guarantee. BOA is headquartered in Denver, Colorado and has offices in Austria, Greater China, South Korea, and Japan.

**Ergobaby** - headquartered in Torrance, California, Ergobaby is a designer, marketer and distributor of wearable baby carriers and accessories, blankets and swaddlers, nursing pillows, strollers, bouncers and related products. Ergobaby primarily sells its Ergobaby and Baby Tula branded products through brick-and-mortar retailers, national chain stores, online retailers, its own websites and distributors and derives more than 50% of its sales from outside of the United States.

**Lugano** - Lugano is a leading designer, manufacturer and marketer of high-end, one-of-a-kind jewelry sought after by some of the world's most discerning clientele. Lugano conducts sales via its own retail salons as well as pop-up showrooms at Lugano-hosted or sponsored events in partnership with influential organizations in the equestrian, art and philanthropic community. Lugano is headquartered in Newport Beach, California.

**PrimaLoft** - PrimaLoft is a leading provider of branded, high-performance synthetic insulation and materials used primarily in consumer outerwear, and accessories. The portfolio of PrimaLoft synthetic insulations offers products that can both mimic natural down aesthetics and provide the freedom to design garments ranging from stylish puffers to lightweight performance apparel. PrimaLoft insulations also offer superior economics to the brand partner and enable better sustainability characteristics through the use of recycled, low-carbon inputs. PrimaLoft is headquartered in Latham, New York.

**The Honey Pot Co.** - The Honey Pot Co. is a leading "better-for-you" feminine care brand, powered by plant-derived ingredients and clinically tested formulas. Founded in 2012 by CEO Beatrice Dixon, The Honey Pot Co. is rooted in the belief that all products should be made with healthy and efficacious ingredients that are kind to and safe for skin. The company offers an extensive range of holistic wellness products across the feminine hygiene, menstrual, personal care, and sexual wellness categories. The Honey Pot Co.'s mission is to educate, support, and provide consumers around the world with tools and resources that promote menstrual health and vaginal wellness. **Their** products can be found in more than 33,000 stores across the U.S. through mass merchants, drug and grocery retail chains, and online. The Honey Pot Co. is headquartered in Atlanta, Georgia.

**Velocity Outdoor** - is a leading designer, manufacturer, and marketer of **airguns**, archery products, **laser aiming devices**, hunting apparel and related accessories. **Velocity Outdoor** offers its products under the Crosman, Benjamin, LaserMax, Ravin, CenterPoint and King's Camo brands that are available through national retail chains, mass merchants, dealer and distributor networks. The **airgun archery** product category consists of **air rifles**, **air pistols** and a **range of accessories including targets, holsters and cases**. **Velocity Outdoor's** other primary product categories are **archery**, with products including **CenterPoint** and **Ravin crossbows consumables, which includes steel and plastic BBs, lead pellets** **CenterPoint archery products**, and **CO2 cartridges, lasers for firearms, and airsoft products**. **The** apparel category offers high-performance, feature rich hunting and casual apparel **of uncompromised quality under the King's Camo brand**, utilizing King's own proprietary camo patterns. **Velocity Outdoor offers its products through national retail chains and dealer and distributor networks**. **Velocity Outdoor** is headquartered in **Bloomfield, Rochester**, New York.

#### **Industrial**

**Altor Solutions** - Altor Solutions is a designer and manufacturer of custom molded protective foam solutions and original equipment manufacturer components made from expanded polystyrene and expanded polypropylene. Altor provides products to a variety of end markets, including appliances and electronics, pharmaceuticals, health and wellness, automotive, building and other products. Altor is headquartered in Scottsdale, Arizona and operates 15 molding and fabricating facilities across North America.

**Arnold** - Arnold is a global solutions provider and manufacturer of engineered solutions for a wide range of specialty applications and end-markets, including aerospace and defense, general industrial, motorsport/transportation, oil and gas, medical, energy, reprographics and advertising specialties. Arnold engineers solutions for and produces high performance permanent magnets (PMAG), stators, rotors and full electric motors ("Ramco"), precision foil products (Precision Thin Metals or "PTM"), and flexible magnets (Flexmag™) that are mission critical in motors, generators, sensors and other systems and components. Based on its long-term relationships, Arnold has built a diverse and blue-chip customer base totaling more than 2,000 customers and leading systems-integrators worldwide with a focus on North America, Europe, and Asia. Arnold has built a preferred rare earth supply chain and has leading rare earth and other permanent magnet production capabilities. Arnold is headquartered in Rochester, New York.

**Sterno** - Sterno is a leading manufacturer and marketer of portable food warming systems, creative indoor and outdoor lighting, and home fragrance solutions for the consumer markets. Sterno **also manufactures creative indoor and outdoor lighting and home fragrance solutions for consumer markets**. Sterno offers a broad range of wick and gel chafing

systems, butane stoves and accessories, liquid and traditional wax candles, catering equipment and lamps through Sterno Products, as well as scented wax cubes, warmer products, outdoor lighting and essential oils used for home decor and fragrance systems through Rimpots. Sterno is headquartered in Plano, Texas.

While our subsidiary businesses have different growth opportunities and potential rates of growth, we actively manage each of our subsidiary businesses to increase the value of, and cash generated by, each business through various initiatives, including making selective capital investments to expand geographic reach, increase capacity or reduce manufacturing costs of our subsidiary businesses; improving and expanding existing sales and marketing programs; and assisting in the acquisition and integration of complementary businesses.

## Significant Trends Impacting Our Subsidiary Businesses

### Macroeconomic Trends

The macroeconomic environment remains dynamic as global macroeconomic trends, including inflationary pressures and higher interest rates, are impacting consumer spending behavior. We expect changing market conditions and continued inflationary pressures to continue to impact consumer spending, particularly for discretionary items purchased by low and middle income consumers, even as overall consumer sentiment among other income brackets appears to be improving going into 2024, improving. While overall inflation has increased at a slower pace domestically in 2023, the first half of 2024, prices remain significantly elevated as compared to the pre-COVID-19 environment, and inflation rates remain above central banks' targets. We continue to experience modest inflationary cost increases in our materials and rising labor costs, particularly at our businesses where hourly employees comprise a larger part of the workforce. We expect that low unemployment rates and increasing wage and benefit costs will have an impact on margins at our businesses in 2024. Certain locales that our businesses operate in have also significantly increased the minimum wage over the past two years with more increases scheduled in coming years, which adds additional wage pressure to the rates we pay hourly workers in these locales.

Our lead-times for inventory have stabilized, which we expect will allow for more accurate forecasting in 2024. Several of our consumer brand businesses experienced a decrease in net revenues in 2023 resulting from higher than anticipated end market inventory levels due to supply chain normalization and a corresponding inventory ordering surge experienced in 2022. Transportation costs have also decreased from a peak, but global geopolitical threats that arose in the latter half of 2023 continue to pressure both fuel and freight costs. Our businesses have begun to see increases in freight costs, particularly ocean freight, which we expect to impact us in the latter half of 2024. Accordingly, our liquidity and financial results could be impacted in ways that we are not able to predict today.

Despite the negative trends noted above, the diversification of our businesses, concentration in the North American market and actions we have taken over the last few years to improve the overall composition of our subsidiary companies and to reduce our cost of capital have positioned us, we believe, to continue to execute on our strategy during 2024 from a position of strength.

### Business Outlook

The Company anticipates that the areas of focus for 2024, which are generally applicable to each of our businesses, include:

- Pursuing sales growth through a combination of new product development, increasing distribution, new customer acquisitions and international expansion;
- Driving free cash flow through increased net income and effective working capital management, enabling continued investment in our businesses;
- Raising prices, when appropriate, on our goods due to rising input costs to preserve operating margins;
- Taking market share, where possible, in each of our niche market leading companies, generally at the expense of less well capitalized competitors;
- Striving for excellence in supply chain management, manufacturing and technological capabilities;
- Continuing to pursue expense reduction and cost savings in lower margin business lines or in response to lower production volume; and
- Continuing to grow through disciplined, strategic acquisitions and rigorous integration processes.

## Recent Events

### Disposition of Crosman

On April 30, 2024, Velocity Outdoor entered into a stock purchase agreement to sell Crosman Corporation ("Crosman"), its airgun product division, to Daisy Manufacturing Company, for an enterprise value of approximately \$63 million. The sale was completed on the same day. The Company recorded a loss of \$24.6 million on the sale of Crosman in the quarter ended June 30, 2024. Velocity received net proceeds of approximately \$58.5 million related to the sale of Crosman, which was used to repay amounts outstanding under its intercompany credit agreement. The results of operation of Crosman are included in the accompanying financial statements through the date of sale.

### Acquisition of The Honey Pot Co.

On January 31, 2024 (the "Closing Date"), the LLC, through its newly formed acquisition subsidiaries, THP Topco, Inc., a Delaware corporation ("THP Topco") and THP Intermediate, Inc., a Delaware corporation ("THP Buyer"), acquired The Honey Pot Company Holdings, LLC ("THP") and certain of its affiliated entities pursuant to a Merger and Stock Purchase Agreement (the "THP Purchase Agreement") dated January 14, 2024 by and among THP Buyer, THP, VMG Honey Pot Blocker, Inc. ("Blocker I"), NVB1, Inc. ("Blocker II"), VMG Tax-Exempt IV, L.P., New Voices Fund, LP, THP Merger Sub, LLC ("THP Merger Sub"), VMG Honey Pot Holdings, LLC, as the Sellers' Representative, and certain remaining equity holders of THP. Pursuant to the THP Purchase Agreement, subsequent to certain internal reorganizations, THP Buyer acquired all of the issued and outstanding equity of Blocker I and Blocker II and, thereafter, THP Merger Sub merged with and into THP (the "THP Merger"), with THP surviving such that the separate existence of THP Merger Sub ceased, with THP surviving the THP Merger as a wholly-owned, indirect subsidiary of the THP Topco. THP is the parent company of The Honey Pot Company (DE), LLC ("The Honey Pot Co.").

The Company purchased The Honey Pot for a total enterprise value of \$380 million, before working capital and certain other adjustments (the "THP Purchase Price"). The Company funded the THP Purchase Price with cash on hand. Certain minority equity holders of THP executed agreements pursuant to which they contributed a portion of their THP equity (the "THP Rollover Equity") to THP Topco in exchange for THP Topco common stock. THP Topco contributed the THP Rollover Equity to THP Buyer. Certain other members of The Honey Pot Co. management team also contributed cash in exchange for equity in THP Topco. The Company directly owns approximately 85% of THP Topco, which in turn indirectly owns all of the issued and outstanding equity interests of THP and The Honey Pot Co. Concurrent with the Closing, the Company provided a credit facility to THP Buyer, THP and

The Honey Pot Co., as borrowers (the "THP Credit Agreement"), pursuant to which a secured revolving loan commitment and secured term loans were made available to Buyer, THP and The Honey Pot Co. (collectively, the "Borrowers"). The initial amount outstanding under these facilities on the Closing Date was approximately \$110 million.

#### Non-GAAP Financial Measures

"U.S. GAAP" or "GAAP" refer to generally accepted accounting principles in the United States. A non-GAAP financial measure is a numerical measure of historical or future performance, financial position or cash flow that excludes amounts, or is subject to adjustments that effectively exclude amounts, included in the most directly comparable measure calculated and presented in accordance with GAAP in our financial statements, and vice versa for measures that include amounts, or are subject to adjustments that effectively include amounts, that are excluded from the most directly comparable measure as calculated and presented.

See "Reconciliation of Non-GAAP Financial Measures" for further discussion of our non-GAAP financial measures and related reconciliations.

#### Results of Operations

The following discussion reflects a comparison of the historical results of operations of our consolidated business for the three and six months ended March 31, 2024 June 30, 2024 and March 31, 2023 June 30, 2023, and components of the results of operations as well as those components presented as a percent of net revenues, for each of our subsidiary businesses on a stand-alone basis.

In the following results of operations, we provide (i) our actual Consolidated Results of Operations for the three and six months ended March 31, 2024 June 30, 2024 and 2023, which includes the historical results of operations of each of our businesses (operating segments) from the date of acquisition in accordance with generally accepted accounting principles in the United States ("GAAP" or "US GAAP"), and (ii) comparative historical components of the results of operations for each of our businesses on a stand-alone basis for the three and six months ended March 31, 2024 June 30, 2024 and 2023, where all periods presented include relevant pro forma adjustments for pre-acquisition periods and explanations where applicable. For the acquisition of The Honey Pot Co. in January 2024, the pro forma results of operations for The Honey Pot Co. business segment has been prepared as if we purchased this business on January 1, 2023. We believe this is the most meaningful comparison for the operating results of acquired business segments. The following results of operations at each of our businesses are not necessarily indicative of the results to be expected for a full year.

All dollar amounts in the financial tables are presented in thousands. References in the financial tables to percentage changes that are not meaningful are denoted by "NM."

#### Results of Operations - Consolidated

The following table sets forth our unaudited results of operations for the three and six months ended March 31, 2024 June 30, 2024 and 2023:

	Three months ended		Three months ended		Six months ended
	Three months ended				
	Three months ended				
(in thousands)					
(in thousands)					
(in thousands)	(in thousands)	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net revenues					
Net revenues					
Net revenues					
Cost of revenues					
Cost of revenues					
Cost of revenues					
Gross profit					
Gross profit					
Gross profit					
Selling, general and administrative expense					
Selling, general and administrative expense					
Selling, general and administrative expense					
Fees to manager					
Fees to manager					
Fees to manager					
Amortization of intangibles					
Amortization of intangibles					
Amortization of intangibles					
Impairment expense					
Impairment expense					
Impairment expense					
Operating income					
Operating income					
Operating income					

Interest expense
Interest expense
Interest expense
Amortization of debt issuance costs
Amortization of debt issuance costs
Amortization of debt issuance costs
Other income (expense)
Other income (expense)
Loss on sale of Crosman
Other income (expense)
Income from continuing operations before income taxes
Income from continuing operations before income taxes
Income from continuing operations before income taxes
Provision for income taxes
Provision for income taxes
Provision for income taxes
Net income (loss) from continuing operations
Net income (loss) from continuing operations
Net income (loss) from continuing operations

Three months ended **March 31, 2024** **June 30, 2024** compared to three months ended **March 31, 2023** **June 30, 2023**

#### Net revenues

Consolidated net revenues for the three months ended **March 31, 2024** **June 30, 2024** increased by approximately **\$40.4 million** **\$55.7 million**, or **8.3%** **11.4%**, compared to the corresponding period in 2023. During the three months ended **March 31, 2024** **June 30, 2024** compared to

2023, we saw notable increases in net revenues at BOA (**\$4.9** **16.0** million increase) and Lugano (**\$9.2** **38.4** million increase), offset by decreases in net revenue at Velocity Outdoor (**\$4.1** **19.1** million decrease), decrease, primarily as a result of the sale of Crosman) and Altor Solutions (**\$8.1** million decrease) and Sterno (**\$10.2** **8.7** million decrease). The Honey Pot Co., which we acquired on January 31, 2024, contributed **\$20.2 million** **\$24.2 million** in net revenues in the **first** **second** quarter of 2024. Refer to "Results of Operations - Business Segments" for a more detailed analysis of net revenues by subsidiary business segment.

We do not generate any revenues apart from those generated by our subsidiaries. We may generate interest income on the investment of available funds, but expect such earnings to be minimal. We make loans from the Company to our subsidiary businesses and also hold equity interests in those businesses. Cash flows coming to the Trust and the LLC are the result of interest payments on those loans, amortization of those loans and additional principal payments on those loans. However, on a consolidated basis, these items will be eliminated.

