

# Compass Diversified NYSE:CODI

## FQ4 2025 Earnings Call Transcripts

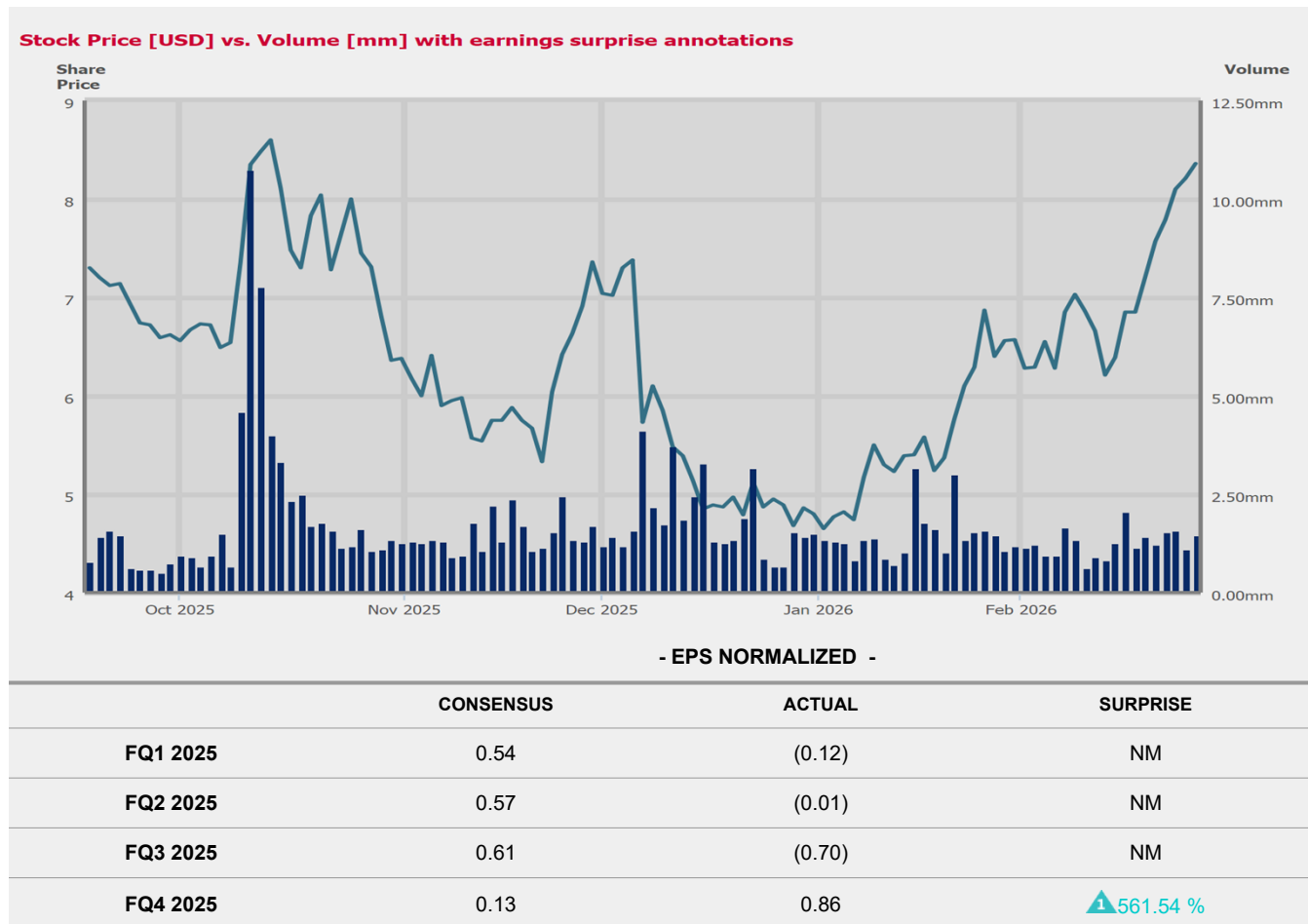
Thursday, February 26, 2026 10:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2025-			-FQ1 2026-	-FY 2025-			-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.13	0.86	<span style="color: green;">▲561.54</span>	(0.05)	(0.70)	0.02	NM	0.18
Revenue (mm)	486.17	468.56	<span style="color: red;">▼(3.62 %)</span>	437.70	1867.53	1873.58	<span style="color: green;">▲0.32</span>	1859.40