#### Cost of revenues

On a consolidated basis, cost of revenues increased approximately **\$3.6 million** **\$13.2 million** during the three months ended **March 31, 2024** **June 30, 2024** compared to the corresponding period in 2023. We saw notable increases in cost of revenues at BOA (**\$1.5** **4.8** million increase) and Lugano (**\$12.5** **13.4** million increase) that correlates with the increase in net revenue in the **first** **second** quarter of 2024. We saw notable decreases in cost of revenues at Velocity (**\$2.6** **14.8** million decrease), decrease, primarily as a result of the sale of Crosman) and Altor (**\$7.6** million decrease), and Sterno (**\$11.3** **4.1** million decrease) that corresponded to the decrease in net revenue noted above. The Honey Pot Co. had cost of sales of **\$11.6 million** **\$12.9 million** in the **first** **second** quarter of **2024** **post-acquisition**. **2024**. Gross profit as a percentage of net revenues was approximately **46.1%** **47.8%** in the three months ended **March 31, 2024** **June 30, 2024** compared to **42.4%** **44.5%** in the three months ended **March 31, 2023** **June 30, 2023**. The increase in gross profit as a percentage of net sales in the quarter ended **March 31, 2024** **June 30, 2024** as compared to the quarter ended **March 31, 2023** **June 30, 2023** is driven by the mix of products sold, with increases in net revenue at our higher margin businesses, particularly Lugano. Our branded consumer businesses had gross profit as a percentage of net revenues of **53.8%** **56.7%** in the **first** **second** quarter of 2024 as compared to **52.0%** **53.1%** in the **first** **second** quarter of 2023, while our industrial businesses had gross profit as a percentage of net revenues of **28.6%** **28.1%** in the **first** **second** quarter of 2024 as compared to **25.7%** **29.3%** in the **first** **second** quarter of 2023. Refer to "Results of Operations - Business Segments" for a more detailed analysis of gross profit by subsidiary business segment.

#### Selling, general and administrative expense

Consolidated selling, general and administrative expense increased approximately **\$20.5 million** **\$17.7 million** during the three months ended **March 31, 2024** **June 30, 2024**, compared to the corresponding period in 2023. We saw increases in selling, general and administrative expenses at several of our consumer brands due to increased investment in marketing and headcount, increases in employee compensation and increases in fulfillment costs. We saw notable increase in selling, general and administrative expenses at BOA (**\$1.7** **2.8** million of the increase), Ergobaby (**\$1.3** **1.6** million of the increase) and Lugano (**\$7.1** **9.0** million of the increase). The Honey Pot Co. had selling, general and administrative expense of **\$8.9 million** **\$9.3 million** in the **first** **second** quarter of 2024, **post-acquisition**, of which **\$3.5 million** **\$0.9 million** was **transaction costs** **integration service fees** associated with the **Company's** acquisition. Refer to "Results of Operations - Business Segments" for a more detailed analysis of selling, general and administrative expense by subsidiary business segment. At the corporate level, general and administrative expense was **\$4.9 million** **\$4.0 million** in the **first** **second** quarter of 2024 and **\$4.8 million** **\$4.1 million** in the **first** **second** quarter of **2023**, **an increase of \$0.1 million**. **2023**.

#### Fees to manager

Pursuant to the Management Services Agreement ("MSA"), we pay CGM a quarterly management fee equal to 0.5% (2.0% annually) of our consolidated adjusted net assets. We accrue for the management fee on a quarterly basis. For the three months ended **March 31, 2024** **June 30, 2024**, we incurred approximately **\$18.1 million** **\$18.9 million** in management fees as compared to **\$16.3 million** **\$16.8 million** in fees in the three months ended **March 31, 2023** **June 30, 2023**. The increase in management fees is primarily attributable to our acquisition of The Honey Pot Co. in January 2024.

CGM entered into a waiver of the MSA for a period through June 30, 2023 to receive a 1% annual management fee related to PrimaLoft, rather than the 2% called for under the MSA, which resulted in a lower management fee paid in the second quarter of 2023 than would have normally been due. PrimaLoft was acquired in July 2022.

#### Amortization expense

Amortization expense for the three months ended June 30, 2024 increased \$3.5 million as compared to the three months ended June 30, 2023 as a result of the amortization expense associated with the intangibles that were recognized in conjunction with the purchase price allocation for The Honey Pot Co., which was acquired in January 2024.

#### Interest expense

We recorded interest expense totaling \$26.6 million for the three months ended June 30, 2024 compared to \$26.6 million for the comparable period in 2023. There was an average of \$90 million outstanding on the revolving credit facility in the second quarter of 2024 and \$104 million outstanding in the second quarter of 2023. The amount outstanding on the revolving credit facility in the last year was impacted by the timing of our dispositions and acquisitions, with the proceeds from the sale of Advanced Circuits in February 2023 used to pay down outstanding balances on the facility, and the proceeds from the sale of Marucci in November 2023 used to pay for the acquisition of The Honey Pot Co. rather than using the availability under the facility.

#### Loss on sale of Crosman

On April 30, 2024, Velocity Outdoor sold Crosman Corporation ("Crosman"), its airgun product division. Velocity received net proceeds of approximately \$58.5 million related to the sale of Crosman, which was used to repay amounts outstanding under its intercompany credit agreement. The Company recorded a loss on the sale of Crosman in the quarter ending June 30, 2024 of \$24.6 million.

#### Other income (expense)

For the quarter ended June 30, 2024, we recorded \$1.4 million in other expense as compared to \$0.1 million in other expense in the quarter ended June 30, 2023, an increase in expense of \$1.3 million. Other income (expense) typically reflects the movement in foreign currency at our subsidiary businesses with international operations, gains or (losses) realized on the sale of property, plant and equipment, and expenses incurred or income earned that are not considered a part of our operations. In the quarter ended June 30, 2024, other expense reflects the accrual of a legal settlement at the corporate level.

#### Income taxes

We had an income tax provision of \$21.5 million during the three months ended June 30, 2024 compared to an income tax provision of \$4.3 million during the same period in 2023, an increase of \$17.2 million. Our effective tax rate in the quarter ended June 30, 2024 was 276.0%, compared to an effective income tax rate of 30.1% during the same period in 2023. Our tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amounts of income we earn in those jurisdictions. It is also affected by discrete items that may occur in any given year but are not consistent from year to year. In addition to state income taxes, the items with the most significant impact on the difference between our statutory U.S. federal income tax rate of 21% percent and our effective income tax rate in the second quarter was the limitations on the net operating loss carryforwards and utilization of tax credits at our subsidiaries and the loss on the sale of Crosman recognized at Velocity in the second quarter of 2024.

### **Six months ended June 30, 2024 compared to six months ended June 30, 2023**

#### Net revenues

Consolidated net revenues for the six months ended June 30, 2024 increased by approximately \$96.1 million, or 9.9%, compared to the corresponding period in 2023. During the six months ended June 30, 2024 compared to 2023, we saw notable increases in net revenues at BOA (\$21.0 million increase) and Lugano (\$77.6 million increase), offset by decreases in net revenue at Velocity (\$23.3 million decrease), Altor Solutions (\$16.8 million decrease) and Sterno (\$11.0 million decrease). The Honey Pot Co., which we acquired on January 31, 2024, contributed \$44.3 million in net revenues in 2024 post-acquisition in January 2024. Refer to "Results of Operations - Business Segments" for a more detailed analysis of net revenues by subsidiary business segment.

We do not generate any revenues apart from those generated by our subsidiaries. We may generate interest income on the investment of available funds, but expect such earnings to be minimal. We make loans from the Company to our subsidiary businesses and also hold equity interests in those businesses. Cash flows coming to the Trust and the LLC are the result of interest payments on those loans, amortization of those loans and additional principal payments on those loans. However, on a consolidated basis, these items will be eliminated.

#### Cost of revenues

On a consolidated basis, cost of revenues increased approximately \$16.8 million during the six months ended June 30, 2024 compared to the corresponding period in 2023. We saw notable increases in cost of revenues at BOA (\$6.3 million increase) and Lugano (\$25.9 million increase) that correlates with the increase in net revenue in the first half of 2024. We saw notable decreases in cost of revenues at Velocity (\$17.4 million decrease), Altor (\$11.7 million decrease), and Sterno (\$12.7 million decrease) that corresponded to the decrease in net revenue

noted above. The Honey Pot Co. had cost of sales of \$24.4 million in 2024 post-acquisition. Gross profit as a percentage of net revenues was approximately 47.0% in the six months ended June 30, 2024 compared to 43.4% in the six months ended June 30, 2023. The increase in gross profit as a percentage of net sales in the six months ended June 30, 2024 as compared to the six months ended June 30, 2023 is driven by the mix of products sold, with increases in net revenue at our higher margin businesses, particularly Lugano. Our branded consumer businesses had gross profit as a percentage of net revenues of 55.2% in the first half of 2024 as compared to 52.5% in the first half of 2023, while our industrial businesses had gross profit as a percentage of net revenues of 28.3% in the first half of 2024 as compared to 27.5% in the first half of 2023. Refer to "Results of Operations - Business Segments" for a more detailed analysis of gross profit by subsidiary business segment.



#### Selling, general and administrative expense

Consolidated selling, general and administrative expense increased approximately \$38.1 million during the six months ended June 30, 2024, compared to the corresponding period in 2023. We saw increases in selling, general and administrative expenses at several of our consumer brands due to increased investment in marketing and headcount, increases in employee compensation and increases in fulfillment costs. We saw notable increase in selling, general and administrative expenses at BOA (\$4.6 million of the increase), Ergobaby (\$2.8 million of the increase) and Lugano (\$16.0 million of the increase). The Honey Pot Co. had selling, general and administrative expense of \$18.1 million in the first half of 2024 post-acquisition, of which \$3.5 million was transaction costs and \$0.9 million was integration service fees associated with the acquisition. Refer to "Results of Operations - Business Segments" for a more detailed analysis of selling, general and administrative expense by subsidiary business segment. At the corporate level, general and administrative expense was \$8.9 million in both the first half of 2024 and the first half of 2023.

#### Fees to manager

Pursuant to the Management Services Agreement ("MSA"), we pay CGM a quarterly management fee equal to 0.5% (2.0% annually) of our consolidated adjusted net assets. We accrue for the management fee on a quarterly basis. For the six months ended June 30, 2024, we incurred approximately \$36.9 million in management fees as compared to \$33.1 million in fees in the six months ended June 30, 2023. The increase in management fees is primarily attributable to our acquisition of The Honey Pot Co. in January 2024.

CGM entered into a waiver of the MSA for a period through June 30, 2023 to receive a 1% annual management fee related to PrimaLoft, rather than the 2% called for under the MSA, which resulted in a lower management fee paid in the first quarter six months of 2023 than would have normally been due. PrimaLoft was acquired in July 2022.

#### Amortization expense

Amortization expense for the three six months ended March 31, 2024 June 30, 2024 increased \$2.3 million \$5.8 million as compared to the three six months ended March 31, 2023 June 30, 2023 as a result of the amortization expense associated with the intangibles that were recognized in conjunction with the purchase price allocation for The Honey Pot Co., which was acquired in January 2024.

#### Impairment expense

In connection with our annual goodwill impairment test, we tested the goodwill at the Velocity reporting unit quantitatively. The impairment test resulted in Velocity recording impairment expense of \$8.2 million in the quarters six months ended March 31, 2024 June 30, 2024.

#### Interest expense

We recorded interest expense totaling \$23.6 million \$50.1 million for the three six months ended March 31, 2024 June 30, 2024 compared to \$26.2 million \$52.8 million for the comparable period in 2023, a decrease in expense of \$2.6 million \$2.7 million. We received \$1.8 million in interest income on our cash balances at the LLC during the three six months ended March 31, 2024 June 30, 2024 related to the proceeds from our sale of Marucci. Marucci, prior to using these funds for our acquisition of The Honey Pot in January 2024. The remaining decrease in interest expense in the current quarter period reflects the lower average amount outstanding under our revolving credit facility in the first quarter half of 2024 as compared to the first quarter half of 2023. There was an average of \$29 million \$59 million outstanding on the revolving credit facility in the first quarter half of 2024 and \$107 million \$105 million outstanding in the first quarter half of 2023. The amount outstanding on the revolving credit facility in the last year was impacted by the timing of our dispositions and acquisitions in the past year, with the proceeds from the sale of Advanced Circuits in February 2023 used to pay down outstanding balances on the facility, and the proceeds from the sale of Marucci in November 2023 used to pay for the acquisition of The Honey Pot Co. rather than using the availability under the facility.

#### Loss on sale of Crosman

On April 30, 2024, Velocity Outdoor sold Crosman Corporation ("Crosman"), its airgun product division. Velocity received net proceeds of approximately \$58.5 million related to the sale of Crosman, which was used to repay amounts outstanding under its intercompany credit agreement. The Company recorded a loss on the sale of Crosman in the quarter ending June 30, 2024 of \$24.6 million.

#### Other income (expense)

For the quarter six months ended March 31, 2024 June 30, 2024, we recorded \$2.9 million \$4.2 million in other expense as compared to \$1.2 million \$1.1 million in other income in the quarter six months ended March 31, 2023 June 30, 2023, a decrease an increase in expense of \$4.0 million \$5.3 million. Other income (expense) typically reflects the movement in foreign currency at our subsidiary businesses with international operations, gains or (losses) realized on the sale of property, plant and equipment, and expenses incurred or income earned that are not considered a part of our operations. In the quarter six months ended March 31, 2024 June 30, 2024, the other expense reflects a loss on an equity method investment at Altor Solutions. Solutions and the accrual of a legal settlement at the corporate level

#### Income taxes

We had an income tax provision of \$8.7 million \$30.2 million during the three six months ended March 31, 2024 June 30, 2024 compared to an income tax provision of \$6.9 million \$11.2 million during the same period in 2023, an increase of \$1.8 million \$19.0 million. Our effective tax rate in the quarter six months ended March 31, 2024 June 30, 2024 was 78.1% 159.7%, compared to an effective income tax rate of 81.1% 49.1% during the same period in 2023. Our tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amounts of income we earn in those jurisdictions. It is also affected by discrete items that may occur in any given year but are not consistent from year to year. In addition to state income taxes, the items with the most significant impact on the difference between our statutory U.S. federal income tax rate of 21% percent and our effective income tax rate in 2024 was the limitations on the net operating loss carryforwards and utilization of tax credits at our subsidiaries, and the impairment expense recognized at Velocity in the first quarter of 2024 and the loss on the sale of Crosman in the second quarter of 2024.

### Results of Operations - Business Segments

#### Branded Consumer Businesses

5.11

	Three months ended		Three months ended		Six months ended
	Three months ended				

		Three months ended											
		March 31, 2024											
		March 31, 2024											
		March 31, 2024											
Net sales													
Net sales													
		June 30, 2024				June 30, 2023				June 30, 2024			
		June 30, 2023				June 30, 2023				June 30, 2023			
Net sales	Net sales	\$	123,201	100.0	100.0 %	\$	126,030	100.0	100.0 %	\$	248,175	100.0	100.0 %
Gross profit	Gross profit	\$	67,485	54.8	54.8 %	\$	67,893	53.9	53.9 %	\$	133,412	53.8	53.8 %
Gross profit													
Gross profit													
SG&A													
SG&A													
SG&A	SG&A	\$	54,365	44.1	44.1 %	\$	54,870	43.5	43.5 %	\$	109,704	44.2	44.2 %
Segment operating income	Segment operating income	\$	10,699	8.7	8.7 %	\$	10,582	8.4	8.4 %	\$	18,866	7.6	7.6 %
Segment operating income													
Segment operating income													

Three months ended **March 31, 2024** **June 30, 2024** compared to three months ended **March 31, 2023** **June 30, 2023**

#### Net sales

Net sales for the three months ended **March 31, 2024** **June 30, 2024** were **\$125.0 million** **\$123.2 million** as compared to net sales of **\$124.5 million** **\$126.0 million** for the three months ended **March 31, 2023** **June 30, 2023**, an increase a decrease of **\$0.5 million** **\$2.8 million**, or **0.4%** **2.2%**. This increase decrease was driven largely by a **\$2.7 million increase** in international sales growth from strong demand, which was partially offset by a **\$1.1 million** **\$3.8 million** decrease in direct-to-consumer sales due to lower off price selling and a **\$0.8 million** **\$0.2 million** decrease in domestic wholesale sales due to decreased inventory availability, which were offset by a **\$0.5 million increase** in international sales growth from strong demand.

#### Gross profit

Gross profit was **\$65.9 million** **\$67.5 million** in the three months ended **March 31, 2024** **June 30, 2024** as compared to **\$64.9 million** **\$67.9 million** in the three months ended **March 31, 2023** **June 30, 2023**, an increase a decrease of **\$1.0 million** **\$0.4 million**. Gross profit as a percentage of net sales was **52.8%** **54.8%** in the **first** **second** quarter of 2024 as compared to **52.2%** **53.9%** in the **first** **second** quarter of 2023. Gross profit as a percentage of net sales was favorably impacted by **decreased product costs**, lower off price selling.

#### Selling, general and administrative expense

Selling, general and administrative expense for the three months ended **June 30, 2024** was **\$54.4 million**, or **44.1%** of net sales as compared to **\$54.9 million**, or **43.5%** of net sales for the comparable period in 2023. The decrease in selling, general and administrative expense was largely driven by a decrease in depreciation, bonus related expenses, outside service and bad debt expenses, offset by slight increases in the costs associated with additional retail stores and increased headcount from **June 30, 2023**.

#### Segment operating income

Segment operating income for the three months ended **June 30, 2024** was **\$10.7 million**, an increase of **\$0.1 million** when compared to segment operating income of **\$10.6 million** for the same period in 2023, based on the factors described above.

Six months ended **June 30, 2024** compared to six months ended **June 30, 2023**

#### Net sales

Net sales for the six months ended **June 30, 2024** were **\$248.2 million** as compared to net sales of **\$250.5 million** for the six months ended **June 30, 2023**, a decrease of **\$2.3 million**, or **0.9%**. This decrease was driven by a **\$4.9 million decrease** in direct-to-consumer sales due to lower off price selling and a **\$0.9 million decrease** in domestic wholesale sales due to decreased inventory availability, both of which were partially offset by a **\$3.2 million increase** in international sales growth from strong demand.

#### Gross profit

Gross profit was **\$133.4 million** in the six months ended **June 30, 2024** as compared to **\$132.8 million** in the six months ended **June 30, 2023**, an increase of **\$0.6 million**. Gross profit as a percentage of net sales was **53.8%** in the first half of 2024 as compared to **53.0%** in the first half of 2023. Gross profit as a percentage of net sales was favorably impacted by decreased lower off price selling.

#### Selling, general and administrative expense

Selling, general and administrative expense for both the six months ended **June 30, 2024** and **June 30, 2023** was **\$109.7 million**, representing **44.2%** of net sales in the six months ended **June 30, 2024** and **43.8%** of net sales for the comparable period in 2023.

#### Segment operating income

Segment operating income for the six months ended **June 30, 2024** was **\$18.9 million**, an increase of **\$0.6 million** when compared to segment operating income of **\$18.3 million** for the same period in 2023, based on the factors described above.



**BOA**

	Three months ended						Six months ended					
	June 30, 2024			June 30, 2023			June 30, 2024		June 30, 2023			
Net sales	\$	54,160	100.0%	\$	38,123	100.0%	\$	97,063	100.0%	\$	76,109	100.0%
Gross profit	\$	34,070	62.9%	\$	22,807	59.8%	\$	60,285	62.1%	\$	45,598	59.9%
SG&A	\$	13,403	24.7%	\$	10,573	27.7%	\$	25,784	26.6%	\$	21,233	27.9%
Segment operating income	\$	16,470	30.4%	\$	8,050	21.1%	\$	26,126	26.9%	\$	16,001	21.0%

**Three months ended June 30, 2024 compared to three months ended June 30, 2023**Net sales

Net sales for the three months ended June 30, 2024 were \$54.2 million as compared to net sales of \$38.1 million for the three months ended June 30, 2023, an increase of \$16.0 million, or 42.1%. The increase was reflected across key industries including Cycling, Athletic, Workwear and Snow Sports. The increase in sales was a result of the improvement of end market inventory levels, coupled with market share gains in many of our key industries.

Gross profit

Gross profit was \$34.1 million for the three months ended June 30, 2024 as compared to \$22.8 million for the three months ended June 30, 2023, an increase of \$11.3 million. Gross Profit as a percentage of net sales was 62.9% for the three months ended June 30, 2024 as compared to 59.8% for the three months ended June 30, 2023. The increase in gross profit as a percentage of net sales was driven by manufacturing overhead leverage as well as product mix.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended March 31, 2024 June 30, 2024 was \$55.3 million \$13.4 million, or 44.3% 24.7% of net sales compared to \$54.8 million \$10.6 million, or 44.1% 27.7% of net sales for the comparable period in 2023. The increase in selling, general, and administrative expense was largely driven by the is primarily due to increased employee costs associated with additional retail stores related to BOA's bonus plan and increased headcount from March 31, 2023, which was offset by a decrease in outside service and bonus related expenses. equity program.

Segment operating income

Segment operating income for the three months ended March 31, 2024 June 30, 2024 was \$8.2 million \$16.5 million, an increase of \$0.5 million \$8.4 million when compared to segment operating income of \$7.7 million \$8.1 million for the same period in 2023, based on the factors described above.

**BOA**

	Three months ended				
	March 31, 2024			March 31, 2023	
Net sales	\$	42,903	100.0%	\$	37,986 100.0%
Gross profit	\$	26,215	61.1%	\$	22,791 60.0%
SG&A	\$	12,381	28.9%	\$	10,660 28.1%
Segment operating income	\$	9,656	22.5%	\$	7,951 20.9%

**Three Six months ended March 31, 2024 June 30, 2024 compared to three six months ended March 31, 2023 June 30, 2023**Net sales

Net sales for the three six months ended March 31, 2024 June 30, 2024 were \$42.9 million \$97.1 million as compared to net sales of \$38.0 million \$76.1 million for the three six months ended March 31, 2023 June 30, 2023, an increase of \$4.9 million \$21.0 million, or 12.9% 27.5%. The increase was reflected across key industries including Cycling, Athletic, Workwear and Snow Sports. The increase in sales was a result of the improvement of end market inventory levels, coupled with market share gains in many of our key industries.

Gross profit

Gross profit was \$26.2 million \$60.3 million in for the three six months ended March 31, 2024 June 30, 2024 as compared to \$22.8 million \$45.6 million for the three six months ended March 31, 2023 June 30, 2023, an increase of \$3.4 million \$14.7 million. Gross Profit as a percentage of net sales was 61.1% in 62.1% for the three six months ended March 31, 2024 June 30, 2024 as compared to 60.0% 59.9% for the three six months ended March 31, 2023 June 30, 2023. The increase in gross profit as a percentage of net sales was driven by manufacturing overhead leverage reduced freight and warranty costs as well as product mix.

Selling, general and administrative expense

Selling, general and administrative expense for the three six months ended March 31, 2024 June 30, 2024 was \$12.4 million \$25.8 million, or 28.9% 26.6% of net sales compared to \$10.7 million \$21.2 million, or 28.1% 27.9% of net sales for the comparable period in 2023. The increase in selling, general, and administrative expense is primarily due to increased employee costs related to BOA's bonus plan and equity program.

Segment operating income

Segment operating income for the three six months ended March 31, 2024 June 30, 2024 was \$9.7 million \$26.1 million, an increase of \$1.7 million \$10.1 million when compared to segment operating income of \$8.0 million \$16.0 million for the same period in 2023, based on the factors described above.

**Ergobaby**

		Three months ended			Three months ended			Six months ended		
		Three months ended			Three months ended			Three months ended		
		Three months ended			Three months ended			Three months ended		
		March 31, 2024			March 31, 2024			March 31, 2024		
		March 31, 2024			March 31, 2024			March 31, 2024		
		March 31, 2024			March 31, 2024			March 31, 2024		
Net sales										
Net sales										
		June 30, 2024			June 30, 2023			June 30, 2024		
		June 30, 2024			June 30, 2023			June 30, 2024		
		June 30, 2024			June 30, 2023			June 30, 2024		
Net sales	Net sales	\$28,557	100.0	100.0 %	\$26,149	100.0	100.0 %	\$49,775	100.0	100.0 %
	Gross									
Gross profit	profit	\$18,393	64.4	64.4 %	\$16,804	64.3	64.3 %	\$32,351	65.0	65.0 %
Gross profit										
Gross profit										
SG&A	SG&A	\$13,865	48.6	48.6 %	\$12,286	47.0	47.0 %	\$26,856	54.0	54.0 %
SG&A										
SG&A										
Segment operating income (loss)										
Segment operating income (loss)										
Segment operating income (loss)										
Segment operating income		\$2,562	9.0 %		\$2,526	9.7 %		\$1,564	3.1 %	
Segment operating income		\$2,562	9.0 %		\$2,526	9.7 %		\$1,564	3.1 %	
Segment operating income		\$2,562	9.0 %		\$2,526	9.7 %		\$1,564	3.1 %	

Three months ended **March 31, 2024** June 30, 2024 compared to three months ended **March 31, 2023** June 30, 2023

Net sales

Net sales for the three months ended **March 31, 2024** June 30, 2024 were **\$21.2 million** \$28.6 million, a decrease an increase of **\$1.2 million** \$2.4 million, or **5.4%** 9.2%, compared to the same period in 2023. During the three months ended **March 31, 2024** June 30, 2024, international sales were approximately **\$12.1 million** \$18.1 million, representing a decrease an increase of **\$1.5 million** \$1.9 million over the corresponding period in 2023, primarily as a result of timing of **Asia-Pacific distributor orders** distributor sales and an **European warehouse transition during March causing delayed shipments**. a strong quarter from key international accounts. Domestic sales were **\$9.1 million** \$10.5 million in the **first** second quarter of 2024, reflecting an increase of **\$0.3 million** \$0.5 million compared to the corresponding period in 2023. The increase in domestic sales was primarily due to increases from online **channels across brands**. channels.

Gross profit

Gross profit as a percentage of net sales was **65.8%** 64.4% for the three months ended **March 31, 2024** June 30, 2024, as compared to **63.0%** 64.3% for the three months ended **March 31, 2023** June 30, 2023. The increase in gross profit as a percentage of sales was due to shifts in channel mix.

Selling, general and administrative expense

Selling, general and administrative expense increased \$1.6 million quarter over quarter, with expense of \$13.9 million, or 48.6% of net sales for the three months ended June 30, 2024 as compared to \$12.3 million or 47.0% of net sales for the same period of 2023. The increase in selling, general and administrative expense in the three months ended June 30, 2024 as compared to the comparable period in the prior year is due to increased outbound freight, warehousing and marketing expenses, as well as increased legal fees.

Segment operating income

Ergobaby had segment operating income of approximately \$2.6 million for both the three months ended June 30, 2024, and June 30, 2023, based on the factors noted above.

Six months ended June 30, 2024 compared to six months ended June 30, 2023

Net sales

Net sales for the six months ended June 30, 2024 were \$49.8 million, an increase of \$1.2 million, or 2.5%, compared to the same period in 2023. During the six months ended June 30, 2024, international sales were approximately \$30.1 million, representing an increase of \$0.4 million over the corresponding period in 2023, primarily as a result of strong sales in key international accounts. Domestic sales were \$19.6 million in the first half of 2024, reflecting an increase of \$0.8 million compared to the corresponding period in 2023. The increase in domestic sales was primarily due to increases from online channels.

Gross profit

Gross profit as a percentage of net sales was 65.0% for the six months ended June 30, 2024, as compared to 63.7% for the six months ended June 30, 2023. The increase in gross profit as a percentage of sales was due to shifts in channel mix and reduced costs.

#### Selling, general and administrative expense

Selling, general and administrative expense increased \$1.3 million quarter over quarter, with expense of \$13.0 million \$26.9 million, or 61.2% 54.0% of net sales for the three six months ended March 31, 2024 June 30, 2024 as compared to \$11.7 million \$24.0 million or 52.4% 49.5% of net sales for the same period of 2023. The increase in selling, general and administrative expense in the three six months ended March 31, 2024 June 30, 2024 as compared to the comparable period in the prior year is due to increased outbound freight, warehousing and marketing expenses, as well as increased legal fees.

#### Segment operating income (loss)

Ergobaby had segment operating loss income of \$1.0 million \$1.6 million for the three six months ended March 31, 2024 June 30, 2024, a decrease of \$1.4 million compared to the same period in 2023, based on the factors noted above.

#### Lugano

		Three months ended					Three months ended					Six months ended				
		Three months ended					Three months ended					Three months ended				
		March 31, 2024					March 31, 2024					March 31, 2024				
		March 31, 2024					March 31, 2024					March 31, 2024				
		March 31, 2024					March 31, 2024					March 31, 2024				
Net sales																
Net sales																

Segment operating income increased during the three months ended June 30, 2024 to \$33.2 million, as compared to \$17.1 million in the corresponding period in 2023. This increase was a result of the factors noted above.

#### Six months ended June 30, 2024 compared to six months ended June 30, 2023

##### Net sales

Net sales for the six months ended June 30, 2024 increased approximately \$77.6 million, or 62.1%, to \$202.4 million, compared to the corresponding six months ended June 30, 2023. Lugano sells high-end jewelry primarily through retail salons in California, Florida, Texas, Washington D.C., Colorado, Connecticut, and London, England, as well as via pop-up showrooms at multiple equestrian, social and charitable functions each year. In the current year period, Lugano has experienced strong same store sales growth as it has invested in building out its inventory as well as its sales, marketing and event staff, while increasing the number of social and charitable functions it has attended. Lugano opened its Greenwich, Connecticut location in September 2023, and its London, England salon in the second quarter of 2024, and expects to open more retail locations in the near term to further expand sales opportunities.

##### Gross profit

Gross profit as a percentage of net sales totaled approximately 59.1% and 54.5% for the six months ended June 30, 2024 and June 30, 2023, respectively. Lugano has an extensive network of suppliers through which they procure high quality diamonds and gemstones, which make up a significant percentage of the cost of sales. The increase in margins is attributable to pricing and product mix, especially in its higher priced jewelry pieces.