Currency: USD

Consensus as of Feb-27-2026 12:34 PM GMT



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# Call Participants

## EXECUTIVES

**Ben Avenia-Tapper**

*Vice President of Investor Relations*

**Elias Joseph Sabo**

*CEO & Director*

**Stephen Keller**

*Executive VP & CFO*

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**Cristopher David Kennedy**

*William Blair & Company L.L.C.,  
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**Heli Sheth**

*Raymond James & Associates, Inc.,  
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**Lawrence Scott Solow**

*CJS Securities, Inc.*

**Timothy Egan D'Agostino**

*B. Riley Securities, Inc., Research  
Division*

# Presentation

## Operator

Good afternoon, and welcome to Compass Diversified's Fiscal 2025 Fourth Quarter Conference Call. Today's call is being recorded. [Operator Instructions]

At this time, I would like to turn the call over to Ben Tapper, Vice President, Investor Relations. Ben, please go ahead.

## Ben Avenia-Tapper

*Vice President of Investor Relations*

Thank you, and welcome to Compass Diversified's Fourth Quarter 2025 Conference Call. Representing the company today are Elias Sabo, CODI's Chief Executive Officer; and Stephen Keller, CODI's Chief Financial Officer.

Before we begin, I'd like to remind everyone that during the course of this call, CODI will make certain forward-looking statements, including discussions of forecasts and targets, future business plans, future performance of CODI and its subsidiaries and other forward-looking statements regarding CODI and its financial results. Words such as believes, expects, anticipates, plans, projects, should, and future or similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to many risks and uncertainties in predicting future results and conditions. Certain factors could cause actual results to differ on a material basis from those projected in these forward-looking statements and some of these factors are enumerated in the risk factor discussion in the Form 10-K as filed with the SEC as well as in other SEC filings and press releases.

Except as required by law, CODI undertakes no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events or otherwise. During the call, we will refer to certain non-GAAP financial measures. The Q4 and full year 2025 press release, including the financial tables and non-GAAP financial measure reconciliations for the adjusted EBITDA and subsidiary adjusted EBITDA are available at the Investor Relations section on the company's website at [www.compassdiversified.com](http://www.compassdiversified.com). Please note that references to EBITDA in the following discussions refer to adjusted EBITDA as reconciled to net income or loss from continuing operations in CODI's press release and SEC filings. The company does not provide a reconciliation of its full year expected 2026 subsidiary adjusted EBITDA because certain significant reconciling information is not available without unreasonable efforts. Throughout this call, we will refer to Compass Diversified as CODI or the company.

At this time, I would like to turn the call over to Elias Sabo. Elias?

## Elias Joseph Sabo

*CEO & Director*

Thank you, Ben, and good afternoon to everyone. 2025 was painful. It was humbling, but it also proved that CODI is resilient. Our subsidiaries are strong, our people deliver and the core of this model works. That's the foundation we're building from. We've discussed last year's events in detail on prior calls. And as we highlighted in our third quarter update, conditions are improving and operations are normalizing. Against that backdrop, today's call will center on the performance of the businesses we currently control and our outlook for 2026.

Excluding Lugano, 2025 saw us generate mid-single-digit revenue growth with operating leverage that further accelerated subsidiary adjusted EBITDA growth to high single digits. Each of our consumer businesses grew adjusted EBITDA despite a consumer environment that presented real headwinds throughout the year. On the industrial side, in 2025, we saw modest growth in adjusted EBITDA. Acquisition-driven performance at Altor was offset by short-term challenges at Arnold as they navigated sustained periods of near complete rare earth export restrictions out of China. Our outlook for 2026 is solid as we expect to generate subsidiary adjusted EBITDA growth in the mid-single digits. This reflects our belief that our diversified collection of businesses are positioned to grow across a variety of economic conditions.

In 2026, we are focused on executing against our strategic plan and working to regain market confidence. Our path forward is clear. Our first priority is reducing our leverage ratio. We're addressing this on 2 fronts: drive organic growth with strong cash conversion, and executing attractive divestitures where proceeds and timing support deleveraging and shareholder value creation. Medium term, we're focused on closing what we believe is a meaningful gap between our share price and our intrinsic value. That view will guide us as we deploy capital to the highest risk-adjusted returns. In the current environment, if the current environment and conditions continue, that could include share repurchases. Longer term, when capital markets allow, we're committed to reigniting the CODI model. That means combining selective acquisitions with strong operations to generate durable shareholder value.