##### Selling, general and administrative expense

Selling, general and administrative expense was \$20.2 million \$44.3 million for the three six months ended March 31, 2024 June 30, 2024 as compared to \$13.1 million \$28.2 million in selling, general and administrative expense in the three six months ended March 31, 2023 June 30, 2023. Selling, general and administrative expense represented 19.6% 21.9% of net sales in the three six months ended March 31, 2024 June 30, 2024 and 20.5% 22.6% of net sales for the same period of 2023. The increase in selling, general and administrative expense is primarily due to overhead expenses from newly opened locations, increased marketing spend and personnel costs, and variable costs that correlate to the increase in revenue. Lugano continues to increase its head count as it invests in additional professionals to support its growth, growth and geographic expansion.

##### Segment operating income

Segment operating income increased during the three six months ended March 31, 2024 June 30, 2024 to \$39.3 million \$72.5 million, as compared to \$19.8 million \$36.9 million in the corresponding period in 2023. This increase was a result of the factors noted above.

##### PrimaLoft

		Three months ended				Three months ended				Six months ended			
		Three months ended				Three months ended				Three months ended			
		March 31, 2024				March 31, 2024				March 31, 2024			
		March 31, 2024				March 31, 2024				March 31, 2024			
Net sales													
Net sales													
		June 30, 2024				June 30, 2023				June 30, 2024			
		June 30, 2024				June 30, 2023				June 30, 2024			
Net sales	Net sales	\$	25,291	100.0	100.0 %	\$	22,160	100.0	100.0 %	\$	47,832	100.0	100.0 %
Gross profit	Gross profit	\$	16,042	63.4	63.4 %	\$	13,977	63.1	63.1 %	\$	30,092	62.9	62.9 %
Gross profit													
Gross profit													
SG&A													
SG&A													
SG&A	SG&A	\$	5,089	20.1	20.1 %	\$	5,706	25.7	25.7 %	\$	10,386	21.7	21.7 %
Segment operating income	Segment operating income	\$	5,499	21.7	21.7 %	\$	2,817	12.7	12.7 %	\$	8,799	18.4	18.4 %
Segment operating income													
Segment operating income													

#### Three months ended March 31, 2024 June 30, 2024 compared to three months ended March 31, 2023 June 30, 2023

##### Net sales

Net sales for the three months ended March 31, 2024 June 30, 2024 were \$22.5 million \$25.3 million, a decrease an increase of \$2.0 million \$3.1 million as compared to net sales of \$24.5 million \$22.2 million for the three months ended March 31, 2023 June 30, 2023. The decrease increase in net sales in the current quarter versus the quarter ended March 31, 2023 June 30, 2023 is attributable to lower ordering from existing customers due the shift by brand partners shipping product later in the production cycle in 2024 compared to higher the prior year. The excess inventory levels that retailers are challenged to normalize with consumer demand, in the retail market became apparent in second quarter of 2023, which more than offset new customer wins. We expect that retail ordering will begin to normalize this year which we believe will improve our results in 2024, impacted orders during the same period last year.

Gross profit for the quarter ended March 31, 2024 decreased \$1.5 million June 30, 2024 increased \$2.1 million as compared to the three months ended March 31, 2023 June 30, 2023. Gross profit as a percentage of net sales for the three months ended March 31, 2024 June 30, 2024 was 62.3% 63.4%, as compared to gross profit as a percentage of sales of 63.5% 63.1% for the three months ended March 31, 2023 June 30, 2023. The decrease increase in gross profit as a percentage of net sales in the quarter ended March 31, 2024 June 30, 2024 as compared to the quarter ended March 31, 2023 June 30, 2023 is due to product margin mix shift.

Selling, general and administrative expense for the three months ended **March 31, 2024** **June 30, 2024** was **\$5.3 million** **\$5.1 million**, or **23.5%** **20.1%** of net sales compared to **\$5.1 million** **\$5.7 million**, or **20.8%** **25.7%** of net sales for the three months ended **March 31, 2023** **June 30, 2023**. Selling, general and administrative expense in the prior year quarter included \$1.2 million in integration services fees associated with the Company's acquisition of Primaloft. **The increase in Excluding the integration service fee**, selling, general and administrative expense **is increased approximately \$1.2 million** due to the increase in headcount as Primaloft continues to focus on future growth.

Segment operating income for the three months ended **March 31, 2024** **June 30, 2024** was **\$3.3 million** **\$5.5 million**, a decrease of **\$1.7 million** when compared to segment operating income of **\$5.0 million** **\$2.8 million** for the same period in 2023, as a result of the factors noted above.

Net sales for the six months ended June 30, 2024 were \$47.8 million, an increase of \$1.1 million as compared to net sales of \$46.7 million for the six months ended June 30, 2023. The increase in net sales in the current period versus the six months ended June 30, 2023 is attributable to inventory levels in the retail market normalizing, which has resulted in an increase in orders from retailers with brand partners.

Gross profit for the six months ended June 30, 2024 increased \$0.5 million as compared to the six months ended June 30, 2023. Gross profit as a percentage of net sales for the six months ended June 30, 2024 was 62.9%, as compared to gross profit as a percentage of sales of 63.3% for the six months ended June 30, 2023. The decrease in gross profit as a percentage of net sales in the six months ended June 30, 2024 as compared to the six months ended June 30, 2023 is due to product mix shift.

Selling, general and administrative expense for the six months ended June 30, 2024 was \$10.4 million, or 21.7% of net sales compared to \$10.8 million, or 23.2% of net sales for the six months ended June 30, 2023. Selling, general and administrative expense in the prior period included \$2.4 million in integration services fees associated with the Company's acquisition of PrimaLoft. Excluding the integration service fee, selling, general and administrative expense increased approximately \$2.4 million due to the increase in headcount as PrimaLoft continues to focus on future growth.

Segment operating income for the six months ended June 30, 2024 was \$8.8 million, an increase of \$1.0 million when compared to segment operating income of \$7.8 million for the same period in 2023, as a result of the factors noted above.

In the following results of operations, we provide comparative **pro forma** **pro forma** results of operations for The Honey Pot Co. for the three **and six months** ended **March 31, 2024** **June 30, 2024** and **March 31, 2023** **June 30, 2023** as if we had acquired the business on January 1, 2023. The results of operations that follow include relevant **pro forma** **pro forma** adjustments for pre-acquisition periods and explanations where applicable. The operating results for The Honey Pot Co. have been included in the consolidated results of operation from the date of acquisition in January 2024.

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Gross profit														
Gross profit														
SG&A														
SG&A														
SG&A	SG&A	\$ 9,276	38.4	38.4 %	\$ 10,330	41.3	41.3 %	\$ 20,932	38.0	38.0 %	\$ 18,938	33.3		
Segment operating (loss) income	Segment operating (loss) income	\$ (2,530)	(10.5)	(10.5)%	\$ 153	0.6	0.6 %	\$ (3,220)	(5.9)	(5.9)%	\$ 6,228	10.9		
Segment operating (loss) income														
Segment operating (loss) income														

**Pro forma** Proforma results of operations include the following pro forma proforma adjustments as if we had acquired The Honey Pot Co. on January 1, 2023:

- Incremental stock compensation expense of \$0.2 million \$0.3 million for the six months ended June 30, 2024 and \$0.3 million and \$0.6 million, respectively, for the three and six months ended March 31, 2024 and \$0.3 million for the three months ended March 31, 2023 June 30, 2023. This amount is included in SG&A above and reduces segment operating income.
- Amortization expense associated with the intangible assets recorded in connection with the purchase price allocation for THP of \$1.2 million \$1.3 million for the six months ended June 30, 2024 and \$4.0 and \$8.0, respectively, for the three and six months ended March 31, 2024 and \$3.5 for the three months ended March 31, 2023 June 30, 2023. This amount reduces segment operating income.
- Management fees that would have been payable to the Manager during each period. THP will pay a management fee of \$1.0 million per year (\$0.25 million per quarter) to CGM. This amount reduces segment operating income.

**Proforma three** Three months ended March 31, 2024 June 30, 2024 compared to proforma three months ended March 31, 2023 June 30, 2023

#### Net sales

Net sales for the three months ended March 31, 2024 June 30, 2024 were \$30.8 million \$24.2 million, a decrease of \$1.0 million \$0.8 million or 3.3% from net sales of \$31.9 million \$25.0 million for the three months ended March 31, 2023 June 30, 2023. The decrease in net sales is primarily primarily due to normalized replenishment levels in the current quarter as compared to larger pipe fill orders from new customers and doors added higher promotional activity in the drug and grocery channels in the first second quarter of 2023.

#### Gross profit

Gross profit for the quarter ended March 31, 2024 June 30, 2024 decreased \$4.0 million \$3.4 million as compared to the three months ended March 31, 2023 June 30, 2023. Gross profit as a percentage of net sales for the three months ended March 31, 2024 June 30, 2024 was 48.4% 46.8%, as compared to gross profit as a percentage of sales of 59.4% 59.0% for the three months ended March 31, 2023 June 30, 2023. Cost of sales in the quarter ended March 31, 2024 June 30, 2024 includes \$2.7 million \$1.0 million in amortization of the inventory step-up resulting from the acquisition purchase allocation. Excluding the effect of the step-up amortization, gross profit as a percentage of net sales for the first quarter of 2024 was 57.0% 51.1%. The decline in gross profit as a percentage of net sales in the quarter ended March 31, 2024 June 30, 2024 as compared to the quarter ended March 31, 2023 June 30, 2023 is attributable to channel mix shift and higher fixed costs due to the replacement of regional third-party distribution facilities with a larger dedicated distribution center to support future growth and that will benefit from scale efficiencies over time.

#### Selling, general and administrative expense

Selling, general and administrative expense for the three months ended June 30, 2024 was \$9.3 million, or 38.4% of net sales compared to \$10.3 million, or 41.3% of net sales for the three months ended June 30, 2023. The decrease in selling, general and administrative expense in the three months ended June 30, 2024 as compared to the three months ended June 30, 2023 was due to changes in bonus and compensation plans.

#### Segment operating income (loss)

Segment operating loss for the three months ended June 30, 2024 was \$2.5 million, a decrease of \$2.7 million when compared to segment operating income of \$0.2 million for the same period in 2023, as a result of the factors noted above.

**Proforma six months ended June 30, 2024 compared to proforma six months ended June 30, 2023**

#### Net sales

Net sales for the six months ended June 30, 2024 were \$55.0 million, a decrease of \$1.9 million or 3.3% from net sales of \$56.9 million for the six months ended June 30, 2023. The decrease in net sales is primarily due to normalized replenishment levels in the current period as compared to larger, pipe fill orders from new customers and doors added in the drug and grocery channels in the first six months of 2023 as well as lower promotional activity in the current year.

### Gross profit

Gross profit for the six months ended June 30, 2024 decreased \$7.5 million as compared to the six months ended June 30, 2023. Gross profit as a percentage of net sales for the six months ended June 30, 2024 was 47.7%, as compared to gross profit as a percentage of sales of 59.2% for the six months ended June 30, 2023. Cost of sales in the six months ended June 30, 2024 includes \$3.8 million in amortization of the inventory step-up resulting from the acquisition purchase allocation. Excluding the effect of the step-up amortization, gross profit as a percentage of net sales for the six months ended 2024 was 54.4%. The decline in gross profit as a percentage of net sales in the six months ended June 30, 2024 as compared to the six months ended June 30, 2023 is attributable to channel mix shift and higher fixed costs due to the replacement of 3PL distribution with a larger dedicated distribution center to support future growth and that will benefit from scale efficiencies over time.

### Selling, general and administrative expense

Selling, general and administrative expense for the **three** six months ended **March 31, 2024** June 30, 2024 was **\$11.7 million** \$20.9 million, or **37.8%** 38.0% of net sales compared to **\$8.6 million** \$18.9 million, or **27.0%** 33.3% of net sales for the **three** six months ended **March 31, 2023** June 30, 2023. Selling,

general and administrative expense in the current **quarter** period includes \$3.5 million in transaction costs associated with the

Company's acquisition of The Honey Pot Co.

### Segment operating income (loss)

Segment operating loss for the **three** six months ended **March 31, 2024** June 30, 2024 was **\$0.5 million** \$3.2 million, a decrease of **\$7.1 million** \$9.4 million when compared to segment operating income of **\$6.5 million** \$6.2 million for the same period in 2023, as a result of the factors noted above.

### **Velocity Outdoor**

	Three months ended			
	March 31, 2024		March 31, 2023	
Net sales	\$ 29,899	100.0 %	\$ 34,040	100.0 %
Gross profit	\$ 6,498	21.7 %	\$ 8,015	23.5 %
SG&A	\$ 8,219	27.5 %	\$ 8,770	25.8 %
Impairment expense	\$ 8,182	27.4 %	\$ —	— %
Segment operating loss	\$ (12,424)	(41.6)%	\$ (3,276)	(9.6) %

On April 30, 2024, Velocity Outdoor sold its Crosman airgun product division. The results of operations for the three and six months ended June 30, 2024 and 2023 presented below include the results from the Crosman airgun product division through the date of sale.

	Three months ended				Six months ended			
	June 30, 2024		June 30, 2023		June 30, 2024		June 30, 2023	
Net sales	\$ 18,711	100.0 %	\$ 37,839	100.0 %	\$ 48,610	100.0 %	\$ 71,879	100.0 %
Gross profit	\$ 5,627	30.1 %	\$ 10,001	26.4 %	\$ 12,125	24.9 %	\$ 18,016	25.1 %
SG&A	\$ 5,848	31.3 %	\$ 9,090	24.0 %	\$ 14,067	28.9 %	\$ 17,860	24.8 %
Impairment expense	\$ —	— %	\$ —	— %	\$ 8,182	16.8 %	\$ —	— %
Segment operating loss	\$ (1,935)	(10.3)%	\$ (1,610)	(4.3)%	\$ (14,359)	(29.5)%	\$ (4,886)	(6.8) %

**Three months ended March 31, 2024 June 30, 2024 compared to three months ended March 31, 2023 June 30, 2023**

### Net sales

Net sales for the three months ended **March 31, 2024** June 30, 2024 were **\$29.9 million** \$18.7 million, a decrease of **\$4.1 million** \$19.1 million or **12.2%** 50.6%, compared to the same period in 2023. The decrease in net sales for the three months ended **March 31, 2024** June 30, 2024 is driven by the divestiture of Crosman. The remaining product categories, which consist of the archery and hunting apparel product categories decreased 5% compared to the same period in 2023 due to **reduced traffic at retail along with continued focus on inventory levels by our customers**. softness in the overall Hunting and Fishing market.

### Gross profit

Gross profit for the quarter ended **March 31, 2024** June 30, 2024 decreased **\$1.5 million** \$4.4 million as compared to the quarter ended **March 31, 2023** June 30, 2023. Gross profit as a percentage of net sales **decreased** increased to **21.7%** 30.1% for the three months ended **March 31, 2024** June 30, 2024 as compared to **23.5%** 26.4% in the three months ended **March 31, 2023** June 30, 2023 due to **customer mix** the divestiture of Crosman. The archery and **reduced absorption** hunting apparel product categories have higher margins than the airgun product category due to differences in the sales channels and the premium nature of **manufacturing costs driven by lower revenue**, the products sold in these categories. In the quarter ended June 30, 2024, the gross profit for the remaining Velocity business decreased 1.5% compared to the prior year comparable quarter.

### Selling, general and administrative expense

Selling, general and administrative expense for the three months ended **March 31, 2024** June 30, 2024 was **\$8.2 million** \$5.8 million, or **27.5%** 31.3% of net sales compared to **\$8.8 million** \$9.1 million, or **25.8%** 24.0% of net sales for the three months ended **March 31, 2023** June 30, 2023. Selling, general and administrative expense decreased **\$0.6 million** \$3.2 million in the quarter ended **March 31, 2024** June 30, 2024 as compared to the prior period but increased as a percentage of net sales due to the decrease in revenue noted above.

### Segment operating loss



Segment operating loss for the three months ended June 30, 2024 was \$1.9 million, an increased loss of \$0.3 million when compared to segment operating loss of \$1.6 million for the same period in 2023 based on the factors noted above.

#### Six months ended June 30, 2024 compared to six months ended June 30, 2023

##### Net sales

Net sales for the six months ended June 30, 2024 were \$48.6 million, a decrease of \$23.3 million or 32.4%, compared to the same period in 2023. The decrease in net sales for the six months ended June 30, 2024 is driven by the divestiture of Crosman. The remaining product categories, which consist of the archery and hunting apparel product categories decreased approximately \$2.0 million compared to the same period in 2023 due to softness in the overall Hunting and Fishing market.

##### Gross profit

Gross profit for the six months ended June 30, 2024 decreased \$5.9 million as compared to the six months ended June 30, 2023. Gross profit as a percentage of net sales decreased to 24.9% for the six months ended June 30, 2024 as compared to 25.1% in the six months ended June 30, 2023 due to product mix and the absorption of overhead expense on reduced sales.

##### Selling, general and administrative expense

Selling, general and administrative expense for the six months ended June 30, 2024 was \$14.1 million, or 28.9% of net sales compared to \$17.9 million, or 24.8% of net sales for the six months ended June 30, 2023. Selling, general and administrative expense decreased \$3.8 million in the six months ended June 30, 2024 as compared to the prior period but increased as a percentage of net sales due to the decrease in revenue noted above.

##### Impairment expense

The Velocity reporting unit was tested quantitatively in connection with the company's annual goodwill impairment testing. The impairment test resulted in Velocity recording impairment expense of \$8.2 million in the quarter six months ended March 31, 2024 June 30, 2024 after the fair value of the reporting unit did not exceed the carrying value.

##### Segment operating loss

Segment operating loss for the three six months ended March 31, 2024 June 30, 2024 was \$12.4 million \$14.4 million, an increase increased loss of \$9.1 million \$9.5 million when compared to segment operating loss of \$3.3 million \$4.9 million for the same period in 2023 based on the factors noted above.

## Industrial Businesses

### Altor Solutions

		Three months ended			Three months ended			Six months ended		
		Three months ended			Three months ended			Three months ended		
		March 31, 2024			March 31, 2024			March 31, 2024		
		March 31, 2024			March 31, 2024			March 31, 2024		
		March 31, 2024			March 31, 2024			March 31, 2024		
Net sales										
Net sales										
		June 30, 2024			June 30, 2023			June 30, 2024		
		June 30, 2024			June 30, 2023			June 30, 2023		
Net sales	Net sales	\$ 52,213	100.0	100.0 %	\$ 60,886	100.0	100.0 %	\$ 105,617	100.0	100.0 %
Gross profit	Gross profit	\$ 15,029	28.8	28.8 %	\$ 19,558	32.1	32.1 %	\$ 31,202	29.5	29.5 %
Gross profit										
Gross profit										
SG&A										
SG&A										
SG&A	SG&A	\$ 7,280	13.9	13.9 %	\$ 7,740	12.7	12.7 %	\$ 14,230	13.5	13.5 %
Segment operating income	Segment operating income	\$ 5,156	9.9	9.9 %	\$ 9,223	15.1	15.1 %	\$ 11,784	11.2	11.2 %
Segment operating income										
Segment operating income										

#### Three months ended March 31, 2024 June 30, 2024 compared to three months ended March 31, 2023 June 30, 2023

##### Net sales

Net sales for the quarter ended March 31, 2024 June 30, 2024 were \$53.4 million \$52.2 million, a decrease of \$8.1 million \$8.7 million, or 13.2% 14.2%, compared to the quarter ended March 31, 2023 June 30, 2023. The decrease in net sales during the quarter was due to shifting market conditions of the food delivery and other cold chain markets, which represent one of Altor's largest customer segments. Altor is strategically repositioning itself to adapt to these changes, but anticipates continued sales pressure for the remainder of 2024.

##### Gross profit



Gross profit as a percentage of net sales was 30.3% 28.8% and 27.2% 32.1% for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively. The increase decrease in gross profit as a percentage of net sales in the quarter ended March 31, 2024 June 30, 2024, was primarily due to an improved fixed cost absorption on a lower sales base and raw material savings, due to the decrease in net sales.

#### Selling, general and administrative expense

Selling, general and administrative expense for the three months ended March 31, 2024 June 30, 2024 was \$7.0 million \$7.3 million as compared to \$7.2 million \$7.7 million for the three months ended March 31, 2023 June 30, 2023, a decrease of \$0.2 million \$0.5 million. The decrease in selling, general and administrative expense in the first second quarter of 2024 was due to lower incentive compensation as a result of the decrease in revenue.

#### Segment operating income

Segment operating income was \$6.6 million \$5.2 million in the three months ended March 31, 2024 June 30, 2024, a decrease of \$0.3 million \$4.1 million as compared to the three months ended March 31, 2023 June 30, 2023, based on the factors noted above.

#### **Six months ended June 30, 2024 compared to six months ended June 30, 2023**

#### Net sales

Net sales for the six months ended June 30, 2024 were \$105.6 million, a decrease of \$16.8 million, or 13.7%, compared to the six months ended June 30, 2023. The decrease in net sales during the period was due to shifting market conditions of the food delivery and other cold chain markets, which represent one of Altor's largest customer segments, and supplier diversification initiatives. Altor is strategically repositioning itself to adapt to these changes, but anticipates continued sales pressure for the remainder of 2024.

#### Gross profit

Gross profit as a percentage of net sales was consistent period over period, at 29.5% and 29.6% for the six months ended June 30, 2024 and 2023, respectively.

#### Selling, general and administrative expense

Selling, general and administrative expense for the six months ended June 30, 2024 was \$14.2 million as compared to \$14.9 million for the six months ended June 30, 2023, a decrease of \$0.7 million. The decrease in selling, general and administrative expense in the first half of 2024 was due to lower incentive compensation as a result of the decrease in revenue.

#### Segment operating income

Segment operating income was \$11.8 million in the six months ended June 30, 2024, a decrease of \$4.4 million as compared to the six months ended June 30, 2023, based on the factors noted above.

#### **Arnold**

		Three months ended			Three months ended			Six months ended		
		Three months ended			Three months ended			Three months ended		
		March 31, 2024			March 31, 2024			March 31, 2024		
		March 31, 2024			March 31, 2024			March 31, 2024		
		March 31, 2024			March 31, 2024			March 31, 2024		
Net sales										
Net sales										
		June 30, 2024			June 30, 2023			June 30, 2024		
		June 30, 2024			June 30, 2023			June 30, 2023		
Net sales	Net sales	\$ 43,155	100.0	100.0 %	\$ 40,138	100.0	100.0 %	\$ 84,442	100.0	100.0 %
Gross profit	Gross profit	\$ 12,446	28.8	28.8 %	\$ 12,453	31.0	31.0 %	\$ 24,251	28.7	28.7 %
Gross profit										
Gross profit										
SG&A										
SG&A										
SG&A	SG&A	\$ 6,388	14.8	14.8 %	\$ 6,090	15.2	15.2 %	\$ 13,271	15.7	15.7 %
Segment operating income	Segment operating income	\$ 5,308	12.3	12.3 %	\$ 5,613	14.0	14.0 %	\$ 9,480	11.2	11.2 %
Segment operating income										
Segment operating income										

#### **Three months ended March 31, 2024 June 30, 2024 compared to three months ended March 31, 2023 June 30, 2023**

#### Net sales

Net sales for the three months ended March 31, 2024 June 30, 2024 were approximately \$41.3 million \$43.2 million, an increase of \$1.2 million \$3.0 million compared to the same period in 2023. International sales were \$13.4 million \$13.2 million in both the three months ended March 31, 2024 June 30, 2024 and the \$12.2 million in the three months ended March 31, 2023 June 30, 2023, an increase of 7.7%. The increase in net sales is primarily a result of increased demand in several markets including Aerospace aerospace and Defense, defense, and Oil oil and Gas, gas, partially offset by lower demand in the Industrial motor sports and Transportation reprographic markets.

### Gross profit

Gross profit for the three months ended **March 31, 2024** **June 30, 2024** was approximately **\$11.8 million** **\$12.4 million** compared to approximately **\$12.0 million** **\$12.5 million** in the same period of 2023. Gross profit as a percentage of net sales decreased to **28.6%** **28.8%** for the quarter ended **March 31, 2024** **June 30, 2024** from **30.0%** **31.0%** in the quarter ended **March 31, 2023** **June 30, 2023** principally due to product mix and higher staffing related costs.

### Selling, general and administrative expense

Selling, general and administrative expense in the three months ended **March 31, 2024** **June 30, 2024** was **\$6.9 million** **\$6.4 million**, an increase in expense of approximately **\$0.6 million** **\$0.3 million** compared to **\$6.3 million** **\$6.1 million** for the three months ended **March 31, 2023** **June 30, 2023** due to increases in **travel expense** **information technology expenses** and consulting fees **during the current quarter**, partially offset by lower staffing related costs. Selling, general and administrative expense was **16.7%** **14.8%** of net sales in the three months ended **March 31, 2024** **June 30, 2024** and **15.6%** **15.2%** in the three months ended **March 31, 2023** **June 30, 2023**.

### Segment operating income

Segment operating income for the three months ended **March 31, 2024** **June 30, 2024** was approximately **\$4.2 million** **\$5.3 million**, a decrease of **\$0.3 million** when compared to the same period in 2023, as a result of the factors noted above.

### **Six months ended June 30, 2024 compared to six months ended June 30, 2023**

### Net sales

Net sales for the six months ended June 30, 2024 were approximately \$84.4 million, an increase of \$4.2 million compared to the same period in 2023. International sales were \$26.5 million in the six months ended June 30, 2024 and \$25.7 million in the six months ended June 30, 2023, an increase of 3.3%. The increase in net sales is primarily a result of increased demand in several markets including aerospace and defense, and oil and gas, partially offset by lower demand in the industrial and transportation markets.

### Gross profit

Gross profit for the six months ended June 30, 2024 was approximately \$24.3 million compared to approximately \$24.5 million in the same period of 2023. Gross profit as a percentage of net sales decreased to 28.7% for the six months ended June 30, 2024 from 30.5% in the six months ended June 30, 2023 principally due to product mix and higher staffing related costs.

### Selling, general and administrative expense

Selling, general and administrative expense in the six months ended June 30, 2024 was \$13.3 million, an increase in expense of approximately \$0.9 million compared to \$12.3 million for the six months ended June 30, 2023 due to increases in information technology and legal expenses, and consulting fees during the current period. Selling, general and administrative expense was 15.7% of net sales in the six months ended June 30, 2024 and 15.4% in the six months ended June 30, 2023.

### Segment operating income

Segment operating income for the six months ended June 30, 2024 was approximately \$9.5 million, a decrease of \$1.2 million when compared to the same period in 2023, as a result of the factors noted above.

### **Sterno**

		Three months ended				Three months ended				Six months ended							
		Three months ended															
		Three months ended															
		March 31, 2024															
		March 31, 2024															
		March 31, 2024															
Net sales																	
Net sales																	
		June 30, 2024			June 30, 2023			June 30, 2024			June 30, 2023						
Net sales	Net sales	\$	73,767	100.0	100.0 %	\$	74,615	100.0	100.0 %	\$	138,627	100.0	100.0 %	\$	149,634	100.0	100.0 %
Gross profit	Gross profit	\$	19,976	27.1	27.1 %	\$	19,479	26.1	26.1 %	\$	37,689	27.2	27.2 %	\$	36,039	24.1	24.1 %
Gross profit																	
Gross profit																	
SG&A																	
SG&A																	
SG&A	SG&A	\$	7,869	10.7	10.7 %	\$	8,154	10.9	10.9 %	\$	16,560	11.9	11.9 %	\$	15,984	10.7	10.7 %
Segment operating income	Segment operating income	\$	7,870	10.7	10.7 %	\$	7,088	9.5	9.5 %	\$	12,655	9.1	9.1 %	\$	11,581	7.7	7.7 %
Segment operating income																	
Segment operating income																	

**Three months ended March 31, 2024 June 30, 2024 compared to three months ended March 31, 2023 June 30, 2023**

Net sales

Net sales for the three months ended March 31, 2024 June 30, 2024 were approximately \$64.9 million \$73.8 million, a decrease of \$10.2 million \$0.8 million, or 13.5% 1.1%, compared to the same period in 2023. The net sales variance reflects lower sales due to changes volume at Sterno in consumer discretionary buying behaviors as a result of inflationary pressures, the retail and food service sales channels.

Gross profit

Gross profit as a percentage of net sales increased from 22.1% 26.1% for the three months ended March 31, 2023 June 30, 2023 to 27.3% 27.1% for the three months ended March 31, 2024 June 30, 2024. The increase in gross profit percentage in the first second quarter of 2024 as compared to the first second quarter of 2023 was primarily attributable to favorable direct materials, labor and freight costs across both divisions of the company.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended March 31, 2024 June 30, 2024 was approximately \$8.7 million \$7.9 million as compared to \$7.8 million \$8.2 million for the three months ended March 31, 2023 June 30, 2023, a decrease of \$0.3 million reflecting lower occupancy expenses and management incentives. Selling, general and administrative expense represented 10.7% of net sales for the three months ended June 30, 2024 and 10.9% for the three months ended June 30, 2023.

Segment operating income

Segment operating income for the three months ended June 30, 2024 was approximately \$7.9 million, an increase of \$0.9 million \$0.8 million compared to the three months ended June 30, 2023 based on the factors noted above.

**Six months ended June 30, 2024 compared to six months ended June 30, 2023**

Net sales

Net sales for the six months ended June 30, 2024 were approximately \$138.6 million, a decrease of \$11.0 million, or 7.4%, compared to the same period in 2023. The net sales variance reflects lower sales due to changes in consumer discretionary buying behaviors as a result of inflationary pressures.

Gross profit

Gross profit as a percentage of net sales increased from 24.1% for the six months ended June 30, 2023 to 27.2% for the six months ended June 30, 2024. The increase in gross profit percentage in the first half of 2024 as compared to the first half of 2023 was primarily attributable to favorable direct materials, labor and freight costs across both divisions of the company.

Selling, general and administrative expense

Selling, general and administrative expense for the six months ended June 30, 2024 was approximately \$16.6 million as compared to \$16.0 million for the six months ended June 30, 2023, an increase of \$0.6 million reflecting an increase in sales and marketing related salaries and promotional activity for both divisions of the company in the current period. Selling, general and administrative expense represented 13.4% 11.9% of net sales for the three six months ended March 31, 2024 June 30, 2024 and 10.4% 10.7% for the three six months ended March 31, 2023 June 30, 2023.

Segment operating income

Segment operating income for the three six months ended March 31, 2024 June 30, 2024 was approximately \$4.8 million \$12.7 million, an increase of \$0.3 million \$1.1 million compared to the three six months ended March 31, 2023 June 30, 2023 based on the factors noted above.