Everything starts with subsidiary performance. While the macroeconomic environment remains uncertain, our subsidiary teams are focused on what they can control, and they are delivering. Let me walk you through a few examples. For anyone who watched the 2026 winter games, Athletes equipped with the BOA Fit Systems tallied more than 100 medals in Nordic skiing, snowboarding and freestyle ski. That's up from 10 podium winners just 4 years ago. And we're confident BOA's presence will be even greater 4 years from now. The Honey Pot had a great year, establishing a leading position in better-for-you feminine care. Our consumer metrics like Net Promoter Score, the Honey Pot is outpacing both conventional and better-for-you competition with significant additional runway to grow in brand awareness.

The Honey Pot strong product portfolio is driving increased consumer adoption and distribution across many key retailers. The team has successfully taken the brand beyond its origins in washes and wipes into the much larger period care category with a significant opportunity to grow market share over time.

Finally, Arnold ended the year with a backlog more than 40% higher than the prior year-end and is well positioned to capitalize on favorable trends across aerospace and defense among other end markets. Companies are desperate to find reliable, geopolitically secure sources of rare earth magnets. And Arnold is exactly that. Quoting activity is at an all-time high. It's also important to note that China has recently reinstated export restrictions ahead of bilateral talks with the U.S. While this may create some near-term disruption, it only further demonstrates Arnold's long-term value as a reliable, geopolitically secure supplier. And Arnold continues to make progress ramping its Thailand facility with initial production already underway, bringing online valuable additional capacity and redundancy.

As we have discussed, although our business model is to acquire and grow, given our current leverage position, we believe divesting one or more of our subsidiary businesses at attractive valuations is the most efficient path to meaningfully deleveraging and restoring financial flexibility. We believe this positions us to drive long-term value creation and ultimately help close our discount to intrinsic value. There are 4 things I hope you take away from our remarks today. First, we have initiated multiple sale processes and are actively engaged with qualified counterparties and advisers to drive this forward.

Second, on timing, processes for mid-market businesses typically take about 6 months end to end. This does not necessarily mean 6 months from today. While no transaction is ever certain, we're already well into multiple processes. Third, our priority is to drive shareholder value by both deleveraging and maintaining a sharp operating focus across our businesses. And fourth, we are moving with urgency to maximize value and keep these processes moving, fast, focused and disciplined. These goals are not in conflict. It is our job to balance them. The bottom line is simple. We are moving decisively. We are running disciplined processes, optimizing for the right outcome and we'll provide updates to you when we have something definitive to report.

For the past 3 months or more, we have candidly shared our plans to reduce our leverage. However, the ultimate objective has always been to maximize long-term shareholder value. Our belief is that our shares are trading at a significant and elevated discount to intrinsic value, and we are committed to closing the gap. We believe deleveraging and when appropriate, returning capital to shareholders through share buybacks can help close the gap. However, if it does not, we will continue to evaluate additional value-maximizing alternatives for our shareholders. Strengthening our balance sheet, improving performance and making the hard choices required to put CODI in the strongest position going forward. It won't happen overnight, but we are operating with urgency and discipline because that's what our situation demands. Our incentives are aligned with shareholders. Everything we do is guided by one objective, maximizing long-term shareholder value.

With that, I'll turn the call over to Stephen to walk through the financial results.

**Stephen Keller**  
*Executive VP & CFO*

Thanks, Elias. Before I begin, I would like to remind everyone that our reported GAAP results include Lugano through November 16, 2025, the date that Lugano entered Chapter 11 bankruptcy. With that context, I'll first provide an overview of GAAP results and then focus on non-GAAP results, excluding Lugano, as we believe this is a more accurate reflection of our business going forward.

For the fourth quarter, GAAP net revenue was \$468.6 million, down 5.1% year-over-year. This decrease was primarily due to the impact of Lugano and deconsolidation. GAAP net loss for the quarter was \$78.8 million, including more than \$25 million in onetime Lugano investigation and restatement costs. For the full year, net revenues were \$1.9 billion, up 4.8%. GAAP net loss for the year was \$293.7 million, which includes approximately \$60 million in investigation and restatement-related expenses.

I'll now provide our full year non-GAAP results, excluding Lugano. Net sales were \$1.8 billion, up 3.9%. Our branded consumer net sales increased 3.7% while Industrial net sales increased 4.1% as acquisition-related growth at Altor was offset by global trade disruption at Arnold. Excluding Lugano, subsidiary adjusted EBITDA was \$345.8 million an increase of 8.8%, with consumer up

13.8% and industrial up 1.1%. The slower growth in adjusted EBITDA in Industrial was primarily due to Arnold and the geopolitical headwinds Elias described previously.

Public company costs and corporate management fees for the year were \$91.1 million, which reflects 2 nonrecurring items, the investment and restatement costs as well as a \$36.2 million credit in the fourth quarter related to excess management fees previously paid to CGM in connection with Lugano. Going forward, we are maintaining a rigorous focus on public company costs and cash fees consistent with our focus on deleveraging and long-term value creation. In 2025, we invested \$44.3 million in capital expenditures, which reflects a \$12 million reduction from the prior year. We continue to invest in our current subsidiaries to support their growth with a reduction in CapEx driven primarily by the absence of Lugano-related investments. We ended the year with \$68 million in cash and cash equivalents and approximately \$96 million available on our revolver.

Our leverage for debt covenant purposes at year-end was slightly higher than anticipated at approximately 5.47x. Reducing leverage remains our top financial priority and we believe the actions already underway position us to make meaningful progress as we move through 2026. In January, we announced a sale leaseback for some of our Altor facilities freeing up more than \$11 million in cash that we were able to immediately use to pay down senior debt.

Before turning to our outlook, I want to reiterate our commitment to strong governance and oversight. The challenges of 2025 have only reinforced our commitment, and we have and will continue to take concrete steps to further enhance internal controls and transparency across the organization.

I'll now provide an update on our 2026 outlook. For the full year, we expect subsidiary adjusted EBITDA of \$345 million to \$395 million. This includes consumer adjusted EBITDA of between \$220 million to \$260 million and industrial adjusted EBITDA of \$125 million to \$135 million. You'll notice this is a wider range than in prior years, which reflects the inherent uncertainty in the macro environment.

At the midpoint, we expect solid growth in adjusted EBITDA across both sectors. For modeling purposes, our 2026 outlook assumes CapEx of between \$30 million to \$40 million. Further, CODI expects to pay cash management fees of between \$25 million to \$30 million in 2026. As has been our practice, our outlook does not include the impact of any potential acquisitions or divestitures. It also does not include any significant impact, positive or negative to the evolving trade environment.

With that, I'll hand it back to Elias for closing remarks.

**Elias Joseph Sabo**  
*CEO & Director*

Thanks, Stephen. I want to be clear about where we stand. 2025 was the hardest year in CODI's history. It was disappointing and painful for all of our stakeholders. But it is important to recognize that our remaining subsidiaries delivered in an uncertain environment. They stayed focused, they executed and they proved this model works. As we move into 2026, that is what we are building on. Our path is clear, operational execution with strong cash conversion, leverage reduction organically and inorganically and value-maximizing capital allocation.

We believe we have a proven business model and well-positioned subsidiaries on which to apply it. We operate with a permanent capital mindset to acquire great businesses partner with management, invest to grow category leaders over the long term. For shareholders, that means diversified exposure to high-quality middle market companies supported by engaged ownership and strategic capabilities. With 2025 behind us, we are focused on delivering on the potential across our collection of subsidiaries. As always, we appreciate your support.

Stephen and I will now take your questions. Operator, please open the lines.

# Question and Answer

## Operator

[Operator Instructions] Our first question comes from the line of Larry Solow with CJS Securities.

**Lawrence Scott Solow**  
*CJS Securities, Inc.*

Great. Elias, I usually ask you a question on just operations and whatnot. But it feels like there's not much change. You kind of gave a preliminary outlook for '26 on your last call, which was only a few weeks ago. So I'm going to just switch gears and just ask just on the sale processes that are ongoing. It sounds like maybe we're within 90 days or hearing something at least or somewhere around there, maybe less than 6 months. But -- just curious, are a lot of your -- the processes themselves, do you have -- how would you characterize the interest? Is it different across your assets? Just kind of how you feel so far it's progressing?

**Elias Joseph Sabo**  
*CEO & Director*

Yes. Larry, thank you for the question. Look, we don't give a lot of detail about any processes and we historically have not, as you know, -- it is -- these processes are inherently uncertain, just by their very nature. And so we try to be very, I would say, reserved in terms of what we talk about with any of these processes. We've been saying for a while that it is our intent to divest at least a subsidiary maybe more, and that deleveraging is the most important thing that we have on our agenda right now and we are very much focused on that.