**Liquidity and Capital Resources**

We generate cash primarily from the operations of our subsidiaries, and we have the ability to borrow under our 2022 Credit Facility to fund our operating, investing and financing activities. In January 2023, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase, through December 31, 2023, up to \$50 million of its outstanding common shares. In 2021, we filed a prospectus supplement pursuant to which we may, but we have no obligation to, issue and sell up to \$500 million of the common shares of the Trust in amounts and at times to be determined by us. In the first quarter of 2024, we filed a prospectus supplement pursuant to which we may, but we have no obligation to, issue and sell up to \$100 million of the Series A, Series B and Series C preferred shares of the Trust in amounts and at times to be determined by us. Actual sales will depend on a variety of factors to be determined by us from time to time, including, market conditions, the trading price of Trust common and preferred shares and determinations by us regarding appropriate sources of funding.

Our liquidity requirements primarily relate to our debt service requirements, payments of our common and preferred share distributions, management fees paid to our Manager, working capital needs and purchase commitments at our subsidiaries. As of March 31, 2024 June 30, 2024, we had \$1,000.0 million of indebtedness associated with our 5.250% 2029 Notes, \$300.0 million of indebtedness associated with our 5.000% 2032 Notes, \$382.5 million \$380.0 million outstanding on our 2022 Term Loan, and \$46.0 million \$54.0 million outstanding on our 2022 Revolving Credit Facility. Only our 2022 Term Loan has required principal payments. Long-term debt liquidity requirements consist of the payment in full of our Notes upon their respective maturity dates, amounts outstanding under our 2022 Revolving Credit Facility upon its maturity date, and principal payments under our 2022 Term Loan. The 2022 Term Loan requires quarterly payments ranging from \$2.5 million to \$7.5 million, commencing September 30, 2022, with a final payment of all remaining principal and interest due on July 12, 2027, which is the 2022 Term Loan's maturity date. At March 31, 2024 June 30, 2024, approximately 25% of our outstanding debt was subject to interest rate changes.

At March 31, 2024 June 30, 2024, we had approximately \$64.7 million \$68.4 million of cash and cash equivalents on hand, a decrease of \$385.8 million \$382.1 million as compared to the year ended December 31, 2023. In November 2023, we sold our Marucci subsidiary, receiving approximately \$484.0 million of total proceeds at closing. A portion of the

proceeds from the Marucci sale were used to pay down outstanding debt under the Company's 2022 Revolving Credit Facility and the remaining amount was held in short term investment and savings accounts at December 31, 2023. On January 31, 2024, the Company completed the acquisition of The Honey Pot Co. using cash held on our balance sheet. The majority of our cash is in non-interest bearing checking accounts or invested in short-term money market accounts and is maintained in accordance with the Company's investment policy, which identifies allowable investments and specifies credit quality standards. Our availability under our 2022 Revolving Credit Facility at **March 31, 2024** **June 30, 2024** was **\$551.6 million** **\$543.6 million**. The change in cash and cash equivalents for the **three six** months ended **March 31, 2024** **June 30, 2024** and 2023 is as follows:

#### Operating Activities:

		Three months ended		Six months ended		
(in thousands)	(in thousands)	March 31, 2024	March 31, 2023	(in thousands)	June 30, 2024	June 30, 2023
Cash provided by (used in) operating activities						

For the **three six** months ended **March 31, 2024** **June 30, 2024**, cash flows used in operating activities totaled approximately **\$13.2 million** **\$48.4 million**, which represents a **\$28.7 million** **\$85.6 million** increase in cash use compared to cash provided by operating activities of **\$15.5 million** **\$37.2 million** during the **three-month six-month** period ended **March 31, 2023** **June 30, 2023**. Cash used in operating activities for working capital for the **three six** months ended **March 31, 2024** **June 30, 2024** was **\$60.9 million** **\$154.1 million**, as compared to cash used in operating activities for working capital of **\$36.9 million** **\$92.1 million** for the **three six** months ended **March 31, 2023** **June 30, 2023**. We typically have a higher usage of cash for working capital in the first half of the year as most of our subsidiaries will build up inventories after the fourth quarter of the prior year. In the prior year, several of our businesses were working through higher levels of inventory that that were increased to combat supply chain issues during 2022 given longer lead times, resulting in lower cash outflows in the first **quarter half** of 2023.

Lugano has used significant cash to build inventory to support its sales growth strategy, with net inventory build of **\$80 million** **\$138.9 million** in the first **quarter half** of 2024 and **\$27 million** **\$81.6 million** in the first **quarter half** of 2023. We expect Lugano to continue to use working capital to support its **growth**.

**growth, particularly as Lugano opens new salons, each of which requires a minimum level of new inventory prior to opening.**

#### Investing Activities:

		Three months ended		Six months ended	
(in thousands)	(in thousands)	March 31, 2024	March 31, 2023	(in thousands)	June 30, 2024
Cash provided by (used in) investing activities					

Cash flows used in investing activities for the **three six** months ended **March 31, 2024** **June 30, 2024** totaled **\$382.5 million** **\$336.1 million**, compared to cash provided by investing activities of **\$154.7 million** **\$117.8 million** in the same period of 2023. In the current year, cash used in investing activities reflects our acquisition of The Honey Pot Co. in January 2024, and the proceeds of **\$58.5 million** from the sale of the Crosman division of Velocity Outdoor, while in the prior year, investing activities reflects the sale of Advanced Circuits and the proceeds received related to the sale. Capital expenditures spend decreased **\$7.2 million** **\$9.7 million** during the **three six** months ended **March 31, 2024** **June 30, 2024** as compared to the **three six** months ended **March 31, 2023** **June 30, 2023**, with **\$7.7 million** **\$18.9 million** in capital expenditures in 2024 and **\$14.9 million** **\$28.6 million** in capital expenditures in 2023. The decrease in capital expenditures is primarily due to a lower investment at 5.11 as they reduced the number of retail stores they plan to open in the current year as compared to the prior year. We expect capital expenditures for the full year of 2024 to be between approximately **\$50 million** **\$55 million** to **\$60 million** **\$65 million**.

#### Financing Activities:

		Three months ended		Six months ended		
(in thousands)	(in thousands)	March 31, 2024	March 31, 2023	(in thousands)	June 30, 2024	June 30, 2023
Cash provided by (used in) financing activities						

Cash flows provided by financing activities totaled approximately **\$10.9 million** **\$3.4 million** during the **three six** months ended **March 31, 2024** **June 30, 2024** compared to cash flows used in financing activities of **\$178.4 million** **\$149.6 million** during the **three six** months ended **March 31, 2023** **June 30, 2023**. Financing activities in the current year reflects **\$2.0 million** **\$14.3 million** in Trust common and preferred shares issued under our at-the-market share offering program while financing activities in the first **three six** months of 2023 reflects **\$4.0 million** **on \$5.9 million** of purchases under our share repurchase program. In the current year, we borrowed **\$46 million** **\$54 million**, net, against our 2022 Revolving Credit Facility, while in the prior year, we used the proceeds from our sale of Advanced Circuits to repay amounts outstanding under our revolving credit facility, resulting in net repayments in the first **quarter half** of 2023 of **\$147 million** **\$63 million** under our 2022 Revolving Credit Facility. The current year cash provided by financing activities also reflects the amount of equity investment made by noncontrolling shareholders related to the acquisition of The Honey Pot Co. (\$41.7 million). Financing activities in both periods reflect the payment of our common and preferred share distributions, and current period financing cash flows includes the payment of the profit allocation from the sale of Marucci to the Allocation Interest Holders of \$48.9 million.

#### Intercompany Debt

A component of our acquisition financing strategy that we utilize in acquiring the subsidiary businesses we own and manage is to provide both equity capital and debt capital, raised at the parent level through our existing credit facility. Our strategy of providing intercompany debt financing within the capital structure of our subsidiaries allows us the ability to distribute cash to the parent company through monthly interest payments and amortization of the principal on these intercompany loans. Each loan to our subsidiary businesses has a scheduled maturity and each subsidiary business is entitled to repay all or a portion of the principal amount of the outstanding loans, without penalty, prior to maturity. Certain of our subsidiaries have paid down their respective intercompany debt balances through the cash flow generated by these subsidiaries and we have recapitalized, and expect to continue to recapitalize, these subsidiaries in the normal course of our business. The recapitalization process involves funding the intercompany debt using either cash on hand at the parent or our applicable credit facility, and serves the purpose of optimizing the capital structure at our subsidiaries and providing the noncontrolling shareholders with a distribution on their ownership interest in a cash flow positive business.

We will from time to time, amend the intercompany credit agreements to reflect changes in the business or funding needs of our businesses. The following amendments have been made in the time period indicated:

We have made several amendments to the Lugano intercompany credit agreement to allow Lugano to continue to expand **their its** operations and build inventory to support **their its** salon expansion. Amendments were made to the Lugano intercompany credit agreement in the first **and second** quarter of 2024, and the second, third and fourth quarter of 2023. We expect to continue to fund Lugano to support **their its** sales growth in the upcoming year.

In the first quarter of 2024, we amended the PrimaLoft intercompany credit agreement to amend the fixed charge ratio and leverage ratio covenants contained within **their its** intercompany credit agreement.

**In the second quarter of 2024, we amended the Velocity intercompany credit agreement to reflect the sale of the Crosman division. The amendment revises the principal payments due under the credit facility and waives the fixed charge coverage covenant for the quarters ended June 30, 2024 and September 30, 2024.**

In the second quarter of 2023, we amended the Velocity intercompany credit agreement to extend the term of the facility and to increase the borrowing availability under the facility.

In the fourth quarter of 2023, we amended the Ergo Credit Agreement to permit the fixed charge coverage ratio to remain at the September 30, 2023 level through the period ending December 31, 2024.

In December 2023, we completed a recapitalization at BOA whereby the LLC entered into an amendment to the intercompany loan agreement with BOA (the "BOA Credit Agreement"). The BOA Credit Agreement was amended to provide for additional term loan borrowings of \$165.9 million to fund a distribution to shareholders. The LLC received a distribution of \$131.0 million related to **their its** ownership of the outstanding shares of BOA on the date of the distribution. Noncontrolling shareholders received a distribution of \$11.7 million, and the remaining amount of the recapitalization was used to repurchase employee stock options and to pay a bonus to employees who held phantom stock options and were not eligible to participate in the distribution to noncontrolling shareholders.

All of our subsidiaries **except PrimaLoft and Velocity** were in compliance with the financial covenants included within their intercompany credit arrangements at **March 31, 2024 June 30, 2024**. **We issued a waiver to PrimaLoft for the quarters ended December 31, 2023 and March 31, 2024 related to their leverage ratio in the intercompany credit agreement. We issued a waiver to Velocity related to the fixed charge and leverage ratios in the intercompany credit agreement for the quarter ended March 31, 2024.**

All intercompany loans eliminate in consolidation and are not reflected in the consolidated balance sheet. As of **March 31, 2024 June 30, 2024**, we had the following outstanding loans due from each of our subsidiary businesses (*in thousands*):

Subsidiary	Subsidiary	Intercompany loan	Subsidiary	Intercompany loan
5.11				
BOA				
Ergobaby				
Lugano				
PrimaLoft				
The Honey Pot Co.				
Velocity Outdoor				
Altor				
Arnold				
Sterno				
Total intercompany debt				
Corporate and eliminations				
Total				

Our primary source of cash is from the receipt of interest and principal on the outstanding loans to our subsidiaries. Accordingly, we are dependent upon the earnings of and cash flow from these businesses, which are available for (i) operating expenses; (ii) payment of principal and interest under our applicable credit facility and interest on our Senior Notes; (iii) payments to CGM due pursuant to the MSA and the LLC Agreement; (iv) cash distributions to our shareholders; and (v) investments in future acquisitions. Payments made under (iii) above are required to be paid before distributions to shareholders and may be significant and exceed the funds held by us, which may require us to dispose of assets or incur debt to fund such expenditures.

Financing Arrangements

2022 Credit Facility

On July 12, 2022, we entered into the Third Amended and Restated Credit Agreement (the "2022 Credit Facility") **to amend and restate the 2021 Credit Facility.** The 2022 Credit Facility provides for revolving loans, swing line loans and letters of credit up to a maximum aggregate amount of \$600 million (the "2022 Revolving Credit Facility") and also permits the LLC, prior to the applicable maturity date, to increase the revolving loan commitment and/or obtain

term loans in an aggregate amount of up to \$250 million, subject to certain restrictions and conditions. All amounts outstanding under the 2022 Revolving Credit Facility will become due on July 12, 2027, which is the maturity date of loans advanced under the 2022 Revolving Credit Facility. The 2022 Credit Facility also provides for a \$400 million term loan (the "2022 Term Loan"). The 2022 Term Loan requires quarterly payments ranging from \$2.5 million to \$7.5 million, commencing September 30, 2022, with a final payment of all remaining principal and interest due on July 12, 2027, which is the 2022 Term Loan's maturity date.

We had **\$551.6 million** **\$543.6 million** in net availability under the 2022 Revolving Credit Facility at **March 31, 2024** **June 30, 2024**. The outstanding borrowings under the 2022 Revolving Credit Facility include \$2.5 million of outstanding letters of credit at **March 31, 2024** **June 30, 2024**, which are not reflected on our balance sheet.

## Senior Notes

### 2032 Notes

On November 17, 2021, we consummated the issuance and sale of \$300 million aggregate principal amount of our 5.000% Senior Notes due 2032 (the "2032 Notes") offered pursuant to a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933 (the "Securities Act"), and to non-U.S. persons under Regulation S under the Securities Act. The 2032 Notes were issued pursuant to an indenture, dated as of November 17, 2021 (the "2032 Notes Indenture"), between the LLC and U.S. Bank National Association, as trustee. The 2032 Notes bear interest at the rate of 5.000% per annum and will mature on January 15, 2032.

Interest on the 2032 Notes is payable in cash on July 15th and January 15th of each year. The 2032 Notes are general unsecured obligations of the LLC and are not guaranteed by our subsidiaries. **The proceeds from the sale of the 2032 Notes were used to repay debt outstanding under the 2021 Credit Facility.**

### 2029 Notes

On March 23, 2021, we consummated the issuance and sale of \$1,000 million aggregate principal amount of our 5.250% Senior Notes due 2029 (the "2029 Notes") offered pursuant to a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act, and to non-U.S. persons under Regulation S under the Securities Act. The 2029 Notes were issued pursuant to an indenture, dated as of March 23, 2021 (the "2029 Notes Indenture"), between the LLC and U.S. Bank National Association, as trustee. The 2029 Notes bear interest at the rate of 5.250% per annum and will mature on April 15, 2029. Interest on the 2029 Notes is payable in cash on April 15th and October 15th of each year. The 2029 Notes are general unsecured obligations of the LLC and are not guaranteed by our subsidiaries.

The following table reflects required and actual financial ratios as of **March 31, 2024** **June 30, 2024** included as part of the affirmative covenants in our 2022 Credit Facility.