I just want to make one point very clear. We were not restated until early January. And we were not -- it was not advisable for us to have information on our companies in the market prior to having our earnings restated. So as a result of that, one has to just understand that although we could do a lot of prework prior to getting our numbers restated the work really kind of initiates upon the restatement. So I think we're working, as we said in our script, as diligently as possible. We understand expediency is important, but we will not do so at the expense of deterioration in value in our assets. Now with respect to interest in companies that we are currently engaging, I would say, it's really strong. And we own great companies, and these companies are highly marketable. And when they come to market, there are multiple bidders. Typically, you get both a combination of financial and strategic buyers that look at these assets. And we are finding that to be the case with the assets that we currently are considering for divestiture.

**Lawrence Scott Solow**  
*CJS Securities, Inc.*

Fair enough. I appreciate that. Just a couple on the outlook, and then I'll move on. Just it looks like most of the growth is on the branded side, consumer side. I know industrial is usually a slower group of businesses. But -- and I guess this year, Arnold, you mentioned there'll still be some geopolitical risk that we'll probably get some rebound from last year, but maybe not a full recovery. Maybe you could talk a little bit more about the outlook there. And then just on Altor. I know the quarter was a little bit weak. And I know that the vaccine sales have been down a lot. But somewhat of a little bit of a change on the government recommendations and also. So if you could maybe just walk us through just a little bit more on the industrial businesses.

**Elias Joseph Sabo**  
*CEO & Director*

Yes. I would say, Larry, that we did encounter weakness. With respect to Arnold, it has been very difficult to manage. And I'm going to say -- step back and say, broadly, it's very difficult to manage businesses today. With the tariff and geopolitical uncertainty that has come from all of this tariff chaos. And I think that's probably the only word that you can use. We have tariffs then tariffs are suspended by our go way by the Supreme Court and the new tariffs come back. It creates a lot of distortions in numbers when you're managing against that backdrop.

With respect to Arnold, in particular, the actions of China against these tariffs have been to create, in some cases, complete export controls, which is what we suffered most of 2025. Now at the end of the year, we started to see that relieve. And now as we said in our script, we've seen that emerge back again where a majority of our export licenses have been canceled as China gets ready for bilateral discussions with the U.S. and clearly, this is a leverage point. And Arnold unfortunately gets kind of -- it's the football that gets thrown around back and forth. The good news about that is we are about to lap in a few months where export controls were put in place -- so the pain that has suffered from these export controls will principally be early in the year.

And then we lap that so that it is no longer going to create a headwind. As Stephen and I both commented in our script in different sections, Arnold's quoting activity is at an all-time high. Their backlog is up 40% from where it was a year ago. And our Thailand facility, which is going to add capacity that we were currently producing in China is starting to produce, and we think that is going to materially enhance our supply capabilities and our supply chain.

So yes, there is a couple of months more potentially of noise that is coming out, and it will make Arnold maybe not look quite as strong in growth in '26 over '25. But as we emerge through the year, I think the kind of growth rate, Arnold is capable of demonstrating will start to become in sight when we get into the back half of the year. And frankly, from the level of quoting activity and the level of orders that we're getting, to the extent we have supply, we feel that 2026 could be a very good year and could develop out really strong. I'll let Stephen comment on Altor.

**Stephen Keller**  
*Executive VP & CFO*

Yes. So Altor is actually -- we're a little bit more cautious in our outlook for Altor. We still think it's long-term positioned very well for -- in the cold chain. Obviously, some of the current administration's kind of war on vaccines has not necessarily been supportive of that business in the fourth quarter. And so we're still working through that as we go into next year. So we're a little bit more cautious on Altor for 2026. Because in addition to the cold chain and the vaccines, we also have -- the tariffs have caused a slowdown in kind of appliance and appliance purchases. So again, we think the business is well positioned for the long term until there's a little bit more stability in the economic outlook, specifically around tariffs and then also on vaccines. I think that's really -- we're going to have to get through that to really see significant growth, but we will see it stabilize in 2026.

And overall, I think the industrial business collectively, when you expect Sterno and Altor to be relatively modest and then there is significant upside opportunity in Arnold. It could be a really good year. We do have to work through the trade situation.

**Lawrence Scott Solow**  
*CJS Securities, Inc.*

Got you. And Stephen, has your free cash flow assumption for this year changed at all? I know you kind of gave a preliminary number last quarter, but no, you still look...

**Stephen Keller**  
*Executive VP & CFO*

Not at all. We're very -- we're still saying at between \$50 million and \$100 million of free cash flow makes sense. And I would say, again, probably there's always a little bit of upside potential related to timing of recoveries related to Lugano or directly related to Lugano or related to D&O insurance claims, et cetera. So operating, no changes, potential upside from the Lugano situation.

**Operator**

Our next question comes from the line of Cris Kennedy with William Blair.

**Cristopher David Kennedy**  
*William Blair & Company L.L.C., Research Division*

Just wanted to talk a little bit about the branded consumer business this year given the wider-than-normal range. Like what -- I don't know, Talk a little bit about that wider range. Is it mostly tariff related or just the general economy? Just a little bit more color would be helpful.

**Elias Joseph Sabo**  
*CEO & Director*

Yes. Cris, I think it's -- honestly, it's both and they're related. The tariff uncertainty is just creating, I guess, uncertainty would be the proper word. It is highly fluid right now, as you know. And because of that, we just are anticipating slightly greater volatility. If there is better clarity on where tariffs are in the state of the economy, then I think as we progress through the year, we'll be able to narrow that down quite a bit. But given the real chaos that is kind of being created out of the tariffs in the last 1.5 weeks has been very chaotic with what has happened. We just felt it was better to widen our range right now given that.

I will make one comment also, which is the tariffs have had a negative impact on consumer spending. We've seen that -- we saw that in the retail sales data that came out flat during the holiday season. Obviously, units were down within that and pricing was up. So I think we're seeing the impact of tariffs and the tax that they create on consumption for consumer goods having an impact. And we

want to be responsible as we guide for next year and have an understanding that these tariffs could have big upside if they get pulled off completely and 150 days from now, we go back to 0. It could have kind of issues that we've already been seeing, which is reduced consumer activity. We saw that in the fourth quarter. So that is supporting a wider range right now and we don't know things like are there going to be refunds for the tariffs that the Supreme Court struck down. There's just a lot of uncertainties that are out there. No refunds have been built into the guidance, by the way.

**Cristopher David Kennedy**

*William Blair & Company L.L.C., Research Division*

Got it. Understood. And then just -- we noticed that leadership change at PrimaLoft, if you could just kind of give a state of the union on that subsidiary would be great.

**Elias Joseph Sabo**

*CEO & Director*

Yes. So we acquired PrimaLoft a couple of years ago. It's been kind of flattish along from when we acquired it. There was a lot of inventory that had to work through the channel. The company is well positioned right now. We had an opportunity to bring in an incredibly strong leader who had previously worked at one of our other subsidiaries in at BOA, in a very, very senior capacity. At the same time, BOA's CEO, Sean Neville, who's a Board member at PrimaLoft, and Sean is a very skilled executive and one of the best executives actually that I've ever worked with. And so having his talent at PrimaLoft from a board level, is very helpful in that business. And the ability to bring in Eric Weis who is a true superstar, we think -- is creates an opportunity for PrimaLoft to really accelerate its growth and market penetration.

And so there was nothing kind of wrong with PrimaLoft or with the leadership, but we felt this was an opportunity to bring in somebody who we had worked with before, who we know is an extraordinary talent and when you get those kind of opportunities, we think it's value creating within our entire firm.

**Operator**

Our next question comes from the line of Timothy D'Agostino with Equity Research Analyst.

**Timothy Egan D'Agostino**

*B. Riley Securities, Inc., Research Division*

Yes. I guess a lot of subsidiaries have been touched on. I guess could you kind of just give a little bit of a pulse check over at 5.11. And you might have spoken to it a little bit earlier. But it seems that the business just kind of keeps performing. So it would be great to kind of just hear a little more color on what's going over there.

**Elias Joseph Sabo**

*CEO & Director*

Yes. I mean 5.11, there's 2 pieces of the business. One is the professional side. That side of the business is a good, steady growth business mostly driven by government and municipality spend in the U.S. and then internationally by government. That is a very good solid core of the business which is very consistent and kind of grows year in and year out. The other side is the consumer business, which has been a big emphasis of growth under CODI's ownership, which is now coming up on a decade and we started with very little in consumer. I think there were 4 stores when we acquired the company back in 2016, and now there's well over 100. And so that has been a huge focus for us.