Description of Required Covenant Ratio	Covenant Ratio Requirement	Actual Ratio
Consolidated Fixed Charge Coverage Ratio	Greater than or equal to 1.50:1.0	<b>4.15</b> <b>3.00</b> :1.0
Consolidated Senior Secured Leverage Ratio	Less than or equal to 3.50:1.0	<b>0.89</b> <b>0.88</b> :1.0
Consolidated Total Leverage Ratio	Less than or equal to 5.00:1.0	<b>3.84</b> <b>3.72</b> :1.0

## Interest Expense

The components of interest expense and periodic interest charges on outstanding debt are as follows *(in thousands)*:

	Three months ended March 31,		Six months ended June 30,	
	2024	2023	2024	2023
Interest on credit facilities				
Interest on Senior Notes				
Unused fee on Revolving Credit Facility				
Other interest expense				
Other interest expense				
Other interest expense				
Interest income				
Interest expense, net				

The following table provides the effective interest rate of the Company's outstanding debt at **March 31, 2024** **June 30, 2024** and December 31, 2023 *(in thousands)*:

March 31, 2024				December 31, 2023					
June 30, 2024				December 31, 2023					
	Effective Interest Rate	Effective Interest Rate	Amount	Effective Interest Rate	Amount	Effective Interest Rate	Amount	Effective Interest Rate	Amount
2029 Senior Notes									
2032 Senior Notes									
2022 Term Loan									
2022 Revolving Credit Facility									
Unamortized debt issuance costs									
Total debt outstanding									

## Reconciliation of Non-GAAP Financial Measures

GAAP or U.S. GAAP refer to generally accepted accounting principles in the United States. From time to time we may publicly disclose certain "non-GAAP" financial measures in the course of our investor presentations, earnings releases, earnings conference calls or other venues. A non-GAAP financial measure is a numerical measure of historical or future performance, financial position or cash flow that excludes amounts, or is subject to adjustments that effectively exclude amounts, included in the most directly comparable measure calculated and presented in accordance with GAAP in our financial statements, and vice versa for measures that include amounts, or are subject to adjustments that effectively include amounts, that are excluded from the most directly comparable measure as calculated and presented.

The tables below reconcile the most directly comparable GAAP financial measures to Adjusted earnings before Interest, Income Taxes, Depreciation and Amortization ("Adjusted EBITDA") and Adjusted Earnings.

**Adjusted Earnings** — Adjusted earnings is calculated as net income (loss) adjusted to include the cost of the distributions to preferred shareholders, and adjusted to exclude the impact of certain costs, expenses, gains and losses and other specified items the exclusion of which management believes provides insight regarding our ongoing operating performance. Depending on the period presented, these adjusted measures exclude the impact of certain of the following items: gains (losses) and income (loss) from discontinued operations, income (loss) from noncontrolling interest, amortization expense, subsidiary stock compensation expense, acquisition-related expenses and items of other income or expense that may be material to a subsidiary and non-recurring in nature.

Adjusted EBITDA and Adjusted Earnings exclude the effects of items which reflect the impact of long-term investment decisions, rather than the performance of near-term operations. When compared to net income (loss) and net income (loss) from continuing operations, Adjusted Earnings and Adjusted EBITDA, respectively, are each limited in that they do not reflect the periodic costs of certain capital assets used in generating revenues of our subsidiary businesses or the non-cash charges associated with impairments, as well as certain cash charges. The presentation of Adjusted Earnings provides insight into our operating results. Adjusted EBITDA and Adjusted Earnings are not meant to be a substitute for GAAP, and may be different from or otherwise inconsistent with non-GAAP financial measures used by other companies.

## Reconciliation of Net income (loss) from continuing operations to Adjusted EBITDA

The following tables reconcile *Adjusted EBITDA* to net income (loss) from continuing operations, which we consider to be the most comparable GAAP financial measure (*in thousands*):

[illegible]



Depreciation and  
amortization

Depreciation and  
amortization

Depreciation and  
amortization

**EBITDA**

Other  
(income)  
expense

Noncontrolling  
shareholder  
compensation

Impairment  
expense

Acquisition  
expenses

Other  
Other

Integration  
services fee

Other

**Adjusted  
EBITDA**

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--



EBITDA

Other  
(income)  
expense  
Noncontrolling  
shareholder  
compensation

Integration services fee  
Integration services fee  
Integration services fee  
Other

Adjusted  
EBITDA (1)

(1) As a result of the sale of Marucci in November 2023, Adjusted EBITDA does not include \$17.7 million \$24.9 million that was previously included in the three six months ended March 31, 2023 June 30, 2023.

Reconciliation of Net income (loss) to Adjusted Earnings and Adjusted EBITDA

The following table reconciles Adjusted Earnings to Net income (loss), which we consider the most comparable GAAP financial measure, and Adjusted Earnings to Adjusted EBITDA (in thousands):

	Three months ended March 31,	Three months ended March 31,	Three months ended March 31,
	Three months ended March 31,	Six months ended June 30,	Six months ended June 30,
	Six months ended June 30,	Six months ended June 30,	Six months ended June 30,
	2024	2024	2023
	2024	2023	2024
	2023	2024	2023
Net income			
Income (loss) from discontinued operations, net of tax			
Net income (loss)			
Income from discontinued operations, net of tax			
Gain on sale of discontinued operations, net of tax			
Net income from continuing operations			
Net income (loss) from continuing operations			
Less: income from continuing operations attributable to noncontrolling interest			
Net loss attributable to Holdings - continuing operations			
Net income (loss) attributable to Holdings - continuing operations			
Adjustments:			
Distributions paid - preferred shares			
Distributions paid - preferred shares			
Distributions paid - preferred shares			
Amortization expense - intangibles and inventory step-up			
Impairment expense			
Stock compensation			
Stock compensation			
Loss on sale of Crosman			
Tax effect - loss on sale of Crosman			
Stock compensation			
Acquisition expenses			
Integration Services Fee			

Other
<b>Adjusted Earnings</b>
Plus (less):
Depreciation expense
Depreciation expense
Depreciation expense
Income tax provision
Interest expense
Amortization of debt issuance costs
Income from continuing operations attributable to noncontrolling interest
Income from continuing operations attributable to noncontrolling interest
Tax effect - loss on sale of Crosman
Income from continuing operations attributable to noncontrolling interest
Distributions paid - preferred shares
Other (income) expense
<b>Adjusted EBITDA</b>

#### Seasonality

Earnings of certain of our operating segments are seasonal in nature due to various recurring events, holidays and seasonal weather patterns, as well as the timing of our acquisitions during a given year. Historically, the third and fourth quarter have produced the highest net sales in our fiscal year, however, due to various acquisitions in the last three years, there is generally less seasonality in our net sales on a consolidated basis than there has been historically.

#### **Related Party Transactions**

##### Management Services Agreement

We entered into the MSA with CGM effective May 16, 2006. The MSA provides for, among other things, CGM to perform services for the LLC in exchange for a management fee paid quarterly and equal to 0.5% of the Company's adjusted net assets, as defined in the MSA. Our Chief Executive Officer is a partner of CGM.

During 2022, CGM entered into a waiver of the MSA for the period through June 30, 2023 to receive a 1% annual management fee related to PrimaLoft, rather than the 2% called for under the MSA, which resulted in a lower management fee at March 31, and June 30, 2023 than would normally have been due.

For the three and six months ended **March 31, 2024** **June 30, 2024** and 2023, the Company incurred the following management fees to CGM, by entity:

		Three months ended March 31,			
		Three months ended March 31,			
		Three months ended March 31,			
(in thousands)					
(in thousands)					
		Three months ended June 30,		Six Months ended June 30,	
(in thousands)	(in thousands)	2024	2023	2024	2023
5.11					
5.11					
5.11					
BOA					
BOA					
BOA					
Ergobaby					
Ergobaby					
Ergobaby					
Lugano					
Lugano					
Lugano					
PrimaLoft					
PrimaLoft					
PrimaLoft					

The Honey Pot Co.	
The Honey Pot Co.	
The Honey Pot Co.	
Velocity	
Velocity	
Velocity	
Altor	
Altor	
Altor	
Arnold Magnetics	
Arnold Magnetics	
Arnold Magnetics	
Sterno	
Sterno	
Sterno	
Corporate	
Corporate	
Corporate	
	\$
	\$
	\$

Integration Services Agreements

Integration services represent fees paid by newly acquired companies to the Manager for integration services performed during the first year of ownership. Under the Integration Services Agreement ("ISA"), CGM provides services for new platform acquisitions to, amongst other things, assist the management at the acquired entities in establishing a corporate governance program, implement compliance and reporting requirements of the Sarbanes-Oxley Act of 2002, as amended, and align the acquired entity's policies and procedures with our other subsidiaries. Integration services fees are recorded as selling, general and administrative expense in the consolidated statement of operations.

The Honey Pot Co., which was acquired in January 2024, entered into an ISA with CGM whereby The Honey Pot Co. will pay CGM a total integration services fee of \$3.5 million, payable quarterly over a twelve-month period beginning June 30, 2024. THP paid CGM \$0.9 million in integration service fees in the quarter ended June 30, 2024.

PrimaLoft, which was acquired in July 2022, entered into an ISA with CGM whereby PrimaLoft paid CGM a total integration services fee of \$4.8 million, payable quarterly over a twelve-month period ended June 30, 2023.

Allocation Interests

The Allocation Interests represent the original equity interest in the Company. The holders of the Allocation Interests ("Holders"), through Sostratus LLC, are entitled to receive distributions pursuant to a profit allocation formula upon the occurrence of certain events. The distributions of the profit allocation are paid upon the occurrence of the sale of a material amount of capital stock or assets of one of the Company's businesses ("Sale Event") or, at the option of the Holders, at each five year anniversary date of the acquisition of one of the Company's businesses ("Holding Event"). The Company records distributions of the profit allocation to the Holders upon occurrence of a Sale Event or Holding Event as dividends declared on Allocation Interests to stockholders' equity when they are approved by the Company's board of directors.

The sale of Advanced Circuits in February 2023 represented a Sale Event and the Company's board of director's approved a distribution of \$24.4 million in April 2023, subsequent to the end of the first quarter. In addition, the Company's board of directors approved a distribution of \$2.1 million related to various sale proceeds received related to previous Sale Events. These distributions were paid to the Holders of the Allocation Interests in April 2023.

The sale of Marucci in November 2023 represented a Sale Event and the Company's board of director's approved a distribution of \$48.9 million in the first quarter of 2024. This distribution was paid to the Holders of the Allocation

Interests in February 2024.

5.11

Related Party Vendor Purchases - 5.11 purchases inventory from a vendor who is a related party to 5.11 through one of the executive officers of 5.11 via the executive's 40% ownership interest in the vendor. 5.11 purchased approximately \$0.4 million \$0.2 million and \$0.6 million during the three and six months ended March 31, June 30, 2024 respectively and March 31, 2023 \$0.4 million and \$1.0 million during the three and six months ended June 30, 2023, respectively in inventory from the vendor.

BOA

Recapitalization - In December 2023, the Company completed a recapitalization of BOA whereby the LLC entered into an amendment to the intercompany credit agreement with BOA (the "BOA Credit Agreement"). The BOA Credit Agreement was amended to provide for additional term loan borrowings of \$165.9 million to fund a distribution to shareholders. The LLC received a distribution of \$131.0 million related to their its ownership of the outstanding shares of BOA on the date of the distribution. Noncontrolling shareholders received a distribution of \$11.7 million, and the remaining amount of the recapitalization was used to repurchase shares owned by employees after the exercise of fully vested employee

stock options, and to pay a bonus to employees who held phantom stock options and were not eligible to participate in the distribution to noncontrolling shareholders. BOA recorded compensation expense of \$3.1 million related to the bonus paid to employees as part of the recapitalization.

**Related Party Vendor Purchases** - A contract manufacturer used by BOA as the primary supplier of molded injection parts is a noncontrolling shareholder of BOA. BOA purchased approximately \$10.6 million and \$13.6 million and \$9.7 million and \$24.2 million from this supplier during the three and six months ended March 31, 2024 and June 30, 2024, respectively and March 31, 2023 and June 30, 2023, respectively.

#### **Off-Balance Sheet Arrangements**

We have no special purpose entities or off-balance sheet arrangements.

#### **Critical Accounting Policies and Estimates**

The preparation of our financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates under different assumptions and judgments and uncertainties, and potentially could result in materially different results under different conditions. These critical accounting policies and estimates are reviewed periodically by our independent auditors and the audit committee of our board of directors.

Except as set forth below, our critical accounting estimates have not changed materially from those disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K, for the year ended December 31, 2023, as filed with the SEC on February 28, 2024.

#### **Goodwill and Indefinite-lived Intangible Asset Impairment Testing**

Goodwill represents the excess amount of the purchase price over the fair value of the assets acquired. Our goodwill and indefinite lived intangible assets are tested for impairment on an annual basis as of March 31<sup>st</sup>, and if current events or circumstances require, on an interim basis. Goodwill is allocated to various reporting units, which are generally an operating segment. Each of our subsidiary businesses represents a reporting unit.

We use a qualitative approach to test goodwill for impairment by first assessing qualitative factors to determine whether it is more-likely-than-not that the fair value of a reporting unit is greater than its carrying amount as a basis for determining whether it is necessary to perform the goodwill impairment testing. The qualitative factors we consider include, in part, the general macroeconomic environment, industry and market specific conditions for each reporting unit, financial performance including actual versus planned results and results of relevant prior periods, operating costs and cost impacts, as well as issues or events specific to the reporting unit. If qualitative factors are not sufficient to determine that the fair value of a reporting unit is more likely than not to exceed its carrying value, we will perform a quantitative test of the reporting unit whereby we estimate the fair value of the reporting unit using an income approach or market approach, or a weighting of the two methods. Under the income approach, we estimate the fair value of our reporting unit based on the present value of future cash flows. Cash flow projections are based on management's estimate of revenue growth rates and operating margins and take into consideration industry and market conditions as well as company specific economic factors. The discount rate used is based on the weighted average cost of capital adjusted for the relevant risk associated with the business and the uncertainty associated with the reporting unit's ability to execute on the projected cash flows. Under the market approach, we estimate fair value based on market multiples of revenue and earnings derived from comparable public companies with operating characteristics that are similar to the reporting unit. When market comparables are not meaningful or available, we estimate the fair value of the reporting unit using only the income approach. The valuation approaches are subject to key judgments and assumptions that are sensitive to change such as judgments and assumptions about appropriate sales growth rates, operating margins, weighted average cost of capital, and comparable company market multiples. When developing these key judgments and assumptions, we consider economic, operational and market conditions that could impact the fair value of the reporting unit. Estimates are inherently uncertain and represent only management's reasonable expectations regarding future developments. These estimates and the judgments and assumptions upon which the estimates are based will most likely differ from actual future results.

##### **Annual Impairment Testing**

###### **2024 Annual Impairment Testing**

For our annual impairment testing at March 31, 2024, we performed a qualitative assessment of our reporting units. The results of the qualitative analysis indicated that it was more-likely-than-not that the fair value of each of our reporting units except Velocity exceeded their carrying value. Based on our analysis, we determined that the Velocity operating segment required quantitative testing because we could not conclude that the fair value of this reporting unit significantly exceeded the carrying value based on qualitative factors alone. We performed a quantitative test of Velocity and the results of the testing indicated that the fair value of Velocity did not exceed the carrying value, resulting in goodwill impairment expense of \$8.2 million as of March 31, 2024, which represented the remaining balance of goodwill at Velocity.

###### **2023 Annual Impairment Testing**

For our annual impairment testing at March 31, 2023, we performed a qualitative assessment of our reporting units. The results of the qualitative analysis indicated that it was more-likely-than-not that the fair value of each of our reporting units except Velocity exceeded their carrying value. Based on our analysis, we determined that the Velocity operating segment required quantitative testing because we could not conclude that the fair value of this reporting unit significantly exceeded the carrying value based on qualitative factors alone. We performed the quantitative test of Velocity using an income approach to determine the fair value of the reporting unit. In developing the prospective financial information used in the income approach, we considered recent market conditions, taking into consideration the uncertainty associated with the current economic environment. The prospective financial information considers reporting unit specific facts and circumstances and is our best estimate of operational results and cash flows for the Velocity reporting unit as of the date of our impairment testing. The discount rate used in the income approach was 15.0%, and the results of the quantitative impairment testing indicated that the fair value of the Velocity reporting unit exceeded the carrying value by approximately 21%. The prospective financial information that is used to determine the fair values of the Velocity reporting unit requires us to make assumptions regarding future operational results including revenue growth rates and gross margins. If we do not achieve the forecasted

revenue growth rates and gross margins, the results of the quantitative testing could change, potentially leading to additional testing and impairment at the reporting unit that was tested quantitatively.

###### **Interim Impairment Testing**

## 2023 Interim goodwill impairment testing

**PrimaLoft** - The Company performed an interim impairment test of goodwill at PrimaLoft as of December 31, 2023. As a result of operating results that were below forecast amounts that were used as the basis for the purchase price allocation performed when PrimaLoft was acquired as well as the failure of certain financial covenants in the intercompany credit agreement as of December 31, 2023, the Company determined that a triggering event had occurred. The Company performed the quantitative impairment test using both an income approach and a market approach. The prospective information used in the income approach considers macroeconomic data, industry and reporting unit specific facts and circumstances and is our best estimate of operational results and cash flows for the PrimaLoft reporting unit as of the date of our impairment testing. The discount rate used in the income approach was 11.3%. The results of the quantitative impairment testing indicated that the fair value of the PrimaLoft reporting unit did not exceed its carrying value, resulting in goodwill impairment expense of \$57.8 million in the year ended December 31, 2023.

**Velocity Outdoor** - The Company performed interim quantitative impairment testing of goodwill at Velocity at August 31, 2023. As a result of operating results that were below the forecast that we used in the quantitative impairment test of Velocity Outdoor at March 31, 2023, the Company determined that a triggering event had occurred at Velocity in the third quarter of 2023 and performed an interim impairment test as of August 31, 2023. The Company used an income approach for the impairment test, whereby we estimate the fair value of the reporting unit based on the present value of future cash flows. Cash flow projections are based on management's estimate of revenue growth rates and operating margins, and take into consideration industry and market conditions as well as company specific economic factors. The Company used a weighted average cost of capital of 17% in the income approach. The discount rate used was based on the weighted average cost of capital adjusted for the relevant risk associated with business specific characteristics and Velocity's ability to execute on projected cash flows. Based on the results of the impairment test, the fair value of Velocity did not exceed its carrying value. The Company recorded goodwill impairment of \$31.6 million during the year ended December 31, 2023.

## 2023 Annual Impairment Testing

For our annual impairment testing at March 31, 2023, we performed a qualitative assessment of our reporting units. The results of the qualitative analysis indicated that it was more-likely-than-not that the fair value of each of our reporting units except Velocity exceeded their carrying value. Based on our analysis, we determined that the Velocity operating segment required quantitative testing because we could not conclude that the fair value of this reporting unit significantly exceeded the carrying value based on qualitative factors alone. We performed the quantitative test of Velocity using an income approach to determine the fair value of the reporting unit. In developing the prospective financial information used in the income approach, we considered recent market conditions, taking into consideration the uncertainty associated with the current economic environment. The prospective financial information considers reporting unit specific facts and circumstances and is our best estimate of operational results

and cash flows for the Velocity reporting unit as of the date of our impairment testing. The discount rate used in the income approach was 15.0%, and the results of the quantitative impairment testing indicated that the fair value of the Velocity reporting unit exceeded the carrying value by approximately 21%. The prospective financial information that is used to determine the fair values of the Velocity reporting unit requires us to make assumptions regarding future operational results including revenue growth rates and gross margins. If we do not achieve the forecasted revenue growth rates and gross margins, the results of the quantitative testing could change, potentially leading to additional testing and impairment at the reporting unit that was tested quantitatively.

## Indefinite-lived intangible assets

We use a qualitative approach to test indefinite lived intangible assets for impairment by first assessing qualitative factors to determine whether it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform quantitative impairment testing. Our indefinite-lived intangible assets consist of trade names with a carrying value of approximately \$57.0 million. The results of the qualitative analysis of our reporting unit's indefinite-lived intangible assets, which we completed as of March 31, 2024, indicated that the fair value of the indefinite lived intangible assets exceeded their carrying value.

## Recent Accounting Pronouncements

Refer to [Note A - "Presentation and Principles of Consolidation"](#) of the condensed consolidated financial statements for a discussion of recent accounting pronouncements.

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

There have been no material changes to our market risk since December 31, 2023. For a further discussion of our exposure to market risk, refer to the section entitled "Quantitative and Qualitative Disclosures about Market Risk" that was disclosed in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on February 28, 2024.

## ITEM 4. CONTROLS AND PROCEDURES

As required by Securities Exchange Act of 1934, as amended (the "Exchange Act") Rule 13a-15(b), the Trust's Regular Trustees and the LLC's management, including the Chief Executive Officer and Chief Financial Officer of the LLC, conducted an evaluation of the effectiveness of the Trust's and the LLC's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), as of **March 31, 2024** **June 30, 2024**. Based on that evaluation, the Trust's Regular Trustees and the Chief Executive Officer and Chief Financial Officer of the LLC concluded that the Trust's and the LLC's disclosure controls and procedures were effective as of **March 31, 2024** **June 30, 2024**.

There have been no material changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during our most recently completed fiscal quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

There have been no material changes to those legal proceedings associated with the Company's business together with legal proceedings for the businesses discussed in the section entitled "Legal Proceedings" that was disclosed in Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on

February 28, 2024.

## ITEM 1A. RISK FACTORS

The risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 should be considered together with information included in this Quarterly Report on Form 10-Q for the quarter ended **March 31, 2024** **June 30, 2024** and should not be considered the only risks to which we are exposed. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business, including our results of operations, liquidity and financial condition. We believe there have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

## ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
3.1	<a href="#">Third Amended and Restated Trust Agreement of the Trust (incorporated by reference to Exhibit 3.1 of the Form 8-K filed on August 4, 2021 (File No. 001-34927)).</a>
3.2	<a href="#">Sixth Amended and Restated Operating Agreement of the Company (incorporated by reference to Exhibit 3.2 of the Form 8-K filed on August 4, 2021 (File No. 001-34927)).</a>
3.3	<a href="#">First Amendment to the Sixth Amended and Restated Operating Agreement of the Company (incorporated by reference to Exhibit 3.1 of the Form 8-K filed on February 14, 2022 (File No. 001-34927)).</a>
3.4	<a href="#">Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series A Preferred Shares (incorporated by reference to Exhibit 3.3 of the Form 8-K filed on August 4, 2021 (File No. 001-34927)).</a>
3.5	<a href="#">Compass Group Diversified Holdings LLC Trust Interest Designation of Series A Trust Preferred Interests (incorporated by reference to Exhibit 3.2 of the Form 8-K filed on June 28, 2017 (File No. 001-34927)).</a>
3.6	<a href="#">Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series B Preferred Shares (incorporated by reference to Exhibit 3.4 of the Form 8-K filed on August 4, 2021 (File No. 001-34927)).</a>
3.7	<a href="#">Trust Interest Designation of Compass Group Diversified Holdings LLC with respect to Series B Trust Preferred Interests (incorporated by reference to Exhibit 3.2 of the Form 8-K filed on March 13, 2018 (File No. 001-34927)).</a>
3.8	<a href="#">Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series C Preferred Shares (incorporated by reference to Exhibit 3.5 of the Form 8-K filed on August 4, 2021 (File No. 001-34927)).</a>
3.9	<a href="#">Trust Interest Designation of Compass Group Diversified Holdings LLC with respect to Series C Trust Preferred Interests (incorporated by reference to Exhibit 3.2 of the Form 8-K filed on November 20, 2019 (File No. 001-34927)).</a>
3.10	<a href="#">First Amendment to Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series A Preferred Shares (incorporated by reference to Exhibit 3.1 of the Form 8-K filed on March 20, 2024 (File No. 001-34926)).</a>
3.11	<a href="#">First Amendment to Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series B Preferred Shares (incorporated by reference to Exhibit 3.2 of the Form 8-K filed on March 20, 2024 (File No. 001-34926)).</a>
3.12	<a href="#">First Amendment to Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series C Preferred Shares (incorporated by reference to Exhibit 3.3 of the Form 8-K filed on March 20, 2024 (File No. 001-34926)).</a>
3.13	<a href="#">First Amendment to Trust Interest Designation of Compass Group Diversified Holdings LLC with respect to Series A Trust Preferred Interests (incorporated by reference to Exhibit 3.4 of the Form 8-K filed on March 20, 2024 (File No. 001-34926)).</a>
3.14	<a href="#">First Amendment to Trust Interest Designation of Compass Group Diversified Holdings LLC with respect to Series B Trust Preferred Interests (incorporated by reference to Exhibit 3.5 of the Form 8-K filed on March 20, 2024 (File No. 001-34926)).</a>
3.15	<a href="#">First Amendment to Trust Interest Designation of Compass Group Diversified Holdings LLC with respect to Series C Trust Preferred Interests (incorporated by reference to Exhibit 3.6 of the Form 8-K filed on March 20, 2024 (File No. 001-34926)).</a>
31.1*	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Registrant</a>
31.2*	<a href="#">Rule 13a-14(a)/15d-14(a) Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Registrant</a>

32.1*+	<a href="#">Certification of Chief Executive Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2*+	<a href="#">Certification of Chief Financial Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
99.1	<a href="#">Merger and Stock Purchase Agreement, dated January 14, 2024, by and among The Honey Pot Company Holdings, LLC, VMG Honey Pot Blocker, Inc., NVB1, Inc., VMG Tax-Exempt IV, L.P., New Voices Fund, LP, THP Intermediate, Inc., THP Merger Sub, LLC, the Sellers' Representative and certain other equity holders of THP (incorporated by reference to Exhibit 99.3 of the Form 8-K filed on January 16, 2024).</a>
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover page formatted as Inline XBRL and contained in Exhibit 101
*	Filed herewith.
+	In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.

#### SIGNATURES

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

Date: May 1, 2024 July 31, 2024

COMPASS DIVERSIFIED HOLDINGS

By: /s/ Ryan J. Faulkingham  
Ryan J. Faulkingham  
Regular Trustee

#### SIGNATURES

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

Date: May 1, 2024 July 31, 2024

COMPASS GROUP DIVERSIFIED HOLDINGS LLC

By: /s/ Ryan J. Faulkingham  
Ryan J. Faulkingham  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

#### EXHIBIT INDEX

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3.4	<a href="#"><u>Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series A Preferred Shares (incorporated by reference to Exhibit 3.3 of the Form 8-K filed on August 4, 2021 (File No. 001-34927)).</u></a>
3.5	<a href="#"><u>Compass Group Diversified Holdings LLC Trust Interest Designation of Series A Trust Preferred Interests (incorporated by reference to Exhibit 3.2 of the Form 8-K filed on June 28, 2017 (File No. 001-34927)).</u></a>
3.6	<a href="#"><u>Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series B Preferred Shares (incorporated by reference to Exhibit 3.4 of the Form 8-K filed on August 4, 2021 (File No. 001-34927)).</u></a>
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3.9	<a href="#"><u>Trust Interest Designation of Compass Group Diversified Holdings LLC with respect to Series C Trust Preferred Interests (incorporated by reference to Exhibit 3.2 of the Form 8-K filed on November 20, 2019 (File No. 001-34927)).</u></a>
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31.2*	<a href="#"><u>Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Registrant</u></a>
32.1**	<a href="#"><u>Certification of Chief Executive Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>



32.2*	<a href="#">Certification of Chief Financial Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
99.1	<a href="#">Merger and Stock Purchase Agreement, dated January 14, 2024, by and among The Honey Pot Company Holdings, LLC, VMG Honey Pot Blocker, Inc., NVB1, Inc., VMG Tax-Exempt IV, L.P., New Voices Fund, LP, THP Intermediate, Inc., THP Merger Sub, LLC, the Sellers' Representative and certain other equity holders of THP (incorporated by reference to Exhibit 99.3 of the Form 8-K filed on January 16, 2024).</a>
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101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover page formatted as Inline XBRL and contained in Exhibit 101
*	Filed herewith.
+	In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.

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## Exhibit 31.1

### CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Elias J. Sabo, certify that:

- I have reviewed this Quarterly Report on Form 10-Q of Compass Group Diversified Holdings LLC (the "registrant");
- 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;
- 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;
- The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - 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;
  - 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;
  - 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
  - disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 1, July 31, 2024

/s/ Elias J. Sabo

Elias J. Sabo

Chief Executive Officer of  
Compass Group Diversified Holdings LLC  
(Principal Executive Officer)

Exhibit 31.2

#### CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ryan J. Faulkingham, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Compass Diversified Holdings and Compass Group Diversified Holdings LLC (each, the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
- a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 1, July 31, 2024

/s/ Ryan J. Faulkingham

Ryan J. Faulkingham

Regular Trustee of Compass Diversified Holdings and Chief Financial Officer of  
Compass Group Diversified Holdings LLC  
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of COMPASS GROUP DIVERSIFIED HOLDINGS LLC on Form 10-Q for the period ended March 31, 2024 June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Elias J. Sabo, Chief Executive Officer of Compass Group Diversified Holdings LLC, 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 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 Compass Group Diversified Holdings LLC.

Dated: May 1, July 31, 2024

/s/ Elias J. Sabo

Elias J. Sabo

Chief Executive Officer,  
Compass Group Diversified Holdings LLC

The foregoing certification is being furnished to accompany Compass Group Diversified Holdings LLC's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 June 30, 2024 solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed as part of the Report or as a separate disclosure document and shall not be deemed incorporated by reference into any other filing of Compass Group Diversified Holdings LLC that incorporates the Report by reference. A signed original of this written certification required by Section 906 has been provided to Compass Group Diversified Holdings LLC and will be retained by Compass Group Diversified Holdings LLC and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

In connection with the Quarterly Report of COMPASS DIVERSIFIED HOLDINGS and COMPASS GROUP DIVERSIFIED HOLDINGS LLC on Form 10-Q for the period ended March 31, 2024 June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ryan J. Faulkingham, Regular Trustee of Compass Diversified Holdings and Chief Financial Officer of Compass Group Diversified Holdings LLC, 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 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 Compass Diversified Holdings and Compass Group Diversified Holdings LLC.

Dated: May 1, July 31, 2024

/s/ Ryan J. Faulkingham

Ryan J. Faulkingham

Regular Trustee, Compass Diversified Holdings and Chief  
Financial Officer,  
Compass Group Diversified Holdings LLC

The foregoing certification is being furnished to accompany Compass Diversified Holdings' and Compass Group Diversified Holdings LLC's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 June 30, 2024 solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed as part of the Report or

as a separate disclosure document and shall not be deemed incorporated by reference into any other filing of Compass Diversified Holdings and Compass Group Diversified Holdings LLC that incorporates the Report by reference. A signed original of this written certification required by Section 906 has been provided to Compass Diversified Holdings and Compass Group Diversified Holdings LLC and will be retained by Compass Diversified Holdings and Compass Group Diversified Holdings LLC and furnished to the Securities and Exchange Commission or its staff upon request.

#### DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

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