I would say on the consumer side, one of the things that has occurred here, this consumer for 5.11 is very price sensitive. And inflation has been very kind of difficult for that kind of mid- to middle upper consumer, which is where 5.11 generally fits. As we know, we had a bout of inflation in '22 and '23 and '24 that caused real wages to go down for that cohort of buyer. And although 5.11 performed well through that, pushed through prices, we really found that we had gotten to sort of the top of the price level that our customers could afford. Unfortunately, when tariffs came in, apparel has been one of the areas that has been hit the hardest.

And 5.11 experienced that as well. We found that elasticity of demand was quite high as we tried to push through pricing. Some of that we had to roll back and that is gross margin dilutive, clearly, to be able to do that. But generally, the apparel category is having a lot of difficulty as this inflation on consumers' goods has caused consumers to have to make more choices today. And apparel has been one of the choices that just broadly, they have not made or they've made in reduced consumption.

5.11 is experiencing that. And so the professional side is doing well. The consumer side has some headwinds given the prices that have been happening. Now on the flip side, 5.11 has probably been the most advanced company in implementing AI initiatives and

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getting productivity and so we've been able to generate positive operating earnings growth in this company because we've offset some of that gross margin degradation through SG&A cuts enabled by AI productivity, and we would anticipate continuing to be able to do that to drive the business until we get to a better and more healthy consumer.

**Operator**

[Operator Instructions] Our next question comes from the line of Heli Sheth with Raymond James.

**Heli Sheth**

*Raymond James & Associates, Inc., Research Division*

So as you take step towards deleveraging, do you have any sort of leverage target that you're looking to achieve shorter term by the end of 2026 versus longer term? And what's the probability of achieving those leverage targets organically rather than from asset sales?

**Elias Joseph Sabo**

*CEO & Director*

Yes, thanks for the question. I really appreciate it. So first of all, I want to be clear long term, we're targeting 3 to 3.5x. That's the right area that we would like to be at probably the way we kind of think of it through the end of 2026 is that we would be around 4 -- to get to 4x, you would probably need to have -- we would definitely need to have some sort of deleveraging event through a sale transaction. Outside of that organically, we should be down well around 4 -- we would be probably around 4.5% is probably where you would be without a transaction, always somewhat dependent on the timing of recoveries from Lugano. But key things here is we got some nice -- the sale leaseback allowed us to pay back \$11 million of debt.

We're going to generate somewhere between \$50 million and \$100 million of free cash flow that we'll use to pay down debt. We will also have, as we said, the growth -- mid-single-digit growth in EBITDA, all those organically get you down. Then you have the recoveries from Lugano, and then you have deleveraging events. All that together, again, puts us around that 4x leverage.

**Heli Sheth**

*Raymond James & Associates, Inc., Research Division*

Got it. And a quick follow-up. As you begin these sale processes, what sort of M&A market are you seeing? And anything to flag there?

**Elias Joseph Sabo**

*CEO & Director*

Yes. I would say the M&A market is -- it's not hot by any means, but it's also not dead. There's been little activity in the M&A markets over the last couple of years, and there's a lot of capital that remains available to acquire good assets. But I would say it is a maybe lukewarm kind of market. It really depends on the type of asset that you have. Good assets always find good opportunities to be sold. And they create enough interest from multiple bidding parties to keep the integrity in the process and the price at a reasonable value.

I would say what is supportive to asset valuations today are rates are coming down. And capital typically starts flowing as rates start coming down from lending parties and that is very supportive, whether it's to financial buyers or just generally to strategics or anybody else that's in the market. On the sort of flip side to that, some of the policy uncertainty that we're seeing with -- around tariffs, some of the geopolitical risks that are occurring are causing buyers to be more concerned with the economy and what the future of the economy looks like especially when you're outside of like AI and things that are growing that. And as you know, we're in consumer and industrial those are tied to economic activity. So I think it's a little bit of countervailing forces where there's some worry about economic weakness, but you're getting a little bit of strength in kind of reduced rates and more debt capacity, and it kind of creates a, I would call it, moderate conditions for the M&A markets.

**Operator**

And I'm currently showing no further questions at this time. I'd now like to turn the call back over to Elias Sabo for closing remarks.

**Elias Joseph Sabo**

*CEO & Director*

Thank you all for your time today, and we look forward to talking to you on our first quarter conference call.

**Operator**

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This concludes today's conference. Thank you for your participation. You may now disconnect.

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